



**December
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 years ended December 31, 2022 and 2021 totaled \$55,308,120 and \$63,262,331, respectively. December year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2022 and 2021 of 74.9% and 84.4%, respectively. The 2022 net income was positively impacted by the higher interest rate environment and the income from the U.S. Central Estate settlement. In 2022, Catalyst waived certain fees to all members in April and provided a non-pro rata distribution of \$53,014,474 to fully capitalized credit unions in Georgia and Arizona in an amount equal to the capital that they lost in either Georgia Corporate or First Corporate.

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

	YTD Dec 2022	YTD Dec 2021
Net interest income	\$29,703,312	\$17,591,604
Recapture of loan losses	30,346	14,177
Net fee income	40,775,916	41,536,592
Operating expenses	(54,455,343)	(49,223,717)
Fee waiver	(2,835,941)	-
Other net gains	1,640,900	283,124
Other income on U.S. Central Estate settlement	38,718,134	52,647,841
Non controlling interest	1,730,796	412,710
Net income	\$55,308,120	\$63,262,331

Key Information:		
Net operating expense	\$13,679,427	\$7,687,125
Perpetual contributed capital (PCC)	\$187,417,762	\$179,026,250
Retained earnings	\$192,161,001	\$192,567,414
Operating efficiency ratio	74.9%	84.4%
Return on assets	1.46%	1.52%
Leverage / Tier 1 capital ratio	9.75%	8.72%
Retained earnings ratio	5.06%	4.61%
Daily average net assets – 12 month rolling	\$3,796,313,939	\$4,172,978,654
Monthly average EBA balance transfer to FRB	\$2,891,673,721	\$9,829,280,726

Credit Risk

The weighted average life of assets is 0.984 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.529 years. As of December 31, 2022, Catalyst Corporate's available-for-sale investments are comprised as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss) Gain
Asset-backed securities	\$1,077,020,645	\$1,063,745,152	(\$13,275,493)
Agency commercial mortgage-backed securities	446,677,556	431,833,963	(14,843,593)
U.S. Treasury securities	140,096,872	137,325,044	(2,771,828)
Agency mortgage-backed securities	41,983,033	39,391,700	(2,591,333)
Corporate debt obligations	29,810,676	29,480,826	(329,850)
Federal agency securities	1,102,103	1,109,908	7,805
Total	\$1,736,690,885	\$1,702,886,593	(\$33,804,292)

Catalyst Corporate's asset-backed securities are collateralized by the following asset types as of December 31, 2022:

	Amortized Cost	Estimated Fair Value	Net Unrealized Loss
Automobile	\$385,036,676	\$380,354,160	(\$4,682,516)
Credit card	379,143,179	374,620,968	(4,522,211)
FFELP student loan	165,543,140	162,863,468	(2,679,672)
Equipment	147,297,650	145,906,556	(1,391,094)
Total	\$1,077,020,645	\$1,063,745,152	(\$13,275,493)

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

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
NEV	\$342,704	\$291,401	\$402,079
% Change in NEV	-	(15.0%)	17.3%

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 December 31, 2022, Catalyst Corporate has \$1,504,720,925 in cash and cash equivalents. In addition, Catalyst Corporate has access to a \$588,450,604 advised line of credit (LOC) with Federal Home Loan Bank (FHLB) of Dallas, of which \$150,000,000 is outstanding as of December 31, 2022. Catalyst Corporate also has access to a \$100,000,000 repurchase agreement LOC with J.P. Morgan Securities LLC, of which \$49,844,000 is outstanding as of December 31, 2022, and a \$30,000,000 unsecured Fed Funds LOC with JPMorgan Chase Bank as of December 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.

In 2023, Catalyst Corporate gained access to the Federal Reserve Discount Window. As of February 28, 2023, Catalyst Corporate has borrowing capability of approximately \$595,019,000 at the Discount Window based on available collateral. Additionally, the J.P. Morgan Securities LLC repurchase agreement LOC increased to \$200,000,000 in 2023. There were no borrowings outstanding as of February 28, 2023.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$685,649,497 and additional uncommitted LOCs to members of \$9,958,622,597 as of December 31, 2022. 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 December 31, 2022.

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

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	5.06%	N/A	N/A
Leverage / Tier 1 capital ratio	9.75%	4.00%	5.00%
Tier 1 risk-based capital ratio	27.55%	4.00%	6.00%
Total risk-based capital ratio	27.55%	8.00%	10.00%

Consolidated Statements of Financial Condition

(Unaudited)

December 31,	2022	2021
Assets		
Cash and cash equivalents	\$1,504,720,925	\$2,338,598,620
Investments:		
Available-for-sale	1,702,886,593	1,590,056,874
Central Liquidity Facility (CLF) capital stock	-	97,697,731
Other investments	43,466,967	14,849,198
Loans, net of allowance of \$14,620 and \$47,235 as of December 31, 2022 and 2021, respectively	685,649,497	227,596,667
Accrued receivables and other assets	41,350,101	32,825,826
Property and equipment, net	13,694,311	14,277,583
Goodwill and other intangible assets	7,277,553	7,687,553
National Credit Union Share Insurance Fund (NCUSIF)	2,390,296	2,463,194
Total assets	\$4,001,436,243	\$4,326,053,246
Liabilities		
Members' shares and certificates	\$3,425,767,225	\$3,927,049,620
Borrowed funds	199,844,000	-
Accrued expenses and other liabilities	19,448,294	18,342,081
Total liabilities	3,645,059,519	3,945,391,701
Members' Equity		
PCC	187,417,762	179,026,250
Retained earnings	192,161,001	192,567,414
Non controlling interest	10,973,240	6,539,789
Accumulated other comprehensive (loss)/income	(34,175,279)	2,528,092
Total members' equity	356,376,724	380,661,545
Total liabilities and members' equity	\$4,001,436,243	\$4,326,053,246
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statements of Income

(Unaudited)

	For the years ended December 31,	
	2022	2021
Interest income		
Available-for-sale investments	\$31,175,488	\$12,988,370
Federal Reserve Bank	19,360,327	2,915,710
Loans	12,747,613	2,133,651
Other	2,228,583	512,608
Total interest income	65,512,011	18,550,339
Interest expense		
Members' shares and certificates	\$34,302,189	958,534
Borrowed funds	1,506,510	201
Total interest expense	35,808,699	958,735
Net interest income	29,703,312	17,591,604
Recapture of loan losses	30,346	14,177
Net interest income after recapture of loan losses	29,733,658	17,605,781
Net fee income		
Share draft and depository processing fees	20,897,707	19,769,931
Off-balance-sheet income	11,467,505	13,463,260
Other fee income	17,945,621	16,773,470
Outside processing and service costs	(9,534,917)	(8,470,069)
Total net fee income	40,775,916	41,536,592
Operating expenses		
Compensation and benefits	39,502,582	35,793,531
Information technology	8,782,527	8,186,084
Professional fees	1,875,748	1,542,107
Office occupancy	1,235,404	1,189,730
Other operating expense	3,059,082	2,512,265
Total operating expenses	54,455,343	49,223,717
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	1,730,796	412,710
Net income	\$55,308,120	\$63,262,331
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statement of Comprehensive Income

(Unaudited)

For the year ended December 31,	2022
Net income	\$55,308,120
Other comprehensive loss	
Net unrealized holding losses on investments classified as available-for-sale	(36,332,384)
Net unrealized holding losses on derivatives designated as cash flow hedges	(370,987)
Total other comprehensive loss	(36,703,371)
Comprehensive income	\$18,604,749
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>	

Consolidated Statement of Members' Equity

(Unaudited)

For the year ended December 31, 2022

	Perpetual Contributed Capital	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)		55,308,120	(1,730,796)		53,577,324
Capital contributions			6,584,100		6,584,100
Dividend distributions			(419,853)		(419,853)
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				(36,703,371)	(36,703,371)
Balance at December 31, 2022	\$187,417,762	\$192,161,001	\$10,973,240	(\$34,175,279)	\$356,376,724
<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 December 31, 2022 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss) Gain
Asset-backed securities	\$1,077,020,645	\$1,063,745,152	(\$13,275,493)
Agency commercial mortgage-backed securities	446,677,556	431,833,963	(14,843,593)
U.S. Treasury securities	140,096,872	137,325,044	(2,771,828)
Agency mortgage-backed securities	41,983,033	39,391,700	(2,591,333)
Corporate debt obligations	29,810,676	29,480,826	(329,850)
Federal agency securities	1,102,103	1,109,908	7,805
Total	\$1,736,690,885	\$1,702,886,593	(\$33,804,292)

3. Other Investments

Other investments are comprised of the following as of December 31, 2022:

Investments in credit union service organizations (CUSOs)	\$7,290,967
Interest-bearing certificates of deposit	15,951,000
FHLB capital stock	18,225,000
Other	2,000,000
Total	\$43,466,967

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 December 31, 2022:

Open-end credit lines	\$234,534,909
Term loans	450,705,499
Loan participations, net of allowance	409,089
Total	\$685,649,497

5. Members' Shares and Certificates

Members' shares and certificates are summarized as follows as of December 31, 2022:

Daily shares	\$3,030,886,158
Share certificates	394,881,067
Total	\$3,425,767,225

Catalyst Corporate members transferred \$3,402,506,540 to the Excess Balance Account at the Federal Reserve Bank as of December 31, 2022.

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 \$107,700,000. As of September 2022, Catalyst Corporate has received four distributions in 2021 and 2022 totaling approximately \$91,200,000 with the remaining \$16,500,000 projected to be received in 2023.

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.

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.