



**November  
2023**

**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 .....	4
Liquidity Risk .....	4
Regulatory Capital .....	5
Consolidated Statements of Financial Condition ( <i>Unaudited</i> ) .....	6
Consolidated Statements of Income ( <i>Unaudited</i> ) .....	7
Consolidated Statement of Comprehensive Income ( <i>Unaudited</i> ) .....	8
Consolidated Statement of Members' Equity ( <i>Unaudited</i> ) .....	8
Notes to Consolidated Financial Statements .....	9
1. Cash and Cash Equivalents .....	9
2. Available-for-Sale Investments .....	9
3. Other Investments .....	9
4. Loans .....	10
5. Members' Shares and Certificates .....	10
6. U.S. Central Estate Settlement .....	10

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## Management's Discussion and Analysis

### Results of Operations

Catalyst Corporate's net income for the eleven months ended November 30, 2023 and 2022 totaled \$57,336,151 and \$52,703,445, respectively. November 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 75.2%, respectively.

A summary of the unaudited results of Catalyst Corporate's operations for the eleven months ended November 30, 2023 and 2022 is included in the following table.

	YTD Nov 2023	YTD Nov 2022
Net interest income	<b>\$55,160,713</b>	\$25,857,841
Recapture of loan losses	-	6,915
Net fee income	<b>37,969,491</b>	37,327,772
Operating expenses	<b>(54,753,553)</b>	(49,658,799)
April 2022 fee waiver	-	(2,835,941)
Other net gains	-	1,640,900
Other income	<b>16,764,532</b>	38,718,134
Non controlling interest	<b>2,194,968</b>	1,646,623
Net income	<b>\$57,336,151</b>	\$52,703,445

<b>Key Information:</b>		
Net operating expense	<b>\$16,784,062</b>	\$12,331,027
Perpetual contributed capital (PCC)	<b>\$191,760,588</b>	\$187,417,762
Retained earnings	<b>\$239,670,195</b>	\$189,556,326
Operating efficiency ratio	<b>69.3%</b>	75.2%
Return on assets	<b>1.47%</b>	1.50%
Leverage / Tier 1 capital ratio	<b>9.88%</b>	9.63%
Retained earnings ratio	<b>5.62%</b>	4.95%
Daily average net assets – 12 month rolling	<b>\$4,267,393,119</b>	\$3,829,567,298
Monthly average EBA balance transfer to FRB	<b>\$2,941,670,630</b>	\$2,838,995,424

## Credit Risk

The weighted average life of assets is 1.183 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.684 years. As of November 30, 2023, Catalyst Corporate's investments are comprised as follows:

	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Net Unrealized (Loss) Gain</b>
Asset-backed securities	\$1,578,153,705	\$1,571,128,868	(\$7,024,837)
Agency commercial mortgage-backed securities	595,566,708	580,104,990	(15,461,718)
Agency mortgage-backed securities	78,586,933	75,557,978	(3,028,955)
U.S. Treasury securities	49,160,463	47,856,264	(1,304,199)
Corporate debt obligations	21,700,200	21,572,474	(127,726)
Federal agency securities	802,315	806,888	4,573
<b>Total</b>	<b>\$2,323,970,324</b>	<b>\$2,297,027,462</b>	<b>(\$26,942,862)</b>

Catalyst Corporate's asset-backed securities are collateralized by the following asset types as of November 30, 2023:

	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Net Unrealized Loss</b>
Automobile	\$574,773,545	\$574,608,229	(165,316)
Credit card	499,221,406	495,082,147	(4,139,259)
FFELP student loan	316,388,624	313,811,173	(2,577,451)
Equipment	187,770,130	187,627,319	(142,811)
<b>Total</b>	<b>\$1,578,153,705</b>	<b>\$1,571,128,868</b>	<b>(\$7,024,837)</b>

## 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, 2023 is as follows (in thousands):

	<b>Fair Value</b>	<b>Fair Value +300 Basis Points</b>	<b>Fair Value -300 Basis Points</b>
<b>NEV</b>	\$398,700	\$320,900	\$483,500
<b>% Change in NEV</b>	-	(19.5%)	21.3%

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 November 30, 2023, Catalyst Corporate has \$1,712,119,985 in cash and cash equivalents. In addition, Catalyst Corporate has access to a \$1,369,091,397 borrowing capacity at the Federal Reserve Bank based on available collateral. Catalyst Corporate also has access to a \$327,019,947 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 November 30, 2023. Catalyst Corporate has \$180,000,000 outstanding advance as of November 30, 2023.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$439,889,209 and additional uncommitted LOCs to members of \$11,002,243,119 as of November 30, 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 November 30, 2023. The table below presents Catalyst Corporate's actual and required capital ratios as of November 30, 2023:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	<b>5.62%</b>	N/A	N/A
Leverage / Tier 1 capital ratio	<b>9.88%</b>	4.00%	5.00%
Tier 1 risk-based capital ratio	<b>33.93%</b>	4.00%	6.00%
Total risk-based capital ratio	<b>33.93%</b>	8.00%	10.00%

## Consolidated Statements of Financial Condition

(Unaudited)

November 30,	2023	2022
<b>Assets</b>		
Cash and cash equivalents	\$1,712,119,985	\$829,916,489
Investments:		
Available-for-sale	2,297,027,462	1,785,480,172
Central Liquidity Facility (CLF) capital stock	-	98,595,982
Other investments	45,078,650	26,087,741
Loans, net of allowance of \$12,237 and \$38,051 as of November 30, 2023 and 2022, respectively	439,889,209	669,955,412
Accrued receivables and other assets	47,493,740	41,852,690
Property and equipment, net	14,259,285	13,587,423
Goodwill and other intangible assets	6,901,720	7,311,720
National Credit Union Share Insurance Fund (NCUSIF)	2,392,209	2,390,296
<b>Total assets</b>	<b>\$4,565,162,260</b>	<b>\$3,475,177,925</b>
<b>Liabilities</b>		
Members' shares and certificates	\$3,934,166,844	\$3,104,633,795
Borrowed funds	180,000,000	-
Accrued expenses and other liabilities	38,244,957	19,089,901
<b>Total liabilities</b>	<b>4,152,411,801</b>	<b>3,123,723,696</b>
<b>Members' Equity</b>		
PCC	191,760,588	187,417,762
Retained earnings	239,670,195	189,556,326
Non controlling interest	8,778,272	11,477,266
Accumulated other comprehensive loss	(27,458,596)	(36,997,125)
<b>Total members' equity</b>	<b>412,750,459</b>	<b>351,454,229</b>
<b>Total liabilities and members' equity</b>	<b>\$4,565,162,260</b>	<b>\$3,475,177,925</b>
<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,		
	2023	2022
<b>Interest income</b>		
Available-for-sale investments	\$70,431,976	\$26,551,487
Federal Reserve Bank	87,260,143	15,760,257
Loans	23,812,936	9,712,513
Other	2,277,391	1,789,663
Total interest income	183,782,446	53,813,920
<b>Interest expense</b>		
Members' shares and certificates	124,224,919	27,445,174
Borrowed funds	4,396,814	510,905
Total interest expense	128,621,733	27,956,079
Net interest income	55,160,713	25,857,841
<b>Recapture of loan losses</b>	-	6,915
Net interest income after recapture of loan losses	55,160,713	25,864,756
<b>Net fee income</b>		
Share draft and depository processing fees	20,419,890	19,054,905
Off-balance-sheet income	8,953,413	10,620,101
Other fee income	17,474,974	16,385,549
Outside processing and service costs	(8,878,786)	(8,732,783)
Total net fee income	37,969,491	37,327,772
<b>Operating expenses</b>		
Compensation and benefits	39,712,961	35,959,165
Information technology	8,982,559	7,991,877
Professional fees	1,644,393	1,742,682
Office occupancy	1,096,777	1,120,578
Other operating expense	3,316,863	2,844,497
Total operating expenses	54,753,553	49,658,799
<b>April 2022 fee waiver</b>	-	(2,835,941)
<b>Other net gains</b>	-	1,640,900
<b>Other income</b>	16,764,532	38,718,134
<b>Non controlling interest</b>	2,194,968	1,646,623
<b>Net income</b>	<b>\$57,336,151</b>	<b>\$52,703,445</b>
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		



## Consolidated Statement of Comprehensive Income

(Unaudited)

For the eleven months ended November 30,	2023
Net income	\$57,336,151
Other comprehensive income	
Net unrealized holding gains on investments classified as available-for-sale	6,861,430
Net unrealized holding losses on derivatives designated as cash flow hedges	(144,747)
Total other comprehensive income	6,716,683
Comprehensive income	\$64,052,834
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, 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)		57,336,151	(2,194,968)		55,141,183
PCC issued	4,342,826				4,342,826
Dividends paid on PCC		(9,826,957)			(9,826,957)
Other comprehensive income				6,716,683	6,716,683
Balance at November 30, 2023	\$191,760,588	\$239,670,195	\$8,778,272	(\$27,458,596)	\$412,750,459
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, 2023 are as follows:

	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Net Unrealized (Loss) Gain</b>
Asset-backed securities	\$1,578,153,705	\$1,571,128,868	(\$7,024,837)
Agency commercial mortgage-backed securities	595,566,708	580,104,990	(15,461,718)
Agency mortgage-backed securities	78,586,933	75,557,978	(3,028,955)
U.S. Treasury securities	49,160,463	47,856,264	(1,304,199)
Corporate debt obligations	21,700,200	21,572,474	(127,726)
Federal agency securities	802,315	806,888	4,573
<b>Total</b>	<b>\$2,323,970,324</b>	<b>\$2,297,027,462</b>	<b>(\$26,942,862)</b>

### 3. Other Investments

Other investments are comprised of the following as of November 30, 2023:

Investments in credit union service organizations (CUSOs)	\$7,798,550
Interest-bearing certificates of deposit	32,803,000
FHLB capital stock	2,477,100
Other	2,000,000
<b>Total</b>	<b>\$45,078,650</b>

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 November 30, 2023:

Open-end credit lines	\$120,039,697
Term loans	319,681,485
Loan participations, net of allowance	168,027
Total	\$439,889,209

## 5. Members' Shares and Certificates

Members' shares and certificates are summarized as follows as of November 30, 2023:

Daily shares	\$3,760,655,356
Share certificates	173,511,488
Total	\$3,934,166,844

Catalyst Corporate members transferred \$2,646,323,692 to the Excess Balance Account at the Federal Reserve Bank as of November 30, 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 November 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.