

THE VALUE OF VISION

December
2024

Financial Statements and Management's Discussion & Analysis





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Management's Discussion and Analysis

RESULTS OF OPERATIONS

Catalyst's net income for the years ended December 31, 2024 and 2023 totaled \$66,337,022 and \$62,384,936, respectively. December year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2024 and 2023 of 69.4% and 69.6%, respectively. The December 2024 year-to-date other loss primarily includes an impairment recorded related to a cost-based investment and software that has been discontinued. In December 2023, Catalyst called \$23,970,076 of outstanding perpetual contributed capital (PCC).

A summary of the unaudited results of Catalyst's operations for the years ended December 31, 2024 and 2023 is included in the following table.

	YTD Dec 2024	YTD Dec 2023
Net interest income	\$84,090,000	\$61,341,801
Net fee income	44,996,227	41,440,626
Operating expenses	(64,836,401)	(59,505,841)
Other (loss)/income	(1,123,599)	16,764,532
Non controlling interest	3,210,795	2,343,818
Net income	\$66,337,022	\$62,384,936

Key Information:		
Net operating expense	\$19,840,174	\$18,065,215
PCC	\$168,843,167	\$167,790,512
Retained earnings	\$300,671,796	\$244,718,980
Operating efficiency ratio	69.4%	69.6%
Return on assets	1.30%	1.44%
Leverage / Tier 1 capital ratio	9.04%	9.26%
Retained earnings ratio	5.91%	5.63%
Daily average net assets – 12 month rolling	\$5,087,154,284	\$4,346,080,620
Monthly average EBA balance transfer to FRB	\$4,820,472,726	\$3,037,341,654

CREDIT RISK

The weighted average life of assets is 1.129 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.352 years. As of December 31, 2024, Catalyst's investments are comprised as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized Gain/(Loss)
Asset-backed securities	\$2,144,013,314	\$2,147,175,266	\$3,161,952
Agency commercial mortgage-backed securities	658,274,254	649,024,984	(9,249,270)
Agency mortgage-backed securities	109,977,886	107,877,612	(2,100,274)
U.S. Treasury securities	80,523,860	80,104,853	(419,007)
Corporate debt obligations	42,492,982	42,619,786	126,804
Federal agency securities	628,573	627,732	(841)
Total	\$3,035,910,869	\$3,027,430,233	(\$8,480,636)

Catalyst's asset-backed securities are collateralized by the following asset types as of December 31, 2024:

	Amortized Cost	Estimated Fair Value	Net Unrealized Gain/(Loss)
Automobile	\$1,007,709,707	\$1,009,726,771	\$2,017,064
Credit card	520,287,856	521,281,382	993,526
FFELP student loan	363,475,330	363,280,747	(194,583)
Equipment	252,540,421	252,886,366	345,945
Total	\$2,144,013,314	\$2,147,175,266	\$3,161,952

INTEREST RATE RISK

Catalyst'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'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 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's NEV test as of December 31, 2024 is as follows (in thousands):

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
NEV	\$457,600	\$377,900	\$544,500
% Change in NEV	-	(17.4%)	19.0%

The percentage changes to Catalyst'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 has sufficient short-term assets, marketable securities, and borrowing capacity to meet member credit unions' potential liquidity needs.

As of December 31, 2024, Catalyst has \$1,605,216,428 in cash and cash equivalents. In addition, Catalyst has access to a \$2,223,935,892 borrowing capacity at the Federal Reserve Bank (FRB) based on available collateral. Catalyst also has access to a \$380,287,784 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 has access to a \$30,000,000 unsecured Fed Funds LOC with JPMorgan Chase Bank as of December 31, 2024.

Catalyst continues to meet members' liquidity needs. Catalyst has outstanding loans of \$374,784,445 and additional uncommitted LOCs to members of \$11,552,110,875 as of December 31, 2024. All outstanding LOCs are collateralized by specific or general pledges of the members' assets.

REGULATORY CAPITAL

Catalyst exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations as of December 31, 2024. The table below presents Catalyst's actual and required capital ratios as of December 31, 2024:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	5.91%	N/A	N/A
Leverage / Tier 1 capital ratio	9.04%	4.00%	5.00%
Tier 1 risk-based capital ratio	22.35%	4.00%	6.00%
Total risk-based capital ratio	22.35%	8.00%	10.00%

Consolidated Statements of Financial Condition

(Unaudited)

As of December 31,	2024	2023
Assets		
Cash and cash equivalents	\$1,605,216,428	\$2,065,618,134
Investments:		
Available-for-sale	3,027,430,233	2,353,775,136
Other investments	35,620,544	43,700,404
Loans	374,784,445	425,237,664
Accrued receivables and other assets	49,315,409	44,095,986
Property and equipment, net	14,550,690	14,447,553
Goodwill and other intangible assets	6,457,553	6,867,553
National Credit Union Share Insurance Fund (NCUSIF)	2,359,968	2,392,209
Total assets	\$5,115,735,270	\$4,956,134,639
Liabilities		
Members' shares and certificates	\$4,627,044,123	\$4,328,009,363
Borrowed funds	-	180,000,000
PCC redemption payable	-	23,970,076
Accrued expenses and other liabilities	19,666,800	19,485,618
Total liabilities	4,646,710,923	4,551,465,057
Members' Equity		
PCC	168,843,167	167,790,512
Retained earnings	300,671,796	244,718,980
Non controlling interest	7,917,238	8,629,422
Accumulated other comprehensive loss	(8,407,854)	(16,469,332)
Total members' equity	469,024,347	404,669,582
Total liabilities and members' equity	\$5,115,735,270	\$4,956,134,639
<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,	
	2024	2023
Interest income		
Available-for-sale investments	\$144,082,960	\$80,471,391
Federal Reserve Bank	94,944,227	94,877,081
Loans	18,765,893	26,037,072
Other	2,662,572	2,529,462
Total interest income	260,455,652	203,915,006
Interest expense		
Members' shares and certificates	171,824,689	137,483,246
Borrowed funds	4,540,963	5,089,959
Total interest expense	176,365,652	142,573,205
Net interest income	84,090,000	61,341,801
Net fee income		
Share draft and depository processing fees	24,247,620	22,365,428
Off-balance-sheet income	10,839,901	9,760,003
Other fee income	20,056,145	19,059,812
Outside processing and service costs	(10,147,439)	(9,744,617)
Total net fee income	44,996,227	41,440,626
Operating expenses		
Compensation and benefits	46,683,003	43,050,119
Information technology	10,669,195	9,772,622
Professional fees	1,880,549	1,804,848
Office occupancy	1,262,030	1,211,379
Other operating expense	4,341,624	3,666,873
Total operating expenses	64,836,401	59,505,841
Other (loss)/income	(1,123,599)	16,764,532
Non controlling interest	3,210,795	2,343,818
Net income	\$66,337,022	\$62,384,936

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

Consolidated Statement of Comprehensive Income

(Unaudited)

For the year ended December 31,	2024
Net income	\$66,337,022
Other comprehensive income	
Net unrealized holding gains on investments classified as available-for-sale	7,874,523
Net unrealized holding gains on derivatives designated as cash flow hedges	186,955
Total other comprehensive income	8,061,478
Comprehensive income	\$74,398,500
<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, 2024

	Perpetual Contributed Capital	Retained Earnings	Non Controlling Interest	Accumulated Other Comprehensive (Loss)/Income	Total
Balance at December 31, 2023	\$167,790,512	\$244,718,980	\$8,629,422	(\$16,469,332)	\$404,669,582
Net income/(loss)		66,337,022	(3,210,795)		63,126,227
Capital contributions - additional			2,698,758		2,698,758
TranzCapture, LLC distribution			(200,147)		(200,147)
PCC issued	1,052,655				1,052,655
Dividends paid on PCC		(10,384,206)			(10,384,206)
Other comprehensive income				8,061,478	8,061,478
Balance at December 31, 2024	\$168,843,167	\$300,671,796	\$7,917,238	(\$8,407,854)	\$469,024,347
<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 FRB 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, 2024 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized Gain/(Loss)
Asset-backed securities	\$2,144,013,314	\$2,147,175,266	\$3,161,952
Agency commercial mortgage-backed securities	658,274,254	649,024,984	(9,249,270)
Agency mortgage-backed securities	109,977,886	107,877,612	(2,100,274)
U.S. Treasury securities	80,523,860	80,104,853	(419,007)
Corporate debt obligations	42,492,982	42,619,786	126,804
Federal agency securities	628,573	627,732	(841)
Total	\$3,035,910,869	\$3,027,430,233	(\$8,480,636)

3. Other Investments

Other investments are comprised of the following as of December 31, 2024:

Interest-bearing certificates of deposit	\$24,036,000
Investments in credit union service organizations (CUSOs)	7,567,144
FHLB capital stock	2,017,400
Other	2,000,000
Total	\$35,620,544

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 Velera, CURQL Fund I, LLLP, CU Investment Solutions, LLC, and Members Development Company, LLC.

4. Loans

The composition of loans is as follows as of December 31, 2024:

Term loans	\$301,091,173
Open-end credit lines	73,693,272
Total	\$374,784,445

5. Members' Shares and Certificates

Members' shares and certificates are summarized as follows as of December 31, 2024 are as follows:

Members' shares	\$4,523,207,748
Members' certificates	103,836,375
Total	\$4,627,044,123

Catalyst members transferred \$4,662,005,000 to the Excess Balance Account at the FRB as of December 31, 2024.

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 holds an interest in the USC AME related to claims from Georgia Corporate Federal Credit Union (Georgia) and First Corporate Federal Credit Union (FirstCorp), which resulted in receipt of cash distributions in 2021 and 2022 totaling approximately \$91,366,000. For the year ended December 31, 2023, Catalyst received distributions totaling approximately \$15,194,000, which is reflected on the consolidated statements of income in other (loss)/income. Catalyst expects additional recoveries of approximately \$4,715,000 in 2025.

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. 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. Catalyst's Board of Directors also approved a fee waiver of all recurring monthly member services fees on the April 2022 billing invoice totaling approximately \$2,836,000.