



**October
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 ten months ended October 31, 2022 and 2021 totaled \$50,606,418 and \$62,341,154, respectively. October year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2022 and 2021 of 76.1% and 85.6%, respectively.

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

	YTD Oct 2022	YTD Oct 2021
Net interest income	\$22,289,375	\$14,974,322
Recapture of loan losses	6,915	-
Net fee income	34,154,676	34,619,492
Operating expenses	(44,892,006)	(40,456,850)
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	283,124
Non controlling interest	1,524,365	273,225
Net income	\$50,606,418	\$62,341,154

Key Information:		
Net operating expense	\$10,737,330	\$5,837,358
Perpetual contributed capital (PCC)	\$187,310,381	\$178,523,145
Retained earnings	\$187,459,299	\$191,646,237
Operating efficiency ratio	76.1%	85.6%
Return on assets	1.56%	1.82%
Leverage ratio	9.46%	8.86%
Retained earnings ratio	4.83%	4.67%
Daily average net assets – 12 month rolling	\$3,885,121,530	\$4,102,854,838
Monthly average EBA balance transfer to FRB	\$3,290,435,890	\$10,731,555,119

Credit Risk

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

Asset Type	Fair Value
Automobile	\$453,189,286
Credit card	353,323,216
FFELP Student loan	181,929,079
Equipment	167,884,234
Total	\$1,156,325,815

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 October 31, 2022 is as follows (in thousands):

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
NEV	\$295,500	\$244,500	\$353,700
% Change in NEV	-	(17.2%)	19.7%

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

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 October 31, 2022, Catalyst Corporate has \$1,050,466,338 in cash and cash equivalents. In addition, Catalyst Corporate has access to a \$605,542,611 advised line of credit (LOC) with Federal Home Loan Bank (FHLB) of Dallas, as well as a \$100,000,000 repurchase agreement LOC with J.P. Morgan Securities LLC and a \$30,000,000 unsecured Fed Funds LOC with JPMorgan Chase Bank as of October 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 October 31, 2022.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$638,487,745 and additional uncommitted lines of credit to members of \$9,804,274,101 as of October 31, 2022. All outstanding lines of credit are collateralized by specific or general pledges of the members' assets.

Consolidated Statements of Financial Condition

(Unaudited)

October 31,	2022	2021
Assets		
Cash and cash equivalents	\$1,050,466,338	\$2,654,134,929
Investments:		
Available-for-sale	1,826,332,408	1,503,641,775
Central Liquidity Facility (CLF) capital stock	98,595,982	97,697,731
Other investments	24,839,719	16,249,688
Loans, net of allowance of \$38,051 and \$61,408 as of October 31, 2022 and 2021, respectively	638,487,745	208,324,947
Accrued receivables and other assets	40,779,436	32,869,547
Property and equipment, net	13,680,894	14,233,496
Goodwill and other intangible assets	7,345,886	7,755,886
National Credit Union Share Insurance Fund (NCUSIF)	2,390,296	2,463,194
Total assets	\$3,702,918,704	\$4,537,371,193
Liabilities		
Members' shares	\$2,993,267,346	\$4,024,069,556
Members' share certificates	312,192,856	91,894,000
Accrued expenses and other liabilities	52,338,333	39,418,554
Total liabilities	3,357,798,535	4,155,382,110
Members' Equity		
PCC	187,310,381	178,523,145
Retained earnings	187,459,299	191,646,237
Non controlling interest	11,599,524	6,679,274
Accumulated other comprehensive (loss)/income	(41,249,035)	5,140,427
Total members' equity	345,120,169	381,989,083
Total liabilities and members' equity	\$3,702,918,704	\$4,537,371,193
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statements of Income

(Unaudited)

	For the ten months ended October 31,	
	2022	2021
Interest income		
Available-for-sale investments	\$22,220,856	\$11,218,465
Federal Reserve Bank	12,920,269	2,348,442
Loans	7,363,154	1,748,974
Other	1,393,185	447,282
Total interest income	43,897,464	15,763,163
Interest expense		
Borrowed funds	499,377	201
Members' shares	18,129,124	678,558
Members' share certificates	2,979,588	110,082
Total interest expense	21,608,089	788,841
Net interest income	22,289,375	14,974,322
Recapture of loan losses	6,915	-
Net interest income after recapture of loan losses	22,296,290	14,974,322
Net fee income		
Share draft and depository processing fees	17,298,107	16,302,650
Off-balance-sheet income	9,892,250	11,501,722
Other fee income	14,938,232	13,673,158
Outside processing and service costs	(7,973,913)	(6,858,038)
Total net fee income	34,154,676	34,619,492
Operating expenses		
Compensation and benefits	32,422,243	29,353,115
Information technology	7,261,881	6,807,397
Professional fees	1,605,097	1,220,719
Office occupancy	1,022,125	995,702
Other operating expense	2,580,660	2,079,917
Total operating expenses	44,892,006	40,456,850
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	283,124
Non controlling interest	1,524,365	273,225
Net income	\$50,606,418	\$62,341,154

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

Consolidated Statement of Comprehensive Income

(Unaudited)

For the ten months ended October 31,	2022
Net income	\$50,606,418
Other comprehensive loss	
Net unrealized holding losses on investments classified as available-for-sale	(43,366,699)
Net unrealized holding losses on derivatives designated as cash flow hedges	(410,428)
Total other comprehensive loss	(43,777,127)
Comprehensive income	\$6,829,291
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>	

Consolidated Statement of Members' Equity

(Unaudited)

For the ten months ended October 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)		50,606,418	(1,524,365)		49,082,053
Capital contribution - additional			6,584,100		6,584,100
PCC issued	8,284,131				8,284,131
Dividends paid on PCC		(2,700,059)			(2,700,059)
Non pro-rata dividend distribution		(53,014,474)			(53,014,474)
Other comprehensive loss				(43,777,127)	(43,777,127)
Balance at October 31, 2022	\$187,310,381	\$187,459,299	\$11,599,524	(\$41,249,035)	\$345,120,169
<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 October 31, 2022 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized Loss
Asset-backed securities	\$1,172,878,779	\$1,156,325,815	(\$16,552,964)
Agency commercial mortgage-backed securities	472,182,674	454,910,639	(17,272,035)
Agency mortgage-backed securities	43,999,232	40,862,007	(3,137,225)
Corporate debt obligations	29,779,163	29,344,963	(434,200)
U.S. Treasury and federal agency securities	148,331,167	144,888,984	(3,442,183)
Total	\$1,867,171,015	\$1,826,332,408	(\$40,838,607)

3. CLF Capital Stock

CLF capital stock at October 31, 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 October 31, 2022:

Investments in credit union service organizations (CUSOs)	\$7,266,219
Interest-bearing deposits	10,743,000
FHLB capital stock	5,830,500
Other	1,000,000
Total	\$24,839,719

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 October 31, 2022:

Open-end credit lines	\$226,897,126
Term loans	411,150,451
Loan participations, net of allowance	440,168
Total	\$638,487,745

6. Members' Shares

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

Cash management	\$1,488,468,727
Performance tiered	1,428,823,550
Other	75,975,069
Total	\$2,993,267,346

Catalyst Corporate members transferred \$3,130,732,215 to the Excess Balance Account at the Federal Reserve Bank as of October 31, 2022.

7. Regulatory Capital

As of October 31, 2022, Catalyst Corporate's retained earnings ratio is 4.83%. Catalyst Corporate exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations as of October 31, 2022.

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

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Leverage ratio	9.46%	4.00%	5.00%
Tier 1 risk-based capital ratio	30.38%	4.00%	6.00%
Total risk-based capital ratio	30.39%	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. Distributions of \$35,862,906 and \$17,151,568 were made on June 1, 2022 and September 30, 2022, respectively.

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.