



**November
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 eleven months ended November 30, 2022 and 2021 totaled \$52,703,445 and \$62,948,984, respectively. November year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2022 and 2021 of 75.2% and 85.2%, respectively.

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

	YTD Nov 2022	YTD Nov 2021
Net interest income	\$25,857,841	\$16,291,973
Recapture of loan losses	6,915	-
Net fee income	37,327,772	38,040,047
Operating expenses	(49,658,799)	(44,635,681)
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	1,646,623	321,680
Net income	\$52,703,445	\$62,948,984

Key Information:		
Net operating expense	\$12,331,027	\$6,595,634
Perpetual contributed capital (PCC)	\$187,417,762	\$179,025,750
Retained earnings	\$189,556,326	\$192,254,067
Operating efficiency ratio	75.2%	85.2%
Return on assets	1.50%	1.66%
Leverage ratio	9.65%	8.79%
Retained earnings ratio	4.95%	4.64%
Daily average net assets – 12 month rolling	\$3,830,567,298	\$4,143,184,817
Monthly average EBA balance transfer to FRB	\$2,838,995,424	\$10,144,711,424

Credit Risk

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

Asset Type	Fair Value
Automobile	\$415,946,104
Credit card	373,906,085
FFELP Student loan	174,197,165
Equipment	153,515,539
Total	\$1,117,564,893

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

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
NEV	\$309,800	\$257,100	\$372,400
% Change in NEV	-	(17.0%)	20.2%

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 November 30, 2022, Catalyst Corporate has \$829,916,489 in cash and cash equivalents. In addition, Catalyst Corporate has access to a \$605,425,406 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 November 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 November 30, 2022.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$669,955,412 and additional uncommitted lines of credit to members of \$9,840,418,995 as of November 30, 2022. All outstanding lines of credit are collateralized by specific or general pledges of the members' assets.

Consolidated Statements of Financial Condition

(Unaudited)

November 30,	2022	2021
Assets		
Cash and cash equivalents	\$829,916,489	\$2,341,290,220
Investments:		
Available-for-sale	1,785,480,172	1,511,873,650
Central Liquidity Facility (CLF) capital stock	98,595,982	97,697,731
Other investments	26,087,741	16,748,918
Loans, net of allowance of \$38,051 and \$61,408 as of November 30, 2022 and 2021, respectively	669,955,412	223,799,124
Accrued receivables and other assets	41,852,690	32,609,577
Property and equipment, net	13,587,423	14,468,433
Goodwill and other intangible assets	7,311,720	7,721,720
National Credit Union Share Insurance Fund (NCUSIF)	2,390,296	2,463,194
Total assets	\$3,475,177,925	\$4,248,672,567
Liabilities		
Members' shares	\$2,800,988,189	\$3,759,597,262
Members' share certificates	303,645,606	89,955,000
Accrued expenses and other liabilities	19,089,901	17,407,016
Total liabilities	3,123,723,696	3,866,959,278
Members' Equity		
PCC	187,417,762	179,025,750
Retained earnings	189,556,326	192,254,067
Non controlling interest	11,477,266	6,630,819
Accumulated other comprehensive (loss)/income	(36,997,125)	3,802,653
Total members' equity	351,454,229	381,713,289
Total liabilities and members' equity	\$3,475,177,925	\$4,248,672,567
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statements of Income

(Unaudited)

For the eleven months ended November 30,		
	2022	2021
Interest income		
Available-for-sale investments	\$26,551,487	\$12,113,759
Federal Reserve Bank	15,760,257	2,638,711
Loans	9,712,513	1,932,719
Other	1,789,663	480,100
Total interest income	53,813,920	17,165,289
Interest expense		
Borrowed funds	510,905	201
Members' shares	23,869,702	754,712
Members' share certificates	3,575,472	118,403
Total interest expense	27,956,079	873,316
Net interest income	25,857,841	16,291,973
Recapture of loan losses	6,915	-
Net interest income after recapture of loan losses	25,864,756	16,291,973
Net fee income		
Share draft and depository processing fees	19,054,905	18,001,939
Off-balance-sheet income	10,620,101	12,470,210
Other fee income	16,385,549	15,181,416
Outside processing and service costs	(8,732,783)	(7,613,518)
Total net fee income	37,327,772	38,040,047
Operating expenses		
Compensation and benefits	35,959,165	32,411,214
Information technology	7,991,877	7,510,412
Professional fees	1,742,682	1,335,749
Office occupancy	1,120,578	1,095,623
Other operating expense	2,844,497	2,282,683
Total operating expenses	49,658,799	44,635,681
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	1,646,623	321,680
Net income	\$52,703,445	\$62,948,984

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

Consolidated Statement of Comprehensive Income

(Unaudited)

For the eleven months ended November 30,	2022
Net income	\$52,703,445
Other comprehensive loss	
Net unrealized holding losses on investments classified as available-for-sale	(39,164,593)
Net unrealized holding losses on derivatives designated as cash flow hedges	(360,624)
Total other comprehensive loss	(39,525,217)
Comprehensive income	\$13,178,228
The accompanying notes are an integral part of the consolidated financial statements.	

Consolidated Statement of Members' Equity

(Unaudited)

For the eleven months ended November 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)		52,703,445	(1,646,623)		51,056,822
Capital contribution - additional			6,584,100		6,584,100
PCC issued	8,391,512				8,391,512
Dividends paid on PCC		(2,700,059)			(2,700,059)
Non pro-rata dividend distribution		(53,014,474)			(53,014,474)
Other comprehensive loss				(39,525,217)	(39,525,217)
Balance at November 30, 2022	\$187,417,762	\$189,556,326	\$11,477,266	(\$36,997,125)	\$351,454,229
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 November 30, 2022 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized Loss
Asset-backed securities	\$1,133,391,009	\$1,117,564,893	(\$15,826,116)
Agency commercial mortgage-backed securities	469,930,023	455,038,739	(14,891,284)
Agency mortgage-backed securities	42,954,158	40,395,933	(2,558,225)
Corporate debt obligations	29,794,840	29,458,955	(335,885)
U.S. Treasury and federal agency securities	146,046,643	143,021,652	(3,024,991)
Total	\$1,822,116,673	\$1,785,480,172	(\$36,636,501)

3. CLF Capital Stock

CLF capital stock at November 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. The CLF agent membership program was not extended beyond December 31, 2022. As such, the CLF capital stock was returned on December 29, 2022.

4. Other Investments

Other investments are comprised of the following as of November 30, 2022:

Investments in credit union service organizations (CUSOs)	\$7,274,241
Interest-bearing deposits	11,983,000
FHLB capital stock	5,830,500
Other	1,000,000
Total	\$26,087,741

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 November 30, 2022:

Open-end credit lines	\$275,861,711
Term loans	393,685,319
Loan participations, net of allowance	408,382
Total	\$669,955,412

6. Members' Shares

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

Cash management	\$1,409,792,062
Performance tiered	1,306,598,273
Other	84,597,854
Total	\$2,800,988,189

Catalyst Corporate members transferred \$2,629,342,893 to the Excess Balance Account at the Federal Reserve Bank as of November 30, 2022.

7. Regulatory Capital

As of November 30, 2022, Catalyst Corporate's retained earnings ratio is 4.95%. Catalyst Corporate exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations as of November 30, 2022.

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

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Leverage ratio	9.65%	4.00%	5.00%
Tier 1 risk-based capital ratio	27.65%	4.00%	6.00%
Total risk-based capital ratio	27.65%	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 totaling \$2,835,941.