



**April
2023**

**Financial Statements
and Management's
Discussion & Analysis**

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For more information, please contact:

Melissa Wardell, SVP/Chief Financial Officer at 214.703.7890 or mwardell@catalystcorp.org

Management's Discussion and Analysis

Results of Operations

Catalyst Corporate's net income for the four months ended April 30, 2023 and 2022 totaled \$21,815,817 and \$22,231,668, respectively. April year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2023 and 2022 of 69.9% and 79.9%, respectively.

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

	YTD Apr 2023	YTD Apr 2022
Net interest income	\$17,396,494	\$5,805,755
Net fee income	13,344,632	13,900,366
Operating expenses	(19,102,923)	(17,397,814)
April 2022 fee waiver	-	(2,835,941)
Other net gains	-	1,640,900
Other income on U.S. Central Estate settlement	9,429,252	20,642,325
Non controlling interest	748,362	476,077
Net income	\$21,815,817	\$22,231,668

Key Information:		
Net operating expense	\$5,758,291	\$3,497,448
Perpetual contributed capital (PCC)	\$188,124,899	\$185,980,840
Retained earnings	\$209,547,572	\$214,206,303
Operating efficiency ratio	69.9%	79.9%
Return on assets	1.73%	1.64%
Leverage / Tier 1 capital ratio	10.11%	9.49%
Retained earnings ratio	5.45%	5.19%
Daily average net assets – 12 month rolling	\$3,841,913,900	\$4,130,627,394
Monthly average EBA balance transfer to FRB	\$2,610,470,995	\$9,443,216,790

Credit Risk

The weighted average life of assets is 0.825 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.597 years. As of April 30, 2023, Catalyst Corporate's investments are comprised as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss) Gain
Asset-backed securities	\$914,983,077	\$905,985,303	(\$8,997,774)
Agency commercial mortgage-backed securities	577,176,154	566,608,124	(10,568,030)
U.S. Treasury securities	81,061,069	79,249,510	(1,811,559)
Agency mortgage-backed securities	67,830,757	65,755,858	(2,074,899)
Corporate debt obligations	24,874,308	24,628,915	(245,393)
Federal agency securities	1,068,171	1,074,636	6,465
Total	\$1,666,993,536	\$1,643,302,346	(\$23,691,190)

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

	Amortized Cost	Estimated Fair Value	Net Unrealized Loss
Credit card	\$363,440,300	\$360,433,256	(\$3,007,044)
Automobile	264,897,321	262,211,527	(2,685,794)
FFELP student loan	147,709,773	145,188,511	(2,521,262)
Equipment	138,935,683	138,152,009	(783,674)
Total	\$914,983,077	\$905,985,303	(\$8,997,774)

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 April 30, 2023 is as follows (in thousands):

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
NEV	\$371,200	\$302,300	\$451,800
% Change in NEV	-	(18.6%)	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 April 30, 2023, Catalyst Corporate has \$2,751,842,265 in cash and cash equivalents. In addition, Catalyst Corporate has access to a \$760,062,487 borrowing capacity at the Federal Reserve Bank based on available collateral. Catalyst Corporate also has access to a \$482,289,912 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 April 30, 2023. Catalyst Corporate has \$100,000,000 outstanding advance as of April 30, 2023.

Catalyst Corporate continues to meet members' liquidity needs. Catalyst Corporate has outstanding loans of \$350,285,558 and additional uncommitted LOCs to members of \$10,365,295,396 as of April 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 April 30, 2023. The table below presents Catalyst Corporate's actual and required capital ratios as of April 30, 2023:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	5.45%	N/A	N/A
Leverage / Tier 1 capital ratio	10.11%	4.00%	5.00%
Tier 1 risk-based capital ratio	29.41%	4.00%	6.00%
Total risk-based capital ratio	29.41%	8.00%	10.00%

Consolidated Statements of Financial Condition

(Unaudited)

April 30,	2023	2022
Assets		
Cash and cash equivalents	\$2,751,842,265	\$2,200,473,026
Investments:		
Available-for-sale	1,643,302,346	1,878,208,017
Central Liquidity Facility (CLF) capital stock	-	99,955,549
Other investments	36,752,302	15,169,875
Loans, net of allowance of \$13,669 and \$47,235 as of April 30, 2023 and 2022, respectively	350,285,558	202,671,600
Accrued receivables and other assets	46,445,681	31,479,646
Property and equipment, net	13,726,336	14,039,881
Goodwill and other intangible assets	7,140,886	7,550,886
National Credit Union Share Insurance Fund (NCUSIF)	2,354,026	2,443,766
Total assets	\$4,851,849,400	\$4,451,992,246
Liabilities		
Members' shares and certificates	\$4,338,659,507	\$3,979,038,286
Borrowed funds	100,000,000	-
Accrued expenses and other liabilities	29,244,068	79,949,389
Total liabilities	4,467,903,575	4,058,987,675
Members' Equity		
PCC	188,124,899	185,980,840
Retained earnings	209,547,572	214,206,303
Non controlling interest	10,224,878	10,097,812
Accumulated other comprehensive loss	(23,951,524)	(17,280,384)
Total members' equity	383,945,825	393,004,571
Total liabilities and members' equity	\$4,851,849,400	\$4,451,992,246
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statements of Income

(Unaudited)

	For the four months ended April 30,	
	2023	2022
Interest income		
Available-for-sale investments	\$19,376,663	\$4,182,310
Federal Reserve Bank	27,391,794	1,640,777
Loans	10,803,562	863,696
Other	700,646	134,766
Total interest income	58,272,665	6,821,549
Interest expense		
Members' shares and certificates	\$39,720,022	1,015,794
Borrowed funds	1,156,149	-
Total interest expense	40,876,171	1,015,794
Net interest income	17,396,494	5,805,755
Net fee income		
Share draft and depository processing fees	7,374,594	6,803,717
Off-balance-sheet income	3,170,011	4,218,623
Other fee income	6,012,490	5,834,271
Outside processing and service costs	(3,212,463)	(2,956,245)
Total net fee income	13,344,632	13,900,366
Operating expenses		
Compensation and benefits	13,973,077	12,581,921
Information technology	3,084,071	2,790,851
Professional fees	658,405	753,314
Office occupancy	401,696	394,170
Other operating expense	985,674	877,558
Total operating expenses	19,102,923	17,397,814
April 2022 fee waiver	-	(2,835,941)
Other net gains	-	1,640,900
Other income on U.S. Central Estate settlement	9,429,252	20,642,325
Non controlling interest	748,362	476,077
Net income	\$21,815,817	\$22,231,668
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statement of Comprehensive Income

(Unaudited)

For the four months ended April 30,	2023
Net income	\$21,815,817
Other comprehensive income	
Net unrealized holding gains on investments classified as available-for-sale	10,113,103
Net unrealized holding gains on derivatives designated as cash flow hedges	110,652
Total other comprehensive income	10,223,755
Comprehensive income	\$32,039,572
The accompanying notes are an integral part of the consolidated financial statements.	

Consolidated Statement of Members' Equity

(Unaudited)

For the four months ended April 30, 2023

	Perpetual Contributed Capital	Retained Earnings	Non Controlling Interest	Accumulated Other Comprehensive Income/(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)		21,815,817	(748,362)		21,067,455
PCC issued	707,137				707,137
Dividends paid on PCC		(4,429,246)			(4,429,246)
Other comprehensive income				10,223,755	10,223,755
Balance at April 30, 2023	\$188,124,899	\$209,547,572	\$10,224,878	(\$23,951,524)	\$383,945,825
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 April 30, 2023 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss) Gain
Asset-backed securities	\$914,983,077	\$905,985,303	(\$8,997,774)
Agency commercial mortgage-backed securities	577,176,154	566,608,124	(10,568,030)
U.S. Treasury securities	81,061,069	79,249,510	(1,811,559)
Agency mortgage-backed securities	67,830,757	65,755,858	(2,074,899)
Corporate debt obligations	24,874,308	24,628,915	(245,393)
Federal agency securities	1,068,171	1,074,636	6,465
Total	\$1,666,993,536	\$1,643,302,346	(\$23,691,190)

3. Other Investments

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

Investments in credit union service organizations (CUSOs)	\$7,382,402
Interest-bearing certificates of deposit	25,123,000
FHLB capital stock	2,246,900
Other	2,000,000
Total	\$36,752,302

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, 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 April 30, 2023:

Open-end credit lines	\$76,265,019
Term loans	273,722,049
Loan participations, net of allowance	298,490
Total	\$350,285,558

5. Members' Shares and Certificates

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

Daily shares	\$4,081,450,585
Share certificates	257,208,922
Total	\$4,338,659,507

Catalyst Corporate members transferred \$2,701,563,651 to the Excess Balance Account at the Federal Reserve Bank as of April 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 \$109,600,000. As of April 2023, Catalyst Corporate had received five distributions since 2021 totaling approximately \$100,629,000 with the remaining \$8,971,000 projected to be received in 2023 and 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.