



**September
2022**

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

Table of Contents

Management’s Discussion and Analysis	2
Results of Operations	2
Credit Risk.....	3
Interest Rate Risk.....	3
Liquidity Risk.....	4
Consolidated Statements of Financial Condition (<i>Unaudited</i>).....	5
Consolidated Statements of Income (<i>Unaudited</i>)	6
Consolidated Statement of Comprehensive Income (<i>Unaudited</i>)	7
Consolidated Statement of Members’ Equity (<i>Unaudited</i>)	7
Notes to Consolidated Financial Statements	8
1. Cash and Cash Equivalents	8
2. Available-for-Sale Investments	8
3. CLF Capital Stock	8
4. Other Investments	9
5. Loans	9
6. Members’ Shares	9
7. Regulatory Capital.....	10
8. U.S. Central Estate Settlement.....	10

For more information, please contact:

Melissa Wardell, SVP/Chief Financial Officer at 214.703.7890 or mwardell@catalystcorp.org

Management's Discussion and Analysis

Results of Operations

Catalyst Corporate's net income for the nine months ended September 30, 2022 and 2021 totaled \$48,451,402 and \$61,298,470, respectively. September year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2022 and 2021 of 76.9% and 85.6%, respectively.

A summary of the unaudited results of Catalyst Corporate's operations for the nine months ended September 30, 2022 and 2021 is included in the following table.

	YTD Sept 2022	YTD Sept 2021
Net interest income	\$18,921,470	\$13,622,057
Recapture of loan losses	6,915	-
Net fee income	31,025,044	31,172,027
Operating expenses	(40,370,151)	(36,432,732)
April 2022 fee waiver	(2,835,941)	-
Other income on U.S. Central Estate settlement	38,718,134	52,647,841
Other net gains	1,640,900	29,836
Non controlling interest	1,345,031	259,441
Net income	\$48,451,402	\$61,298,470

Key Information:		
Net operating expense	\$9,345,107	\$5,260,705
Perpetual contributed capital (PCC)	\$186,582,231	\$178,523,145
Retained earnings	\$186,715,130	\$190,869,023
Operating efficiency ratio	76.9%	85.6%
Return on assets	1.65%	2.02%
Leverage ratio	9.31%	8.94%
Retained earnings ratio	4.75%	4.71%
Daily average net assets – 12 month rolling	\$3,930,737,726	\$4,055,926,886
Monthly average EBA balance transfer to FRB	\$3,648,591,601	\$10,838,001,421

Credit Risk

All investments are classified as available-for-sale investments. As of September 30, 2022, Catalyst Corporate's asset-backed securities are collateralized by the following asset types:

Asset Type	Fair Value
Automobile	\$473,035,305
Credit card	352,341,150
FFELP Student loan	189,044,141
Equipment	163,656,018
Total	\$1,178,076,614

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 September 30, 2022 is as follows (in thousands):

	Fair Value	Fair Value +300 Basis Points	Fair Value -200 Basis Points ¹
NEV	\$308,200	\$258,500	\$345,100
% Change in NEV	-	(16.1%)	11.9%

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 September 30, 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 September 30, 2022, Catalyst Corporate has \$1,950,105,876 in cash and cash equivalents. In addition, Catalyst Corporate has access to a \$574,698,584 advised line of credit (LOC) with Federal Home Loan Bank (FHLB) of Dallas, as well as a \$1,060,268,952 repurchase agreement LOC with J.P. Morgan Securities LLC and a \$30,000,000 unsecured Fed Funds LOC with JPMorgan Chase Bank as of September 30, 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 September 30, 2022.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$617,396,009 and additional uncommitted lines of credit to members of \$9,734,528,666 as of September 30, 2022. All outstanding lines of credit are collateralized by specific or general pledges of the members' assets.

Consolidated Statements of Financial Condition

(Unaudited)

September 30,	2022	2021
Assets		
Cash and cash equivalents	\$1,950,105,876	\$2,536,507,458
Investments:		
Available-for-sale	1,853,841,763	1,450,596,184
Central Liquidity Facility (CLF) capital stock	98,595,982	97,697,731
Other investments	20,274,822	16,244,797
Loans, net of allowance of \$38,051 and \$61,408 as of September 30, 2022 and 2021, respectively	617,396,009	167,006,680
Accrued receivables and other assets	39,633,564	32,366,417
Property and equipment, net	13,885,594	14,550,979
Goodwill and other intangible assets	7,380,053	7,790,053
National Credit Union Share Insurance Fund (NCUSIF)	2,443,766	2,493,853
Total assets	\$4,603,557,429	\$4,325,254,152
Liabilities		
Members' shares	\$3,916,328,433	\$3,828,988,913
Members' share certificates	317,823,485	95,670,000
Accrued expenses and other liabilities	19,464,904	18,833,841
Total liabilities	4,253,616,822	3,943,492,754
Members' Equity		
PCC	186,582,231	178,523,145
Retained earnings	186,715,130	190,869,023
Non controlling interest	11,778,858	4,738,058
Accumulated other comprehensive (loss)/income	(35,135,612)	7,631,172
Total members' equity	349,940,607	381,761,398
Total liabilities and members' equity	\$4,603,557,429	\$4,325,254,152
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statements of Income

(Unaudited)

	For the nine months ended September 30,	
	2022	2021
Interest income		
Available-for-sale investments	\$18,194,775	\$10,314,842
Federal Reserve Bank	9,962,546	2,031,899
Loans	5,584,172	1,562,659
Other	1,058,539	413,601
Total interest income	34,800,032	14,323,001
Interest expense		
Borrowed funds	471,627	201
Members' shares	13,001,921	597,680
Members' share certificates	2,405,014	103,063
Total interest expense	15,878,562	700,944
Net interest income	18,921,470	13,622,057
Recapture of loan losses	6,915	-
Net interest income after recapture of loan losses	18,928,385	13,622,057
Net fee income		
Share draft and depository processing fees	15,615,818	14,613,857
Off-balance-sheet income	9,023,468	10,452,801
Other fee income	13,576,691	12,220,788
Outside processing and service costs	(7,190,933)	(6,115,419)
Total net fee income	31,025,044	31,172,027
Operating expenses		
Compensation and benefits	29,225,049	26,477,606
Information technology	6,408,361	6,125,983
Professional fees	1,496,714	1,075,938
Office occupancy	933,270	902,861
Other operating expense	2,306,757	1,850,344
Total operating expenses	40,370,151	36,432,732
April 2022 fee waiver	(2,835,941)	-
Other income on U.S. Central Estate settlement	38,718,134	52,647,841
Other net gains	1,640,900	29,836
Non controlling interest	1,345,031	259,441
Net income	\$48,451,402	\$61,298,470

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

Consolidated Statement of Comprehensive Income

(Unaudited)

For the nine months ended September 30,	2022
Net income	\$48,451,402
Other comprehensive loss	
Net unrealized holding losses on investments classified as available-for-sale	(37,321,729)
Net unrealized holding losses on derivatives designated as cash flow hedges	(341,975)
Total other comprehensive loss	(37,663,704)
Comprehensive income	\$10,787,698
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>	

Consolidated Statement of Members' Equity

(Unaudited)

For the nine months ended September 30, 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)		48,451,402	(1,345,031)		47,106,371
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		(53,014,474)			(53,014,474)
Other comprehensive loss				(37,663,704)	(37,663,704)
Balance at September 30, 2022	\$186,582,231	\$186,715,130	\$11,778,858	(\$35,135,612)	\$349,940,607
<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 September 30, 2022 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized Loss
Asset-backed securities	\$1,191,240,682	\$1,178,076,614	(\$13,164,068)
Agency commercial mortgage-backed securities	472,230,300	457,247,607	(14,982,693)
Agency mortgage-backed securities	45,139,178	42,183,334	(2,955,844)
Corporate debt obligations	29,763,451	29,352,766	(410,685)
U.S. Treasury and federal agency securities	150,261,789	146,981,442	(3,280,347)
Total	\$1,888,635,400	\$1,853,841,763	(\$34,793,637)

3. CLF Capital Stock

CLF capital stock at September 30, 2022 includes \$88,561,482 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 September 30, 2022:

Investments in credit union service organizations (CUSOs)	\$7,259,322
Interest-bearing deposits	9,848,000
FHLB capital stock	2,167,500
Other	1,000,000
Total	\$20,274,822

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 September 30, 2022:

Open-end credit lines	\$370,565,239
Term loans	246,358,898
Loan participations, net of allowance	471,872
Total	\$617,396,009

6. Members' Shares

Members' shares are summarized as follows as of September 30, 2022:

Cash management	\$2,228,627,053
Performance tiered	1,626,668,201
Other	61,033,179
Total	\$3,916,328,433

Catalyst Corporate members transferred \$4,365,286,435 to the Excess Balance Account at the Federal Reserve Bank as of September 30, 2022.

7. Regulatory Capital

As of September 30, 2022, Catalyst Corporate's retained earnings ratio is 4.75%. Catalyst Corporate exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations as of September 30, 2022.

The table below presents Catalyst Corporate's actual and required capital ratios as of September 30, 2022:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Leverage ratio	9.31%	4.00%	5.00%
Tier 1 risk-based capital ratio	28.13%	4.00%	6.00%
Total risk-based capital ratio	28.14%	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.