



**October
2023**

**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, 2023 and 2022 totaled \$52,641,847 and \$50,606,418, respectively. October year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2023 and 2022 of 69.3% and 76.1%, respectively.

A summary of the unaudited results of Catalyst Corporate's operations for the ten months ended October 31, 2023 and 2022 is included in the following table.

	YTD Oct 2023	YTD Oct 2022
Net interest income	\$49,151,302	\$22,289,375
Recapture of loan losses	-	6,915
Net fee income	34,476,064	34,154,676
Operating expenses	(49,772,586)	(44,892,006)
April 2022 fee waiver	-	(2,835,941)
Other net gains	-	1,640,900
Other income	16,764,532	38,718,134
Non controlling interest	2,022,535	1,524,365
Net income	\$52,641,847	\$50,606,418

Key Information:		
Net operating expense	\$15,296,522	\$10,737,330
Perpetual contributed capital (PCC)	\$191,160,588	\$187,310,381
Retained earnings	\$234,975,891	\$187,459,299
Operating efficiency ratio	69.3%	76.1%
Return on assets	1.51%	1.56%
Leverage / Tier 1 capital ratio	9.95%	9.44%
Retained earnings ratio	5.62%	4.83%
Daily average net assets – 12 month rolling	\$4,183,625,167	\$3,884,121,530
Monthly average EBA balance transfer to FRB	\$2,796,393,536	\$3,290,435,890

Credit Risk

The weighted average life of assets is 1.188 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.739 years. As of October 31, 2023, Catalyst Corporate's investments are comprised as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss) Gain
Asset-backed securities	\$1,383,261,976	\$1,373,676,506	(\$9,585,470)
Agency commercial mortgage-backed securities	600,789,723	579,854,056	(20,935,667)
U.S. Treasury securities	52,599,971	51,036,905	(1,563,066)
Agency mortgage-backed securities	80,070,331	75,845,911	(4,224,420)
Corporate debt obligations	21,530,936	21,337,685	(193,251)
Federal agency securities	944,030	948,040	4,010
Total	\$2,139,196,967	\$2,102,699,103	(\$36,497,864)

Catalyst Corporate's asset-backed securities are collateralized by the following asset types as of October 31, 2023:

	Amortized Cost	Estimated Fair Value	Net Unrealized Loss
Automobile	\$502,313,259	\$501,326,183	(\$987,076)
Credit card	414,298,271	408,466,500	(5,831,771)
FFELP student loan	305,240,247	302,804,795	(2,435,452)
Equipment	161,410,199	161,079,028	(331,171)
Total	\$1,383,261,976	\$1,373,676,506	(\$9,585,470)

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, 2023 is as follows (in thousands):

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
NEV	\$381,900	\$306,100	\$464,700
% Change in NEV	-	(19.9%)	21.7%

The percentage changes to Catalyst Corporate's NEV under either rate shock are under the 35 percent NCUA regulatory limit under Part I Expanded Authority.

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, 2023, Catalyst Corporate has \$1,755,533,725 in cash and cash equivalents. In addition, Catalyst Corporate has access to a \$1,413,590,789 borrowing capacity at the Federal Reserve Bank based on available collateral. Catalyst Corporate also has access to a \$331,417,105 advised line of credit (LOC) with Federal Home Loan Bank (FHLB) of Dallas, as well as a \$200,000,000 repurchase agreement LOC with J.P. Morgan Securities LLC, all of which are secured with qualified investment securities. Additionally, Catalyst Corporate has access to a \$30,000,000 unsecured Fed Funds LOC with JPMorgan Chase Bank as of October 31, 2023. Catalyst Corporate has \$50,000,000 outstanding advance as of October 31, 2023.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$408,994,047 and additional uncommitted LOCs to members of \$10,914,503,095 as of October 31, 2023. All outstanding LOCs are collateralized by specific or general pledges of the members' assets.

Regulatory Capital

Catalyst Corporate exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations as of October 31, 2023. The table below presents Catalyst Corporate's actual and required capital ratios as of October 31, 2023:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	5.62%	N/A	N/A
Leverage / Tier 1 capital ratio	9.95%	4.00%	5.00%
Tier 1 risk-based capital ratio	33.98%	4.00%	6.00%
Total risk-based capital ratio	33.98%	8.00%	10.00%

Consolidated Statements of Financial Condition

(Unaudited)

October 31,	2023	2022
Assets		
Cash and cash equivalents	\$1,755,533,725	\$1,050,466,338
Investments:		
Available-for-sale	2,102,699,103	1,826,332,408
Central Liquidity Facility (CLF) capital stock	-	98,595,982
Other investments	44,820,402	24,839,719
Loans, net of allowance of \$12,237 and \$38,051 as of October 31, 2023 and 2022, respectively	408,994,047	638,487,745
Accrued receivables and other assets	50,001,102	40,779,436
Property and equipment, net	14,332,004	13,680,894
Goodwill and other intangible assets	6,935,886	7,345,886
National Credit Union Share Insurance Fund (NCUSIF)	2,392,209	2,390,296
Total assets	\$4,385,708,478	\$3,702,918,704
Liabilities		
Members' shares and certificates	\$3,916,860,640	\$3,305,460,202
Borrowed funds	50,000,000	-
Accrued expenses and other liabilities	21,159,521	52,338,333
Total liabilities	3,988,020,161	3,357,798,535
Members' Equity		
PCC	191,160,588	187,310,381
Retained earnings	234,975,891	187,459,299
Non controlling interest	8,950,705	11,599,524
Accumulated other comprehensive loss	(37,398,867)	(41,249,035)
Total members' equity	397,688,317	345,120,169
Total liabilities and members' equity	\$4,385,708,478	\$3,702,918,704
<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,	
	2023	2022
Interest income		
Available-for-sale investments	\$61,203,338	\$22,220,856
Federal Reserve Bank	79,613,795	12,920,269
Loans	21,811,889	7,363,154
Other	2,071,374	1,393,185
Total interest income	164,700,396	43,897,464
Interest expense		
Members' shares and certificates	111,566,287	21,108,712
Borrowed funds	3,982,807	499,377
Total interest expense	115,549,094	21,608,089
Net interest income	49,151,302	22,289,375
Recapture of loan losses	-	6,915
Net interest income after recapture of loan losses	49,151,302	22,296,290
Net fee income		
Share draft and depository processing fees	18,647,812	17,298,107
Off-balance-sheet income	8,074,805	9,892,250
Other fee income	15,760,941	14,938,232
Outside processing and service costs	(8,007,494)	(7,973,913)
Total net fee income	34,476,064	34,154,676
Operating expenses		
Compensation and benefits	36,080,492	32,422,243
Information technology	8,118,789	7,261,881
Professional fees	1,495,210	1,605,097
Office occupancy	998,814	1,022,125
Other operating expense	3,079,281	2,580,660
Total operating expenses	49,772,586	44,892,006
April 2022 fee waiver	-	(2,835,941)
Other net gains	-	1,640,900
Other income	16,764,532	38,718,134
Non controlling interest	2,022,535	1,524,365
Net income	\$52,641,847	\$50,606,418

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,	2023
Net income	\$52,641,847
Other comprehensive loss	
Net unrealized holding losses on investments classified as available-for-sale	(2,693,572)
Net unrealized holding losses on derivatives designated as cash flow hedges	(530,016)
Total other comprehensive loss	(3,223,588)
Comprehensive income	\$49,418,259
The accompanying notes are an integral part of the consolidated financial statements.	

Consolidated Statement of Members' Equity

(Unaudited)

For the ten months ended October 31, 2023

	Perpetual Contributed Capital	Retained Earnings	Non Controlling Interest	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2022	\$187,417,762	\$192,161,001	\$10,973,240	(\$34,175,279)	\$356,376,724
Net income (loss)		52,641,847	(2,022,535)		50,619,312
PCC issued	3,742,826				3,742,826
Dividends paid on PCC		(9,826,957)			(9,826,957)
Other comprehensive loss				(3,223,588)	(3,223,588)
Balance at October 31, 2023	\$191,160,588	\$234,975,891	\$8,950,705	(\$37,398,867)	\$397,688,317
The accompanying notes are an integral part of the consolidated financial statements.					

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, 2023 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss) Gain
Asset-backed securities	\$1,383,261,976	\$1,373,676,506	(\$9,585,470)
Agency commercial mortgage-backed securities	600,789,723	579,854,056	(20,935,667)
U.S. Treasury securities	52,599,971	51,036,905	(1,563,066)
Agency mortgage-backed securities	80,070,331	75,845,911	(4,224,420)
Corporate debt obligations	21,530,936	21,337,685	(193,251)
Federal agency securities	944,030	948,040	4,010
Total	\$2,139,196,967	\$2,102,699,103	(\$36,497,864)

3. Other Investments

Other investments are comprised of the following as of October 31, 2023:

Investments in credit union service organizations (CUSOs)	\$7,786,302
Interest-bearing certificates of deposit	32,557,000
FHLB capital stock	2,477,100
Other	2,000,000
Total	\$44,820,402

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

4. Loans

The composition of loans is as follows as of October 31, 2023:

Open-end credit lines	\$92,072,371
Term loans	316,738,511
Loan participations, net of allowance	183,165
Total	\$408,994,047

5. Members' Shares and Certificates

Members' shares and certificates are summarized as follows as of October 31, 2023:

Daily shares	\$3,727,995,259
Share certificates	188,865,381
Total	\$3,916,860,640

Catalyst Corporate members transferred \$2,654,556,997 to the Excess Balance Account at the Federal Reserve Bank as of October 31, 2023.

6. 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 \$110,494,000. In September 2023, Catalyst Corporate received approximately \$5,765,000. As such, as of October 2023, Catalyst Corporate has received six distributions since 2021 totaling approximately \$106,394,000 with the remaining \$4,100,000 projected to be received in 2024.

In 2022, a portion of the funds received from the USC AME was distributed to former member credit unions of Georgia Corporate and First Corporate that are capitalized PCC members of Catalyst Corporate. The amount distributed in 2022 totaled approximately \$53,014,000 and was equal to the capital that these member credit unions lost at either Georgia Corporate or First Corporate. Additionally, Catalyst waived one month of member services fees in 2022 totaling \$2,836,000.