2022 Annual Report

CATALYST
Corporate Federal Credit Union

President’s Report

Bruce Fox
President/CEO

As the current economic environment continues to evolve, so does the credit union industry. And, Catalyst Corporate Federal Credit Union is here to help credit unions navigate the unknown through cutting-edge solutions and strategic financial planning.

That starts with its own solid financial performance. As you can see from the audited financials, 2022 was another strong year for Catalyst Corporate. The year ended with net income of $55.3 million, a leverage ratio of 9.75% and an operating efficiency ratio of 74.9%. Catalyst Corporate also successfully completed all 34 initiatives outlined in the 2022 Strategic Plan.

As demand for liquidity reached new heights in 2022, Catalyst Corporate was there to assist with loans and lines of credit, resulting in total loans outstanding of $841 million at year end — a 300% increase over 2021. At one point, Catalyst Corporate was lending to 300 credit unions per day, and the loan balance reached a high of $1 billion in January of 2023.

To accommodate the new CECL accounting standard, Catalyst Corporate assisted 170 credit unions through its innovative online platform, CECLution. Another notable accomplishment included Catalyst Corporate’s enhanced share certificate offering, which provided credit unions additional investment opportunities, with 249 certificates sold for a total of more than $400 million.

In 2022, Catalyst Corporate experienced continued growth for its check and deposit processing operations. The TranzCapture CUSO, designed to bring economies of scale to credit unions of all sizes, now represents four corporates — making it the nation’s largest payments processor of its kind. Product enhancements in 2023 will see the addition of new Teller Capture core integrations with Sharetec and Jack Henry Symitar Episys.

Catalyst Corporate also experienced a year of record membership growth. In 2022, 21 new credit unions capitalized the organization, bringing total membership to 1,311 at year end.

Transitioning to 2023, notable initiatives are taking place in the payments arena. Catalyst Corporate is dedicating new resources to ensure credit unions are prepared for faster payments on all fronts — including P2P, RTP© and the Federal Reserve’s FedNow℠ Service. Catalyst Corporate is offering a complimentary series of Faster Payments workshops — both in-person and online — to provide a status report and help credit unions prepare. Furthermore, Catalyst Corporate has developed a state-of-the-art P2P payments solution, Moli, designed to offer transactional and settlement services for credit unions.

Catalyst Corporate’s new digital loan payment module, CU LoanPay, is now available. The service provides a quick and easy way for members to make loan payments to credit unions with funds from another institution.

I want to make you aware of some of our balance sheet management services that may be of assistance in the current economic climate. Credit unions facing liquidity challenges are finding answers at Catalyst Corporate through interest rate derivatives, loan participations and subordinated debt. We also have a new capital planning and stress testing service now available.

I will close with an invitation to our annual Economic & Payments Forum, September 18-20. This year’s event will be held in-person again at the Renaissance Plano Legacy West Hotel. We hope you will join us.

Chairman’s Report

Lin Hodges
Chairman of the Board

Catalyst Corporate is committed to finding new ways of helping credit unions succeed in their businesses.

This commitment starts from the inside out, as Catalyst Corporate’s dedicated team of volunteers, management and staff collaborate to support the individual needs and goals of credit unions. Measuring Catalyst Corporate’s success depends on the collective ability to do just that — and to do it with keen attention to service. Working together ensured 2022 was another successful year for the organization.

Each year members are surveyed to measure their level of satisfaction. In 2022, members awarded Catalyst Corporate a Net Promoter Score of 86.8%. This vote of confidence helped drive Catalyst Corporate’s continued commitment to provide innovative new products, including the online platform for CECL (CECLution.org). The first quarter of 2023 is off to a great start with quarter ending net income at $18.29 million, the retained earnings ratio at 5.48% and the leverage ratio at 10.17%.

Strategic goals for 2023 include: increasing market share, exploring innovation, enhancements and efficiencies for financial programs, achieving financial performance, enhancing operating and security systems, implementing payments product development and enhancements, participating in value-added business partnerships, maintaining employee engagement and an inclusive workplace and executing a digital strategy.

Thank you for your continued support and participation. Please continue to let us know how we can better contribute to the success of your credit union.

Supervisory Committee’s Report

Jody Caraccioli
Committee Chair

The Supervisory Committee is responsible for reporting on the integrity of the credit union’s financial records and for ensuring that internal controls are in place to protect the assets of the credit union and its members.

Regulatory exams and the audits performed by Catalyst Corporate’s internal and external independent auditors are designed to assist Catalyst Corporate in maintaining the highest standards of accuracy in its accounting records and reports, and in complying with policies, procedures and regulations.

The Supervisory Committee has met with the external auditors to discuss the results of the 2022 external audit. Catalyst Corporate received an unqualified opinion on the audited 2022 financial statements.

The Supervisory Committee also has reviewed the results of work performed by Catalyst Corporate’s internal auditors and the results of examinations performed by the National Credit Union Administration.

Based on findings of the internal auditors, external auditors and the NCUA, the Supervisory Committee members conclude that the financial statements for the year ending December 31, 2022, are fairly presented and that Catalyst Corporate has maintained effective internal control over financial reporting and has complied with all applicable regulations and laws throughout 2022.

DoerenMayhew
CPAs AND ADVISORS

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Independent Auditor's Report

To the Supervisory Committee, Board of Directors
and Management of Catalyst Corporate Federal Credit Union

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Catalyst Corporate Federal Credit Union and its subsidiaries, which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Catalyst Corporate Federal Credit Union and its subsidiaries as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Catalyst Corporate Federal Credit Union and its subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Catalyst Corporate Federal Credit Union and its subsidiaries' ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Catalyst Corporate Federal Credit Union and its subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Internal Control Over Financial Reporting

We also have audited, in accordance with auditing standards generally accepted in the United States of America, Catalyst Corporate Federal Credit Union and its subsidiaries' internal control over financial reporting as of December 31, 2022, based on criteria established in the Internal Control— Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated April 5, 2023 expressed an unmodified opinion.

Doeren Mayhew

Miami, FL
April 5, 2023

Catalyst Corporate Federal Credit Union
Consolidated Statements of Financial Condition

As of December 31, (in thousands)	**2022**	2021
Assets		
Cash and cash equivalents	**$1,504,721**	$2,338,599
Investments:		
Available-for-sale (AFS)	**1,702,887**	1,590,057
Central Liquidity Facility (CLF) capital stock	**-**	97,698
Other investments	**43,467**	14,849
Loans, net of allowance of **$15** and $47 as of December 31, 2022 and 2021, respectively	**685,649**	227,597
Accounts receivables and other assets	**41,350**	32,825
Property and equipment, net	**13,694**	14,277
Goodwill and other intangible assets	**7,278**	7,688
National Credit Union Share Insurance Fund (NCUSIF) deposit	**2,390**	2,463
Total assets	**$4,001,436**	$4,326,053
Liabilities		
Members' shares and certificates	**$3,425,767**	$3,927,050
Borrowed funds	**199,844**	-
Accrued expenses and other liabilities	**19,448**	18,342
Total liabilities	**3,645,059**	3,945,392
Commitments and contingent liabilities		
Members' Equity		
Perpetual contributed capital (PCC)	**187,418**	179,026
Retained earnings	**192,161**	192,567
Non-controlling interest	**10,973**	6,540
Accumulated other comprehensive (loss)/income (AOCI)	**(34,175)**	2,528
Total members' equity	**356,377**	380,661
Total liabilities and members' equity	**$4,001,436**	$4,326,053

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

Catalyst Corporate Federal Credit Union
Consolidated Statements of Income

For the years ended December 31, (in thousands)	**2022**	2021
Interest income		
AFS invesments	**$31,175**	$12,988
Federal Reserve Bank (FRB)	**19,360**	2,916
Loans	**12,748**	2,134
Other	**2,229**	513
Total interest income	**65,512**	18,551
Interest expense		
Members' shares and certificates	**34,302**	959
Borrowed funds	**1,507**	-
Total interest expense	**35,809**	959
Net interest income	**29,703**	17,592
Recapture of loan losses	**(30)**	(14)
Net interest income after recapture of loan losses	**29,733**	17,606
Non-interest income		
Share draft and depository processing fees	**20,898**	19,770
Off-balance-sheet income	**11,468**	13,463
Other fee income	**17,946**	16,773
Other net gains	**1,641**	283
Other income on U.S. Central Estate settlement	**35,882**	52,648
Total non-interest income	**87,835**	102,937
Non-interest expenses		
Compensation and benefits	**39,503**	35,794
Outside processing and service costs	**9,535**	8,470
Information technology	**8,783**	8,186
Professional fees	**1,876**	1,542
Office occupancy	**1,235**	1,190
Other operating expenses	**3,059**	2,512
Total non-interest expenses	**63,991**	57,694
Net income	**53,577**	62,849
Net loss attributable to non-controlling interest	**1,731**	413
Net income attributable to controlling interest	**$55,308**	$63,262

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

Catalyst Corporate Federal Credit Union
Consolidated Statements of Comprehensive Income

For the years ended December 31, (in thousands)	**2022**	2021
Net income attributable to controlling interest	**$55,308**	$63,262
Other comprehensive loss		
Net unrealized holding losses on investments classified as AFS	**(36,332)**	(9,983)
Net unrealized holding losses on derivatives classified as cash flow hedges	**(371)**	-
Reclassification adjustment for net gains included in net income on AFS investments	**-**	(253)
Other comprehensive loss	**(36,703)**	(10,236)
Comprehensive income	**$18,605**	$53,026

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

Catalyst Corporate Federal Credit Union
Consolidated Statements of Members' Equity

(In thousands)	Perpetual Contributed Capital	Retained Earnings	Non-controlling Interest	Accumulated Other Comprehensive Income/(Loss)	Total
Balance at December 31, 2020	$178,199	$130,398	$4,998	$12,764	$326,359
Net income/(loss)	-	63,262	(413)	-	62,849
Capital contributions	-	-	1,955	-	1,955
PCC issued	827	-	-	-	827
Dividends paid on PCC	-	(1,093)	-	-	(1,093)
Other comprehensive loss	-	-	-	(10,236)	(10,236)
Balance at December 31, 2021	179,026	192,567	6,540	2,528	380,661
Net income/(loss)	**-**	**55,308**	**(1,731)**	**-**	**53,577**
Capital contributions	**-**	**-**	**6,584**	**-**	**6,584**
Dividend distributions	**-**	**-**	**(420)**	**-**	**(420)**
PCC issued	**8,392**	**-**	**-**	**-**	**8,392**
Dividends paid on PCC	**-**	**(2,700)**	**-**	**-**	**(2,700)**
Non pro-rata dividend distributions	**-**	**(53,014)**	**-**	**-**	**(53,014)**
Other comprehensive loss	**-**	**-**	**-**	**(36,703)**	**(36,703)**
Balance at December 31, 2022	**$187,418**	**$192,161**	**$10,973**	**($34,175)**	**$356,377**

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

Catalyst Corporate Federal Credit Union
Consolidated Statements of Cash Flows

For the years ended December 31, (in thousands)	**2022**	2021
Cash flows from operating activities:		
Net income attributable to controlling interest	**$55,308**	$63,262
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property and equipment, net	**2,682**	2,360
Net gain on sale/redemption of AFS investments	**-**	(253)
Net amortization of premiums and discounts on AFS investments	**711**	4,348
Amortization of other intangible assets	**410**	410
Recapture of loan losses	**(30)**	(14)
Change in credit union-owned life insurance (COLI) policy	**(303)**	(305)
Net loss attributable to non-controlling interest	**(1,731)**	(413)
Changes in operating assets and liabilities:		
(Increase)/decrease in accounts receivables and other assets	**(8,876)**	623
(Increase)/decrease in interest rate derivatives accrued interest	**(204)**	3
Increase in interest rate derivatives collateral	**8,529**	3,216
Increase/(decrease) in accrued expenses and other liabilities	**1,106**	(2,211)
Net cash provided by operating activities	**57,602**	71,026

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

Catalyst Corporate Federal Credit Union
Consolidated Statements of Cash Flows

Cash flows (continued):

For the years ended December 31, (in thousands)	**2022**	2021
Cash flows from investing activities:		
Purchases of securities under agreements to resell	**-**	(300,000)
Proceeds from maturities of securities purchased under agreements to resell	**-**	600,000
Proceeds from sale/redemption of AFS investments	**-**	85,611
Proceeds from maturities and repayments of AFS investments	**1,084,440**	876,459
Purchases of AFS investments	**(1,235,438)**	(1,010,405)
Net change in loans	**(467,301)**	(44,970)
Net change in CLF capital stock	**97,698**	(1,578)
Expenditures for property and equipment, net	**(2,099)**	(2,115)
Change in NCUSIF deposit	**73**	16
Net change in other investments	**(28,618)**	(133)
Net cash (used in)/provided by investing activities	**(551,245)**	202,885
Cash flows from financing activities:		
Net change in members' shares and certificates	**(498,921)**	103,967
Net change in borrowed funds	**199,844**	-
Capital contributions of non-controlling interest in credit union service organization (CUSO)	**6,584**	1,955
Dividend distributions to non-controlling interest in CUSO	**(420)**	-
PCC issued	**8,392**	827
Dividends paid on PCC	**(2,700)**	(1,093)
Non pro-rata dividend distributions	**(53,014)**	-
Net cash (used in)/provided by financing activities	**(340,235)**	105,656
Net (decrease)/increase in cash and cash equivalents	**(833,878)**	379,567
Cash and cash equivalents at beginning of year	**2,338,599**	1,959,032
Cash and cash equivalents at end of year	**$1,504,721**	$2,338,599

Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest on members' shares and certificates	**$33,772**	$996
Interest on borrowed funds	**$1,507**	$-

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

Catalyst Corporate Federal Credit Union
Notes to the Consolidated Financial Statements

1. ORGANIZATION

Catalyst Corporate Federal Credit Union (Catalyst Corporate) is a federally chartered corporate credit union whose principal activity is to provide investment, credit, payment and correspondent services to its member credit unions. Catalyst Corporate's members can include federal and state-chartered credit unions, and other credit union organizations throughout the United States.

Catalyst Corporate derives its authority to operate from the United States federal government under the Federal Credit Union Act (the Act). The National Credit Union Administration (NCUA) serves as the regulatory agency responsible for enforcement of the Act. Pursuant to Section 122 of the Act, Catalyst Corporate is exempt from the payment of federal and state income taxes.

Catalyst Corporate wholly owns CUSOURCE, LLC (CUSOURCE), which is a CUSO that provides investment advisory and asset-liability management services to credit unions on a nationwide basis. CUSOURCE conducts business under the name "Catalyst Strategic Solutions." As of December 31, 2022, Catalyst Corporate also owns 69% of TranzCapture, LLC (TranzCapture), a CUSO that was formed in 2015 for software development, and 39% of Aptys Solutions, LLC (Aptys Solutions), a leading provider of real-time processing and electronic payment solutions.

All three CUSOs are formed as Texas limited liability companies, and since the federal income tax liability flows through to its owners, the CUSOs are not subject to federal and state income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements/Use of estimates
The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the fair value of financial instruments. The significant accounting principles and policies used in the preparation of these consolidated financial statements, together with certain related information, are summarized below. Management elected to round the consolidated financial statements to the nearest thousand dollars.

Principles of consolidation
The consolidated financial statements include the accounts of Catalyst Corporate, CUSOURCE TranzCapture, and Aptys Solutions. Although Catalyst Corporate owns 39% of Aptys Solutions, Catalyst Corporate has consolidated Aptys Solutions due to Catalyst Corporate's significant control maintained over Aptys Solutions. All significant intercompany balances and transactions have been eliminated in the Catalyst Corporate consolidated financial statements.

Note: 2 (continued)

Cash and cash equivalents
Cash and cash equivalents include amounts due from the FRB and other banks, as well as cash maintained in various courier vaults. Amounts due from banks, at times, may exceed federally insured limits.

Interest rate derivatives
Catalyst Corporate utilizes interest rate swap agreements to manage the effects of interest rate volatility on net interest income. Interest rate derivatives may be designated as fair value hedges, cash flow hedges, or not designated as a hedge. Gains and losses on derivatives designated as fair value hedges are reported in income along with the related gains and losses of hedged financial instruments. Gains and losses on derivatives designated as cash flow hedges, to the extent effective, are reported as a component of AOCI. Gains and losses on derivatives not designated as hedges are reported in income.

Interest rate swap gains and losses, and related accrued interest receivable and payable, are netted per counterparty in accordance with Accounting Standards Codification (ASC) 815-10-45. An interest rate derivative asset (or liability) is recognized when the net result for an individual counterparty is an asset (or a liability). Cash collateral receivables or payables are also offset against net derivative positions. Interest income and expense on swaps designated as hedges are recorded in income in conjunction with the income or expense of the hedged financial instrument.

Catalyst Corporate formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking fair value or cash flow hedges to specific assets and liabilities or to specific firm commitments or forecasted transactions. Catalyst Corporate also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in fair values or cash flows of the hedged items. Catalyst Corporate discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, or treatment of the derivative as a hedge is no longer appropriate or intended. Catalyst Corporate does not use interest rate derivatives for trading purposes.

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as net gain (loss) on derivative transactions in the consolidated statements of income (loss). When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in other comprehensive income (loss) are amortized into earnings over the same periods which the hedged transactions will affect earnings.

Note: 2 (continued)

FRB – Excess Balance Account (EBA) Program

Catalyst Corporate, as agent, entered into an EBA agreement with participating member credit unions and the FRB, whereby the FRB opened EBA accounts for the benefit of the participants at the request of the agent. As such, the balances in the EBA accounts are not reflected in the Catalyst Corporate consolidated statements of financial condition. These balances totaled approximately $3,402,507,000 and $10,269,575,000 as of December 31, 2022 and 2021, respectively. Neither the participating member credit unions nor the agent may use the EBA for general payments or other activities. The aggregate balance in the EBA represents a deposit liability of the FRB solely to the participants. Catalyst Corporate, as agent, is solely responsible for calculating and distributing the interest payable to each participant on the participant's excess balance and for damages owed to participants for any inaccuracy in calculating the participant's excess balance and interest.

Investments

Certain investments are classified as AFS when Catalyst Corporate anticipates that the securities could be sold in response to rate changes, prepayment risk, liquidity, availability of and the yield on alternative investments and other market and economic factors. These securities are reported at fair value.

Unrealized gains and losses on AFS securities are recognized as direct increases or decreases in other comprehensive income/(loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Declines in the estimated fair value of AFS securities below their cost that are other-than-temporary are reflected as realized losses in the consolidated statements of income. Factors affecting the determination of whether an other-than-temporary impairment (OTTI) has occurred include, among other things: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, (3) that Catalyst Corporate does not intend to sell these securities, and (4) it is more likely than not that Catalyst Corporate will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses on the sale of securities are recorded on the trade date, and the cost of securities sold are determined using the specific identification method.

CLF capital stock and other investments, which include interest-bearing deposits, Federal Home Loan Bank (FHLB) capital stock, and various investments in CUSOs are generally carried at original cost less impairment, if any, if there is no readily determinable market value, with the exception of certain investments in CUSOs, which are accounted for using the equity method of accounting. Gains/(losses) on equity method investments are included within other fee income reported in the consolidated statements of income.

Loans

Loans include loans to members and loan participations, net of allowance. Loans to members are stated at the amount of unpaid principal. Interest on loans is accrued daily and is calculated using the simple-interest method on principal amounts outstanding. The accrual of interest is discontinued when management believes the collection of interest is doubtful. Catalyst Corporate reviews the loan portfolio for impairment on a regular basis.

Note: 2 (continued)

Open-end credit lines are provided at a variable interest rate and must be repaid within 12 months of the date of each advance or upon demand. All of these lines are backed by either a general or specific pledge of the borrowing credit union's assets.

Term loans are provided in a variety of structures including fixed rate, variable rate, bullet and amortizing structures. These loans are backed by either a specific or general pledge of the borrowing credit union's assets. Catalyst Corporate offers term loans with maturities up to 10 years.

Loan participations, which are secured by vehicle loans, are considered as held for investment and are initially recorded at market value as of the settlement date. The allowance is increased by provision for loan losses charged to expense and decreased by charge-offs (net of recoveries).

The allowance is maintained at an amount that represents management's estimate of losses that may be sustained in the liquidation of currently outstanding loans. Any difference between the market price and par value is recorded as a premium or discount. The accretable premium or discount is amortized to interest income using the interest method over the expected weighted average life of the loan pool. Accrued interest on the loans is recorded to interest income. Principal and interest payments on the loans are applied monthly to reduce loan participation asset and accrued interest balances, respectively.

Allowance for loan losses

Catalyst Corporate's loans to members consists only of loans to credit unions, credit union leagues and CUSOs. Catalyst Corporate has segmented the portfolio into two types of loans (open-end credit lines and term loans) based on risk characteristics of each loan type. Each type of loan requires significant judgment to determine the amount of lines of credit and term loans to extend to any one member. The following methodology is used by management to determine the balance of the allowance for loan losses:

Member loans are evaluated on a loan-by-loan basis. Approximately one half of the dollar volume of open-end credit lines and term loans are secured by a blanket lien on all assets. The remainder is secured by specific collateral. This collateral is pledged by the member prior to Catalyst Corporate extending loan advances.

If management determines that a loan is impaired, then impairment is recognized by recording an allowance for loan losses. There were no impaired loans as of December 31, 2022 or 2021. Additionally, none of the loans were past due or had been modified as of December 31, 2022 or 2021. Catalyst Corporate places loans on non-accrual status when the loan reaches 90 days past due or when the collection of interest or principal becomes uncertain.

Loan participations, secured by vehicle loans, were purchased without recourse and the participating financial institution performs all loan servicing functions on these loans.

Note: 2 (continued)

Catalyst Corporate records an allowance for loan loss provision equal to the estimated inherent losses attributed to the current portfolio. The following methodology is used by management to evaluate loan participations:

Loan participations are segmented by loan pool and the allowance is calculated by segment utilizing the following factors:

- Originating credit union historical loss rate for the loan type
- Level and trends in delinquencies and impaired loans
- Level and trends in charge-offs and recoveries
- Qualitative and environmental factors which may include lending policy and procedure changes, economic condition changes, and the depth of the originating credit union's management experience

Property and equipment, net
Land is carried at cost. Property and equipment are carried at cost less accumulated depreciation. Buildings, capital improvements, software, hardware, furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. Catalyst Corporate reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill and other intangible assets
Goodwill and other intangible assets acquired in a purchase business combination determined to have an indefinite useful life are not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate that an impairment test should be performed. Catalyst Corporate has selected December 31 as the date to perform the annual impairment test, and any impairment is recognized in the period identified. Intangible assets with definite useful lives are amortized over their estimated useful lives to their estimated residual values. Goodwill is the only intangible asset with an indefinite life in Catalyst Corporate's consolidated statements of financial condition. Other intangible assets consist of customer relationships. The customer relationship intangible is being amortized straight line over its estimated useful life of 10 years.

NCUSIF deposit
The deposit in the NCUSIF is in accordance with NCUA regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to 1% of its insured shares. The deposit would be refunded to the credit union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board. The NCUSIF deposit is required to be periodically reviewed for impairment.

Members' shares and certificates
Members' shares and certificates are subordinated to all other liabilities of Catalyst Corporate other than PCC upon liquidation. Interest rates on members' shares and certificates are set by management under the direction of the Board of Directors.

Note: 2 (continued)

PCC

PCC is member credit union contributed capital that is perpetual, uninsured, and available to cover losses that exceed retained earnings. It is not negotiable or assignable but may be transferable to another eligible member credit union under certain provisions. PCC may not be pledged or used as security for borrowing. PCC dividends are non-cumulative and determined based on net earnings and the overall capital needs of Catalyst Corporate. Additionally, PCC dividends are not guaranteed and may be suspended if earnings are negative and/or capital levels fall below regulatory and/or policy minimum levels.

Comprehensive income/(loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities are reported in a separate component of comprehensive income/(loss). Other comprehensive income/(loss) includes changes in unrealized gains/(losses) on AFS investments and cash flow hedges. When AFS investments are sold, the gain/(loss) realized on the sale is reclassified from AOCI to the net gain/(loss) on sale of AFS investments reported in the consolidated statements of income.

Federal and state tax exemption

Catalyst Corporate is exempt from most federal, state and local taxes under the provisions of the Internal Revenue Code (IRC) and state tax laws. The Income Tax Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) clarifies accounting for uncertainty in income taxes reported in the consolidated financial statements. The interpretation provides criteria for assessment of individual tax positions and a process for recognition and measurement of uncertain tax positions. Tax positions are evaluated on whether they met the “more likely than not” standard for sustainability on examination by tax authorities. Federal credit unions are tax-exempt under IRC sections 501(c) (14) (a) and 501(c) (1) (a) (I). As such, Catalyst Corporate has no uncertain tax positions that qualify for either recognition or disclosure in the consolidated financial statements.

Reclassification

Certain amounts reported in the 2021 consolidated financial statements have been reclassified to conform with 2022 presentation. Reclassification adjustments did not affect total members’ equity or net income.

Revenue recognition

Share draft and depository processing fees and other fee income: Catalyst Corporate earns fee income from its members for transaction-based services. Transaction-based services, which include services such as share-draft and deposit processing fees, coin and currency, ACH and wiring fees, are recognized at the time the transaction is executed, as that is the point in time that Catalyst Corporate fulfills the member’s request, concurrently with the correspondent banking expenses provided to the member.

Off-balance-sheet income: Catalyst Corporate also receives certain commissions and service fees. Commission income for investment trades is recognized in the month of trade activity.

Note: 2 (continued)

Commission income for certificates of deposit sales is recognized over the life of the corresponding certificates or in the month of trade activity depending on the certificate type. Service fee income is generated from asset liability management (ALM) modeling and investment advisory services. ALM modeling revenue is recognized over a 12-month period. Investment advisory services revenue is recognized in the month the service has been performed. Off-balance-sheet income also includes agent income from the EBA Program. Catalyst Corporate, as an agent, earns income based on a spread differential as a function of the balances maintained at the FRB for the participant. Agent income is recognized in the month of activity.

Recent accounting pronouncements
In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments-Credit Losses. The ASU introduces a new accounting model, the Current Expected Credit Losses model (CECL), which requires earlier recognition of credit losses. The FASB's CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For AFS securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models in current GAAP, which generally require that a loss be incurred before it is recognized.

The CECL model represents a significant change from existing GAAP and has resulted in a significant change to Catalyst Corporate's accounting for loans. The ASU was effective for credit unions on January 1, 2023. Catalyst Corporate expects the impact of adoption of this ASU to be immaterial to the consolidated financial statements.

Subsequent events
Management has evaluated subsequent events through April 5, 2023, which is the date the consolidated financial statements were available to be issued.

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 Federal Reserve Discount Window, which is secured with qualified investment securities with a fair value of approximately $607,545,000. Additionally, the repurchase agreement line of credit with J.P. Morgan Securities, LLC increased to $200,000,000 in 2023. There were no borrowings outstanding as of February 28, 2023.

In March 2023, Catalyst Corporate received a distribution from the U.S. Central Asset Management Estate (USC AME) totaling approximately $9,414,000 (see Note 19).

3. 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.

4. INTEREST RATE DERIVATIVES

Interest rate derivatives as of December 31, 2022 and 2021, are comprised of twenty-one and ten interest rate swap agreements, respectively. Net interest rate derivative assets are included in accounts receivables and other assets in the consolidated statements of financial condition.

Fair value hedges are comprised of interest rate swap agreements in which Catalyst Corporate pays a fixed rate and receives a floating rate in return. Catalyst Corporate utilizes swap agreements to manage interest rate risk by hedging the fair value of its member term loans, members' certificates, and fixed rate investment securities attributable to changes in interest rate. Cash flow hedges are comprised of interest rate swap agreements in which Catalyst Corporate pays a floating rate and receives a fixed rate in return. These swap agreements are used to hedge the variability of expected future interest payments on floating rate investment securities.

The following table presents the amounts recorded on the consolidated statements of financial condition related to the cumulative basis adjustments for fair value hedges as of December 31 (in thousands):

Line Items in the Consolidated Statements of Financial Condition in Which the Hedged Item is Included	Carrying Amount of the Hedged Assets (Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets (Liabilities)	
	2022	2021	**2022**	2021
Loans	**$116,905**	$98,517	**($8,095)**	$1,017
AFS investments	**40,710**	-	**(1,125)**	-
Members' certificates	**(85,737)**	-	**2,362**	-

In December 2022, Catalyst Corporate terminated fair value loan swaps of $15,000,000 which resulted in basis adjustments totaling approximately $223,000 that are being amortized over the remaining lives of the loans. The cumulative amount of fair value hedging adjustment included in the carrying amount of the hedged loans includes $306,000 and $139,000 of basis adjustments as of December 31, 2022 and 2021, respectively, on discontinued hedging relationships.

Note: 4 (continued)

The following table summarizes the fair value of interest rate swaps, which are designated as fair value hedges and cash flow hedges, on a gross basis as of December 31 (in thousands). The net interest rate derivative assets are included in accounts receivables and other assets in the consolidated statements of financial condition.

2022	Assets	
Interest Rate Swaps Designated	Fair Value	Notional
Fair value hedges of loans to members	**$8,401**	**$125,000**
Fair value hedges of members' certificates	**(2,362)**	**88,099**
Fair value hedges of AFS investments	**1,125**	**43,000**
Cash flow hedges of AFS investments	**(371)**	**10,000**
Counterparty netting: accrued interest receivable	**190**	
Fair value of interest rate swaps	**6,983**	
Less: cash collateral received	**(6,850)**	
Total net interest rate derivative assets	**$133**	

2021	Assets	
Interest Rate Swaps Designated	Fair Value	Notional
Fair value hedges of loans to members	($878)	$97,500
Counterparty netting: accrued interest payable	(14)	-
Fair value of interest rate swaps	(892)	
Less: cash collateral paid	1,679	
Total net interest rate derivative assets	$787	

Cash collateral is posted based on the position of the swap agreement. As of December 31, 2022, Catalyst Corporate had received collateral of approximately $6,850,000 from Wells Fargo, N.A. Additionally, Catalyst Corporate posted cash collateral with Wells Fargo, N.A. and J.P. Morgan Chase, respectively, of approximately $1,399,000 and $280,000 as of December 31, 2021.

In the event of counterparty default, credit risk on interest rate swap transactions is limited to the balance of interest rate derivative assets and collateral. Catalyst Corporate manages credit risk arising from interest rate swap transactions through credit approval procedures that include specific limits for individual counterparties and ongoing monitoring procedures to measure outstanding swap exposure against the established limits.

Catalyst Corporate's policies require swap transactions to be executed with counterparties that possess a minimum credit rating of single-A. Credit risk is further mitigated by contractual arrangements with each of Catalyst Corporate's counterparties that provide for the netting of replacement cost gains and losses, and accrued interest receivable and payable, on multiple swap transactions with the same counterparty.

Note: 4 (continued)

The effect of fair value and cash flow hedge accounting on the consolidated statements of income for the years ended December 31, 2022 and 2021, are included in the tables below (in thousands). Catalyst Corporate assumes no ineffectiveness on these interest rate swaps which results in net zero gains/(losses) recognized in net income.

2022

	Location and Amount of Gain or Loss Recognized in Income on Fair Value and Cash Flow Hedging Relationships		
	Interest Income-AFS	Interest Income-Loans	Interest Expense-Members' Certificates
The effects of fair value and cash flow hedging:			
Gain (loss) on fair value hedging relationships:			
Hedged items	**($1,125)**	**($9,056)**	**$2,362**
Interest rate contracts designated as hedging instruments	**1,125**	**9,056**	**(2,362)**
(Loss) on cash flow hedging relationships:			
Amount reclassified from AOCI into income	**($371)**	**$-**	**$-**

2021

	Location and Amount of Gain or Loss Recognized in Income on Fair Value Hedging Relationships		
	Interest Income-AFS	Interest Income-Loans	Interest Expense-Members' Certificates
The effects of fair value hedging:			
Gain (loss) on fair value hedging relationships:			
Hedged items	$-	($3,375)	$-
Interest rate contracts designated as hedging instruments	-	3,375	-

5. AFS INVESTMENTS

The amortized cost and estimated fair value of AFS investments as of December 31 are as follows (in thousands):

2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Asset-backed securities	**$1,077,021**	**$169**	**($13,445)**	**$1,063,745**
Agency commercial mortgage-backed securities	**446,677**	**17**	**(14,860)**	**431,834**
U.S. Treasury securities	**140,097**	**-**	**(2,771)**	**137,326**
Agency mortgage-backed securities	**41,983**	**-**	**(2,591)**	**39,392**
Corporate debt obligations	**29,811**	**-**	**(330)**	**29,481**
Federal agency securities	**1,102**	**8**	**(1)**	**1,109**
Total	**$1,736,691**	**$194**	**($33,998)**	**$1,702,887**

2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Asset-backed securities	$1,157,865	$1,735	($1,218)	$1,158,382
Agency commercial mortgage-backed securities	318,540	3,166	(1,547)	320,159
U.S. Treasury securities	7,046	-	(8)	7,038
Agency mortgage-backed securities	37,574	421	(47)	37,948
Corporate debt obligations	20,332	-	(17)	20,315
Federal agency securities	1,217	19	(1)	1,235
Commercial paper	44,955	25	-	44,980
Total	$1,587,529	$5,366	($2,838)	$1,590,057

Catalyst Corporate's asset-backed securities are collateralized by the following asset types as of December 31 (in thousands):

Asset Type	**2022** Fair Value	2021 Fair Value
Automobile	**$380,354**	$512,353
Credit card	**374,621**	232,497
FFELP student loan	**162,863**	205,987
Equipment	**145,907**	207,545
Total	**$1,063,745**	$1,158,382

Note: 5 (continued)

The following tables represent regulatory concentration limits based on parameters established in NCUA regulation 704.5 as of December 31, 2022 (in thousands):

By Security Type:	Fair Value	Capital Based Limit	Asset Based Limit
Agency commercial mortgage-backed securities	**$431,834**	**$1,116,907**	**$600,215**
Automobile asset-backed securities	**380,354**	**$1,861,512**	**$1,000,359**
Credit card asset-backed securities	**374,621**	**$1,861,512**	**$1,000,359**
FFELP student loan asset-backed securities	**162,863**	**$3,723,024**	**$2,000,718**
Equipment asset-backed securities	**145,907**	**$1,861,512**	**$1,000,359**
U.S. Treasury securities	**137,326**	**$3,723,024**	**$2,000,718**
Agency mortgage-backed securities	**39,392**	**$3,723,024**	**$2,000,718**
Corporate debt obligations	**29,481**	**$3,723,024**	**$2,000,718**
Federal agency securities	**1,109**	**$3,723,024**	**$2,000,718**
Total	**$1,702,887**		

By Issuer (top ten issuers of asset-backed securities):	Fair Value	Regulatory Limit
CCCIT 2018-A4 A4	**$49,461**	**$186,151**
CHAIT 2022-A1 A	**$46,787**	**$186,151**
AMXCA 2022-2 A	**$40,808**	**$186,151**
COMET 2022-A2 A	**$30,993**	**$186,151**
FORDL 2022-A A3	**$26,961**	**$93,076**
GMCAR 2022-3 A2A	**$24,994**	**$93,076**
COMET 2018-A2 A2	**$24,987**	**$186,151**
DCENT 2022-A2 A	**$24,371**	**$186,151**
CCCIT 2017-A5 A5	**$22,199**	**$186,151**
DEFT 2022-2 A2	**$21,256**	**$93,076**

Catalyst Corporate's AFS investments portfolio consists entirely of securities that return principal based on payments received on the underlying collateral.

Note: 5 (continued)

The amortized cost and estimated fair value of AFS investments as of December 31, 2022, by contractual maturity are shown below (in thousands). Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay certain obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately below.

	Amortized Cost	Fair Value
Within 1 year	**$111,906**	**$111,000**
1 to 5 years	**58,002**	**55,807**
Asset-backed securities	**1,077,021**	**1,063,745**
Agency commercial mortgage-backed securities	**446,677**	**431,834**
Agency mortgage-backed securities	**41,983**	**39,392**
Federal agency securities	**1,102**	**1,109**
Total	**$1,736,691**	**$1,702,887**

Proceeds of $85,611,000 and gross gains of $253,000 from the sale of two investments classified as AFS were realized for the year ended December 31, 2021. No investments classified as AFS were sold in 2022.

The following tables show the gross unrealized losses and fair value of AFS investments as of December 31 (in thousands), aggregated by length of time individual securities have been in a continuous unrealized loss position.

2022	Continuous unrealized loss position less than 12 months		Continuous unrealized loss position 12 months or greater		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Asset-backed securities	**$764,762**	**$10,343**	**$247,524**	**$3,102**	**$1,012,286**	**$13,445**
Agency commercial mortgage-backed securities	**338,698**	**8,809**	**81,034**	**6,051**	**419,732**	**14,860**
U.S. Treasury securities	**114,512**	**2,136**	**22,814**	**635**	**137,326**	**2,771**
Agency mortgage-backed securities	**27,899**	**1,433**	**11,445**	**1,158**	**39,344**	**2,591**
Corporate debt obligations	**29,481**	**330**	**-**	**-**	**29,481**	**330**
Federal agency securities	**-**	**-**	**146**	**1**	**146**	**1**
Total	**$1,275,352**	**$23,051**	**$362,963**	**$10,947**	**$1,638,315**	**$33,998**

Note: 5 (continued)

2021	Continuous unrealized loss position less than 12 months		Continuous unrealized loss position 12 months or greater		Total	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Asset-backed securities	$649,355	$1,059	$38,660	$159	$688,015	$1,218
Agency commercial mortgage-backed securities	77,558	508	29,510	1,039	107,068	1,547
U.S. Treasury securities	4,937	8	-	-	4,937	8
Agency mortgage-backed securities	9,421	47	53	-	9,474	47
Corporate debt obligations	20,315	17	-	-	20,315	17
Federal agency securities	-	-	161	1	161	1
Total	$761,586	$1,639	$68,384	$1,199	$829,970	$2,838

Catalyst Corporate evaluates each asset-backed security and corporate debt obligation for OTTI by considering Catalyst Corporate's ability to hold each security for a sufficient time to allow for recovery of unrealized losses. Catalyst Corporate also considers the credit rating of each security as well as the tranche and underlying collateral in evaluating each security for OTTI.

Unrealized losses on securities issued by the U.S. Government and its Agencies have not been recognized into income because of the implicit guarantee of the principal balances of these securities by the U.S. Government and its Agencies. The decline in fair value is primarily due to differences between security yields and market interest rates. Additionally, the decline in fair value is expected to be recovered as securities approach their maturity date and/or market rates decline.

Management has the intent and ability to hold all securities through to recovery of fair value, which may be maturity. There was no OTTI recognized for the years ended December 31, 2022 or 2021.

6. CLF CAPITAL STOCK

In 2020, the U.S. Government enacted the Cares Act which included legislative changes to the CLF to provide greater access to liquidity for credit unions. The CLF is the channel for credit unions to access funds from the U.S. Treasury. One of the legislative changes provided Catalyst Corporate temporary authority to become an agent member of the CLF on behalf of its member credit unions with assets under $250,000,000. This legislation expired on December 31, 2022. Catalyst Corporate's CLF capital stock was returned on December 29, 2022, and there is no CLF capital stock outstanding as of December 31, 2022. CLF capital stock as of December 31, 2021 included $89,921,000 invested into the CLF by Catalyst Corporate on behalf of its member credit unions with assets under $250,000,000, as well as approximately $7,777,000 invested by Catalyst Corporate as a regular member of the NCUA CLF.

7. OTHER INVESTMENTS

Other investments are comprised of the following as of December 31 (in thousands):

	2022	2021
Investments in CUSOs	**$7,291**	$6,786
Interest-bearing certificates of deposit	**15,951**	5,394
FHLB capital stock	**18,225**	1,669
Other	**2,000**	1,000
Total	**$43,467**	$14,849

Investments in CUSO's 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.

Catalyst Corporate is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors and may invest in additional amounts. Capital stock may be redeemed after a five-year written notice to the FHLB. Capital stock in FHLB is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Cash and stock dividends are reported as income. Stock dividends are reinvested in FHLB capital stock.

8. LOANS

The composition of loans is as follows as of December 31 (in thousands):

	2022	2021
Open-end credit lines	**$234,535**	$12,341
Term loans	**450,705**	214,357
Total loans to members	**685,240**	226,698
Loan participations (secured by vehicle loans)	**424**	946
Less: allowance for loan losses	**(15)**	(47)
Total loan participations, net of allowance	**409**	899
Total	**$685,649**	$227,597

Note: 8 (continued)

ALLOWANCE FOR LOAN LOSSES (ALLOWANCE)

The following table presents the activity in the allowance and a summary of the allowance by portfolio segment as of and for the years ended December 31 (in thousands):

2022

Allowance:	Member Loans	Loan Participations	Total
Beginning allowance	**$-**	**$47**	**$47**
Charge-offs	**-**	**(2)**	**(2)**
Recapture of loan losses	**-**	**(30)**	**(30)**
Total	**$-**	**$15**	**$15**

2021

Allowance:	Member Loans	Loan Participations	Total
Beginning allowance	$-	$62	$62
Charge-offs	-	(1)	(1)
Recapture of loan losses	-	(14)	(14)
Total	$-	$47	$47

There were no impaired loans as of December 31, 2022 or 2021.

AGE ANALYSIS OF PAST DUE LOANS

The following table presents the aging of the recorded investment in past due loans as of December 31 (in thousands):

2022

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Term loans	**$-**	**$-**	**$-**	**$-**	**$450,705**	**$450,705**
Open-end credit lines	**-**	**-**	**-**	**-**	**234,535**	**234,535**
Loan participations	**6**	**-**	**-**	**6**	**418**	**424**
Total	**$6**	**$-**	**$-**	**$6**	**$685,658**	**$685,664**

Note: 8 (continued)

2021

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater Past Due	Total Past Due	Current	Total Loans
Term loans	$-	$-	$-	$-	$214,357	$214,357
Open-end credit lines	-	-	-	-	12,341	12,341
Loan participations	9	3	-	12	934	946
Total	$9	$3	$-	$12	$227,632	$227,644

No loans have been modified as of December 31, 2022 or 2021.

Catalyst Corporate reviews all lines of credit on a semi-annual basis by reviewing the member credit unions' financial condition and key ratios. A watch list is created of member credit unions that represent a credit risk to Catalyst Corporate.

The criteria used to determine whether a loan will be placed on the watch list include, but not limited to the following:

Credit Quality Indicators:

- Current period net return on assets (ROA) based on a sliding scale with highest net ROA of 0.75% or higher given the best rating and lowest or negative net ROA given the worst rating and/or,

- Current period net capital based on a sliding scale with highest net capital of 10% or greater given the best rating and lowest or negative net capital given the worst rating. (Net capital is calculated by subtracting the dollar amounts of the following from total capital: 10% of all foreclosed and repossessed assets, 10% of loans 2 to 6 months delinquent, 50% of loans 6 to 12 months delinquent, 90% of loans more than 12 months delinquent, 0.5% of all non-delinquent loans, 100% of loans subject to bankruptcy, 50% of all fixed assets, 25% of other assets, and 5% of investments with maturities greater than 3 years).

Member credit unions placed on the watch list due to credit quality have lines of credit of approximately $2,167,292,000 and $195,387,000 and outstanding loan balances of approximately $33,721,000 and $303,000 as of December 31, 2022 and 2021, respectively.

Catalyst Corporate has not experienced any losses on loans to credit union members.

9. PROPERTY AND EQUIPMENT, NET

A summary of Catalyst Corporate's property and equipment is as follows as of December 31 (in thousands):

	2022	2021
Land	**$1,028**	$1,028
Building	**7,792**	7,792
Software	**13,080**	13,318
Hardware	**8,324**	7,913
Furniture and equipment	**1,095**	1,072
Capital improvements	**1,721**	1,586
	33,040	32,709
Less: accumulated depreciation	**(19,346)**	(18,432)
Total	**$13,694**	$14,277

10. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table sets forth the carrying value of goodwill and other intangible assets, net of accumulated amortizations, as of December 31 (in thousands):

2022

	Gross Carrying Amount	Accumulated Amortizations	Net Book Values
Balance not subject to amortization:			
Goodwill	**$4,237**	**$-**	**$4,237**
Balance subject to amortization:			
Customer relationships	**4,100**	**(1,059)**	**3,041**
Total	**$8,337**	**($1,059)**	**$7,278**

2021

	Gross Carrying Amount	Accumulated Amortizations	Net Book Values
Balance not subject to amortization:			
Goodwill	$4,237	$-	$4,237
Balance subject to amortization:			
Customer relationships	4,100	(649)	3,451
Total	$8,337	($649)	$7,688

Other intangible assets of $4,100,000 consisting of customer relationships were recognized related to the Aptys Solutions acquisition in May 2020. Amortization of the customer relationships intangible assets totaled approximately $410,000 for the years ended December 31, 2022 and 2021.

11. MEMBERS' SHARES AND CERTIFICATES

Members' shares and certificates are summarized as follows as of December 31 (in thousands):

	2022	2021
Daily shares	**$3,030,886**	$3,847,445
Members' certificates	**394,881**	79,605
Total	**$3,425,767**	$3,927,050

The maturities of the members' certificate balances as of December 31, 2022 are shown below (in thousands):

2023	**$277,155**
2024	**80,943**
2025	**32,933**
2026	**3,850**
Total	**$394,881**

The aggregate amount of members' certificate balances in denominations of $250,000 or more is $360,767,000 and $71,300,000 as of December 31, 2022 and 2021, respectively.

12. BORROWED FUNDS/LINES OF CREDIT

As of December 31, 2022, Catalyst Corporate has an outstanding advance of $150,000,000 from FHLB of Dallas. The outstanding advance has a fixed interest rate of 4.561% with balloon payment terms and a maturity date of January 4, 2023. The unused line of credit (LOC) approximates $438,451,000 with FHLB of Dallas as of December 31, 2022. Borrowings under this LOC are secured with qualified investment securities with a fair value of approximately $607,558,000 as of December 31, 2022.

Catalyst Corporate also has 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. The outstanding borrowing has a fixed interest rate of 5.071% and a maturity date of January 18, 2023. Borrowings under the repurchase agreement LOC are secured with qualified investment securities with a fair value of approximately $55,388,000 as of December 31, 2022.

As of December 31, 2022, Catalyst Corporate also has a $30,000,000 unsecured Fed Funds LOC with JPMorgan Chase Bank. There are no outstanding advances under the Fed Funds LOC as of December 31, 2022.

As of December 31, 2021, Catalyst Corporate had access to a $336,709,000 advised LOC with FHLB of Dallas, as well as a $1,042,544,000 repurchase agreement LOC with J.P. Morgan Securities LLC and a $30,000,000 unsecured Fed Funds LOC with JPMorgan Chase Bank. 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 were no outstanding borrowings from these LOCs as of December 31, 2021.

13. EMPLOYEE BENEFITS

Catalyst Corporate sponsors a defined contribution plan (the Plan) established under Section 401(k) of the IRC. The Plan allows employees to contribute up to the Internal Revenue Service maximum allowable percentage of their compensation. Catalyst Corporate matches 100% of the first 5% of each employee's contribution to the Plan. In addition, Catalyst Corporate may elect to make discretionary annual contributions to the Plan. This election requires approval by the Board of Directors. The Board of Directors approved a 3% discretionary contribution to be funded in 2023 based on 2022 compensation. A 1% discretionary contribution was also made in 2022 based on 2021 compensation. Catalyst Corporate's total contribution to the Plan was approximately $1,948,000 and $1,328,000 for the years ended December 31, 2022 and 2021, respectively.

Catalyst Corporate purchased a COLI group policy to provide additional life insurance for members of the management team while employed at Catalyst Corporate. There is no life insurance benefit or liability paid to the individuals once they are no longer employed at Catalyst Corporate. Catalyst Corporate is a beneficiary to the policy.

As of December 31, 2022 and 2021, Catalyst Corporate recorded the cash surrender value of approximately $12,537,000 and $12,234,000, respectively, as a component of accounts receivables and other assets in the consolidated statements of financial condition.

Earnings from the COLI are used to cover employee benefit-related expenses as a cost offset and long-term cost recovery and are included within off-balance-sheet income reported in the consolidated statements of income.

14. OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

Catalyst Corporate is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its member credit unions. These financial instruments include agreements to extend credit. Catalyst Corporate issues lines of credit to its members that are both uncommitted or "stand-by" and committed or "guaranteed." Virtually all lines of credit issued by Catalyst Corporate are uncommitted in that through provisions in its loan agreements, Catalyst Corporate is in no way obligated or committed to make any loan advances under the "stand-by" lines of credit.

Advances under these "stand-by" lines of credit are subject to funds availability. In addition, these "stand-by" lines of credit are all secured by a pledge of the members' total assets or specific assets of the member such as securities or an auto loan portfolio.

Catalyst Corporate also issues letters of credit to its members in various amounts for various purposes. When a letter of credit is issued to a member, the amount of the letter of credit is subtracted from the member's line of credit.

The face amount of the lines of credit represents the exposure to loss, before considering member collateral or ability to repay. Such line of credit amounts are recorded when they are funded.

Note: 14 (continued)

Catalyst Corporate has unused, "stand-by" lines of credit issued to member credit unions of approximately $9,958,623,000 and $9,807,272,000 as of December 31, 2022 and 2021, respectively. Catalyst Corporate evaluates each member credit union's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member. Additionally, Catalyst Corporate has committed "stand-by" letters of credit issued to member credit unions of approximately $2,031,000 and $2,030,000 as of December 31, 2022 and 2021, respectively. The "stand-by" letters of credit, which are secured by either a general or a specific pledge of the member credit union assets, are issued with a term of one to five years and are generally used for various operational reasons.

15. REGULATORY CAPITAL

Catalyst Corporate is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on Catalyst Corporate's consolidated financial statements.

Failure to meet minimum capital requirements would require Catalyst Corporate to submit a plan of action to correct the shortfall. Additionally, the NCUA could require an increase in capital to specific levels, reduction of interest, and ceasing or limiting Catalyst Corporate's ability to accept deposits.

The NCUA has established requirements for corporate credit unions to meet a certain leverage / tier 1 capital ratio (retained earnings and PCC adjusted for various items divided by the 12-month average of daily net assets), tier 1 risk-based capital ratio (retained earnings and PCC adjusted for various items divided by the 12-month moving average of net risk-weighted assets), and a total risk-based capital ratio (total capital divided by the 12-month moving monthly average of net risk-weighted assets).

As of December 31, 2022 and 2021, Catalyst Corporate's retained earnings ratios were 5.06% and 4.61%, respectively. As of December 31, 2022 and 2021, Catalyst Corporate exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations.

Catalyst Corporate's actual and required capital ratios were as follows as of December 31:

Capital Ratio	**2022** Ratio	2021 Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Leverage / Tier 1 capital ratio	**9.75%**	8.72%	4.00%	5.00%
Tier 1 risk- based capital ratio	**27.55%**	31.88%	4.00%	6.00%
Total risk- based capital ratio	**27.55%**	31.89%	8.00%	10.00%

16. CHANGES IN AOCI

The following table presents the changes in AOCI by component for the years ended December 31, 2022 and 2021 (in thousands):

	Unrealized (Losses)/Gains On AFS Investments	Unrealized (Losses)/Gains On Cash Flow Hedges	Total
Balance at January 1, 2021	$12,764	$-	$12,764
Other comprehensive gains/ (losses) before reclassifications	(10,236)	-	(10,236)
Balance at December 31, 2021	2,528	-	2,528
Other comprehensive gains/ (losses) before reclassifications	**(36,332)**	**-**	**(36,332)**
Amounts reclassified to consolidated income statement	**-**	**(371)**	**(371)**
Balance at December 31, 2022	**($33,804)**	**($371)**	**($34,175)**

Reclassification adjustments include amounts recognized in net income during the current year that had been previously recorded in other comprehensive loss. There were no reclassifications to income for ineffectiveness related to cash flow hedges for the years ended December 31, 2022 and 2021, respectively.

17. RELATED PARTY TRANSACTIONS

Catalyst Corporate's Board of Directors and committees are made up of executive officers from several of its member credit unions. These related parties maintained approximately $120,758,000 and $94,395,000 on deposit at Catalyst Corporate in various deposit products as of December 31, 2022 and 2021, respectively. These totals include approximately $10,009,000 and $9,608,000 of PCC as of December 31, 2022 and 2021, respectively. Outstanding loan balances to related parties were approximately $150,341,000 and $1,111,000 as of December 31, 2022 and 2021, respectively. Interest rates on these deposits and loans are the same rates paid/charged, respectively, to other member credit unions.

Catalyst Corporate holds investments in various CUSOs. Members of management serve on the Board of Managers of Primary Financial, LLC, CU Business Group, CU Investment Solutions, LLC, TranzCapture, and Aptys Solutions and as principal of Catalyst Strategic Solutions.

18. FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the FASB ASC provides a framework for measuring fair value that requires an entity to derive fair value from the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date within its principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability.

To increase consistency and comparability in fair value measurements and related disclosures, a three-level hierarchy prioritizes the inputs to valuation techniques used to measure fair value with the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1), inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (Level 2), and the lowest priority to unobservable inputs (Level 3).

The methodologies and associated inputs used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, while Catalyst Corporate believes its valuation methods and associated inputs are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement.

Certain assets and liabilities may be required to be measured at fair value on a non-recurring basis. These non-recurring fair value measurements usually result from the application of lower of cost or market accounting or the write-down of individual assets due to impairment. There were no items required to be measured on a non-recurring basis as of December 31, 2022 or 2021.

RECURRING BASIS

AFS SECURITIES

Catalyst Corporate receives pricing for AFS securities from a third-party pricing service. These securities are classified as Level 1 or Level 2 in the fair value hierarchy. The fair values of the U.S. Treasury securities are based on quoted market prices in active markets and are included in the Level 1 fair value hierarchy. Fair values for the asset-backed, agency commercial mortgage-backed, agency mortgage-backed, commercial paper, corporate debt obligations, and federal agency securities are valued based on quoted market prices on similar assets in the marketplace and the vintage of the underlying collateral.

HEDGED TERM LOANS

The fair value of fixed-rate hedged loans is determined based on the associated interest rate swap agreements.

INTEREST RATE DERIVATIVES

The fair value of Catalyst Corporate's interest rate swap derivatives is determined based on quoted prices from brokers as of the last business day of the year.

Note: 18 (continued)

HEDGED MEMBERS' CERTIFICATES

The fair value of fixed-rate hedged members' certificates is determined based on the associated interest rate swap agreements.

The following tables set forth by level, within the fair value hierarchy, Catalyst Corporate's financial instruments at fair value as of December 31 (in thousands):

2022

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Asset-backed securities	**$-**	**$1,063,745**	**$-**	**$1,063,745**
Agency commercial mortgage-backed securities	**-**	**431,834**	**-**	**431,834**
U.S. Treasury securities	**137,326**	**-**	**-**	**137,326**
Agency mortgage-backed securities	**-**	**39,392**	**-**	**39,392**
Corporate debt obligations	**-**	**29,481**	**-**	**29,481**
Federal agency securities	**-**	**1,109**	**-**	**1,109**
Hedged term loans	**-**	**116,905**	**-**	**116,905**
Interest rate derivatives	**-**	**9,526**	**-**	**9,526**
Total assets at fair value	**$137,326**	**$1,691,992**	**$-**	**$1,829,318**

	Liabilities at Fair Value			
	Level 1	Level 2	Level 3	Total
Interest rate derivatives	**$-**	**$2,733**	**$-**	**$2,733**
Hedged members' certificates	**-**	**85,737**	**-**	**85,737**
Total liabilities at fair value	**$-**	**$88,470**	**$-**	**$88,470**

2021

	Assets at Fair Value			
	Level 1	Level 2	Level 3	Total
Asset-backed securities	$-	$1,158,382	$-	$1,158,382
Agency commercial mortgage-backed securities	-	320,159	-	320,159
U.S. Treasury securities	7,038	-	-	7,038
Agency mortgage-backed securities	-	37,948	-	37,948
Corporate debt obligations	-	20,315	-	20,315
Federal agency securities	-	1,235	-	1,235
Commercial paper	-	44,980	-	44,980
Hedged term loans	-	98,517	-	98,517
Total assets at fair value	$7,038	$1,681,536	$-	$1,688,574

	Liabilities at Fair Value			
	Level 1	Level 2	Level 3	Total
Interest rate derivatives	$-	$878	$-	$878
Total liabilities at fair value	$-	$878	$-	$878

Note: 18 (continued)

The estimated fair value amounts have been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of amounts that could be realized in a market exchange.

19. U.S. CENTRAL ESTATE SETTLEMENT

On March 18, 2021, the NCUA announced an interim distribution representing a partial recovery to capital holders of the 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 Credit Union (First Corporate). The total expected recovery for Catalyst Corporate is approximately $107,700,000. Catalyst Corporate received distributions for the years ended December 31, 2022 and 2021 totaling approximately $38,718,000 and $52,468,000, respectively. Catalyst Corporate'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. The distributions and fee waiver are reflected as a net amount on the consolidated statements of income in other income on U.S. Central Estate settlement.

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.

In March 2023, Catalyst Corporate received a distribution from the USC AME totaling approximately $9,414,000.

End of Notes

2022 Management Report

Statement of Management's Responsibilities

The management of Catalyst Corporate Federal Credit Union ("Catalyst Corporate") is responsible for preparing Catalyst Corporate's annual financial statements in accordance with generally accepted accounting principles; for establishing and maintaining an adequate internal control structure and procedures for financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report; and for complying with the Federal laws, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure.

Management's Assessment of Compliance with Safety and Soundness Laws and Regulations

The management of Catalyst Corporate has assessed Catalyst Corporate's compliance with the Federal and, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year that ended on December 31, 2022. Based upon its assessment, management has concluded that Catalyst Corporate complied with the Federal laws and, if applicable, State laws and regulations pertaining to affiliate transactions, legal lending limits, loans to insiders, restrictions on capital and share dividends and regulatory reporting that meets full and fair disclosure during the fiscal year that ended on December 31, 2022.

Management's Assessment of Internal Control over Financial Reporting

Catalyst Corporate's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, i.e., NCUA 5310- Corporate Credit Union Call Report. The institution's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Corporate; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America and financial statements for regulatory reporting purposes, and that receipts and expenditures of Catalyst Corporate are being made only in accordance with authorizations of management and directors of Catalyst Corporate; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of Catalyst Corporate's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of Catalyst Corporate's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, as of December 31, 2022, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework (2013)*.

Based upon its assessment, management has concluded that, as of December 31, 2022, Catalyst Corporate's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions for the NCUA 5310 – Corporate Credit Union Call Report, is effective based on the criteria established in *Internal Control--Integrated Framework (2013).*

Catalyst Corporate's internal control over financial reporting as of December 31, 2022 has been audited by Doeren Mayhew, CPAs and Advisors, an independent registered public accounting firm, as stated in their accompanying report which expresses an unmodified opinion on the effectiveness of Catalyst Corporate's internal control over financial reporting as of December 31, 2022.

Catalyst Corporate Federal Credit Union

Date: April 3, 2023

Bruce M Fox	Melissa Wardell
Bruce Fox, Chief Executive Officer	Melissa Wardell, Chief Financial Officer

Salute to Volunteers

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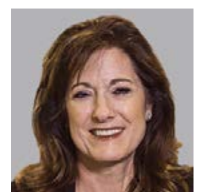

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Katy, TX

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Chris Leggett
President/CEO
LGE Community CU
Atlanta, GA

Michael Hooper
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La Capitol FCU
Baton Rouge, LA

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Catalyst Corporate Federal Credit Union

2023 ECONOMIC & PAYMENTS FORUM

SEPTEMBER 18-20 | PLANO, TEXAS

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CATALYST
Corporate Federal Credit Union