



**August
2022**

**Financial Statements
and Management's
Discussion & Analysis**

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Management's Discussion and Analysis

Results of Operations

Catalyst Corporate's net income for the eight months ended August 31, 2022 and 2021 totaled \$28,290,963 and \$60,652,342, respectively. August year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2022 and 2021 of 77.4% and 85.7%, respectively.

A summary of the unaudited results of Catalyst Corporate's operations for the eight months ended August 31, 2022 and 2021 is included in the following table.

	YTD Aug 2022	YTD Aug 2021
Net interest income	\$15,735,156	\$12,269,930
Recapture of loan losses	6,915	-
Net fee income	27,639,887	27,589,255
Operating expenses	(35,705,378)	(32,184,952)
April 2022 fee waiver	(2,835,941)	-
Other income on U.S. Central Estate settlement	20,642,325	52,647,841
Other net gains	1,640,900	29,836
Non controlling interest	1,167,099	300,432
Net income	\$28,290,963	\$60,652,342

Key Information:		
Net operating expense	\$8,065,491	\$4,595,697
Perpetual contributed capital (PCC)	\$186,582,231	\$178,523,145
Retained earnings	\$183,706,259	\$190,222,895
Operating efficiency ratio	77.4%	85.7%
Return on assets	1.07%	2.27%
Leverage ratio	9.18%	9.03%
Retained earnings ratio	4.64%	4.74%
Daily average net assets – 12 month rolling	\$3,957,017,686	\$4,009,285,153
Monthly average EBA balance transfer to FRB	\$4,611,236,989	\$10,803,174,297

Credit Risk

All investments are classified as available-for-sale investments. As of August 31, 2022, Catalyst Corporate's asset-backed securities are collateralized by the following asset types:

Asset Type	Fair Value
Automobile	\$504,074,864
Credit card	401,706,241
FFELP Student loan	198,158,709
Equipment	176,820,653
Total	\$1,280,760,467

Interest Rate Risk

Catalyst Corporate's primary method of monitoring interest rate risk is through the net economic value (NEV) test. The NEV test measures the dollar and percentage potential change in the fair value of Catalyst Corporate's capital (perpetual contributed capital and retained earnings) given a parallel, instantaneous, and permanent 300 basis point upward and downward change in the yield curve. The objective of the NEV test is to measure whether Catalyst Corporate has sufficient capital to absorb potential changes to the fair value of its balance sheet given large, sustained instantaneous interest rate shocks.

A summary of Catalyst Corporate's NEV test as of August 31, 2022 is as follows (in thousands):

	Fair Value	Fair Value +300 Basis Points	Fair Value -200 Basis Points ¹
NEV	\$321,200	\$268,500	\$360,200
% Change in NEV	-	(16.4%)	12.1%

The percentage changes to Catalyst Corporate's NEV under either rate shock are under the 20 percent NCUA regulatory limit.

¹ Interest rates are adjusted down 200 basis points due to the low rate environment at August 31, 2022.

Liquidity Risk

Liquidity risk pertains to whether Catalyst Corporate has sufficient short-term assets, marketable securities, and borrowing capacity to meet member credit unions' potential liquidity needs.

As of August 31, 2022, Catalyst Corporate has \$1,370,750,506 in cash and cash equivalents. In addition, Catalyst Corporate has access to a \$611,542,367 advised line of credit (LOC) with Federal Home Loan Bank (FHLB) of Dallas, as well as a \$1,152,684,421 repurchase agreement LOC with J.P. Morgan Securities LLC and a \$30,000,000 unsecured Fed Funds LOC with JPMorgan Chase Bank as of August 31, 2022. The advised LOC with FHLB of Dallas and the repurchase agreement LOC with J.P. Morgan Securities LLC are secured with qualified investment securities. There are no outstanding advances under any of these agreements as of August 31, 2022.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$553,355,180 and additional uncommitted lines of credit to members of \$9,754,295,936 as of August 31, 2022. All outstanding lines of credit are collateralized by specific or general pledges of the members' assets.

Consolidated Statements of Financial Condition

(Unaudited)

August 31,	2022	2021
Assets		
Cash and cash equivalents	\$1,370,750,506	\$2,463,436,464
Investments:		
Available-for-sale	1,922,162,276	1,470,199,328
Central Liquidity Facility (CLF) capital stock	99,098,382	97,697,731
Other investments	36,077,081	16,238,842
Loans, net of allowance of \$37,634 and \$61,408 as of August 31, 2022 and 2021, respectively	553,355,180	171,135,973
Accrued receivables and other assets	38,003,758	32,723,796
Property and equipment, net	13,994,838	14,305,282
Goodwill and other intangible assets	7,414,220	7,824,220
National Credit Union Share Insurance Fund (NCUSIF)	2,443,766	2,493,853
Total assets	\$4,043,300,007	\$4,276,055,489
Liabilities		
Members' shares	\$3,255,880,140	\$3,780,475,779
Members' share certificates	411,334,684	96,630,000
Accrued expenses and other liabilities	19,659,801	16,652,048
Total liabilities	3,686,874,625	3,893,757,827
Members' Equity		
PCC	186,582,231	178,523,145
Retained earnings	183,706,259	190,222,895
Non controlling interest	11,956,790	4,697,067
Accumulated other comprehensive (loss)/income	(25,819,898)	8,854,555
Total members' equity	356,425,382	382,297,662
Total liabilities and members' equity	\$4,043,300,007	\$4,276,055,489
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statements of Income

(Unaudited)

	For the eight months ended August 31,	
	2022	2021
Interest income		
Available-for-sale investments	\$14,703,280	\$9,386,439
Federal Reserve Bank	7,197,330	1,729,071
Loans	4,163,833	1,390,141
Other	593,590	380,687
Total interest income	26,658,033	12,886,338
Interest expense		
Borrowed funds	471,627	201
Members' shares	8,525,060	520,086
Members' share certificates	1,926,190	96,121
Total interest expense	10,922,877	616,408
Net interest income	15,735,156	12,269,930
Recapture of loan losses	6,915	-
Net interest income after recapture of loan losses	15,742,071	12,269,930
Net fee income		
Share draft and depository processing fees	13,817,073	12,980,832
Off-balance-sheet income	8,138,369	9,392,372
Other fee income	12,021,328	10,631,656
Outside processing and service costs	(6,336,883)	(5,415,605)
Total net fee income	27,639,887	27,589,255
Operating expenses		
Compensation and benefits	25,969,449	23,513,126
Information technology	5,695,858	5,441,255
Professional fees	1,353,937	944,540
Office occupancy	824,228	798,856
Other operating expense	1,861,906	1,487,175
Total operating expenses	35,705,378	32,184,952
April 2022 fee waiver	(2,835,941)	-
Other income on U.S. Central Estate settlement	20,642,325	52,647,841
Other net gains	1,640,900	29,836
Non controlling interest	1,167,099	300,432
Net income	\$28,290,963	\$60,652,342

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income

(Unaudited)

For the eight months ended August 31,	2022
Net income	\$28,290,963
Other comprehensive loss	
Net unrealized holding losses on investments classified as available-for-sale	(28,152,721)
Net unrealized holding losses on derivatives designated as cash flow hedges	(195,269)
Total other comprehensive loss	(28,347,990)
Comprehensive loss	(\$57,027)
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>	

Consolidated Statement of Members' Equity

(Unaudited)

For the eight months ended August 31, 2022

	PCC	Retained Earnings	Non Controlling Interest	Accumulated Other Comprehensive Income/(Loss)	Total
Balance at December 31, 2021	\$179,026,250	\$192,567,414	\$6,539,789	\$2,528,092	\$380,661,545
Net income (loss)		28,290,963	(1,167,099)		27,123,864
Capital contribution - additional			6,584,100		6,584,100
PCC issued	7,555,981				7,555,981
Dividends paid on PCC		(1,289,212)			(1,289,212)
Non pro-rata dividend distribution		(35,862,906)			(35,862,906)
Other comprehensive loss				(28,347,990)	(28,347,990)
Balance at August 31, 2022	\$186,582,231	\$183,706,259	\$11,956,790	(\$25,819,898)	\$356,425,382
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>					

Notes to Consolidated Financial Statements

1. Cash and Cash Equivalents

Cash on deposit and cash items in the process of collection from correspondent banks and the Federal Reserve Bank are included in cash and cash equivalents in the consolidated statements of financial condition.

2. Available-for-Sale Investments

The amortized cost and estimated fair value of available-for-sale investments as of August 31, 2022 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized Loss
Asset-backed securities	\$1,291,353,803	\$1,280,760,467	(\$10,593,336)
Agency commercial mortgage-backed securities	430,132,536	419,610,346	(10,522,190)
Agency mortgage-backed securities	46,403,499	44,481,085	(1,922,414)
Corporate debt obligations	29,747,720	29,444,128	(303,592)
U.S. Treasury and federal agency securities	150,149,347	147,866,250	(2,283,097)
Total	\$1,947,786,905	\$1,922,162,276	(\$25,624,629)

3. CLF Capital Stock

CLF capital stock at August 31, 2022 includes \$89,063,882 invested into NCUA's Central Liquidity Facility (CLF) Agent Subscription Program by Catalyst Corporate on behalf of its member credit unions with assets under \$250,000,000, as well as \$10,034,500 invested by Catalyst Corporate as a regular member of the NCUA CLF.

4. Other Investments

Other investments are comprised of the following as of August 31, 2022:

Investments in credit union service organizations (CUSOs)	\$7,098,581
Interest-bearing deposits	9,848,000
FHLB capital stock	18,130,500
Other	1,000,000
Total	\$36,077,081

Investments in CUSOs includes equity method investments in Primary Financial, LLC and CU Business Group, LLC and investments carried at cost, less impairments, if any, which include investments in CO-OP, Constellation Digital Partners, LLC, CURQL Fund I, LLP, CU Investment Solutions, LLC, and Members Development Company, LLC.

5. Loans

The composition of loans is as follows as of August 31, 2022:

Open-end credit lines	\$199,449,869
Term loans	353,397,930
Loan participations, net of allowance	507,381
Total	\$553,355,180

6. Members' Shares

Members' shares are summarized as follows as of August 31, 2022:

Cash management	\$1,578,492,209
Performance tiered	1,599,401,832
Other	77,986,099
Total	\$3,255,880,140

Catalyst Corporate members transferred \$3,778,328,184 to the Excess Balance Account at the Federal Reserve Bank as of August 31, 2022.

7. Regulatory Capital

As of August 31, 2022, Catalyst Corporate's retained earnings ratio is 4.64%. Catalyst Corporate exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations as of August 31, 2022.

The table below presents Catalyst Corporate's actual and required capital ratios as of August 31, 2022:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Leverage ratio	9.18%	4.00%	5.00%
Tier 1 risk-based capital ratio	28.48%	4.00%	6.00%
Total risk-based capital ratio	28.48%	8.00%	10.00%

8. U.S. Central Estate Settlement

On March 18, 2021, the NCUA announced an interim distribution representing a partial recovery to the capital holders of the U.S. Central Asset Management Estate (USC AME). Catalyst Corporate holds an interest in the USC AME related to claims from Georgia Corporate Federal Credit Union (Georgia Corporate) and First Corporate Federal Credit Union (First Corporate). The total expected recovery for Catalyst Corporate is approximately \$104,300,000. As of September 2022, Catalyst Corporate has received four distributions in 2021 and 2022 totaling \$91,200,000 with the remaining \$13,100,000 projected to be received in 2023.

Catalyst Corporate's Board of Directors intended to distribute a portion of the funds received from the USC AME solely to former member credit unions of Georgia Corporate and First Corporate that are, or would become, fully capitalized PCC members of Catalyst Corporate in an amount equal to the capital that they lost at either Georgia Corporate or First Corporate. On June 1, 2022, an amount of \$35,862,906 was distributed to the Georgia Corporate and First Corporate credit unions that were fully capitalized on September 15, 2021.

The Georgia Corporate and First Corporate credit unions that were not fully capitalized on September 15, 2021, were given until January 31, 2022, to become fully capitalized PCC members in order to receive the distribution. The distribution of approximately \$17,200,000 to the credit unions that became fully capitalized members by January 31, 2022, occurred on September 30, 2022.

The Catalyst Corporate Board of Directors also approved a fee waiver of all recurring monthly member services fees on the April 2022 billing invoice. The April 2022 fee waiver totaled \$2,835,941 and was recorded in the consolidated statement of income for the four months ended April 30, 2022.