

2023 Due Diligence Report

THE VALUE OF VISION



Letter from the President

Welcome.

The **2023 Due Diligence Report** is a comprehensive document designed to support credit union due diligence efforts by providing key financial performance and operational compliance data on Catalyst, our CUSOs and primary partners. It is one example of how we live out our organizational purpose: **Accelerating credit union success, enabling people to thrive.**

Supporting that purpose are values that drive Catalyst actions every day. Those values are:

- Passion – unwavering dedication to your success
- Leadership – breaking down barriers for you
- Integrity – doing the right thing, always
- Teamwork, Inside and Out – because we know we're stronger together

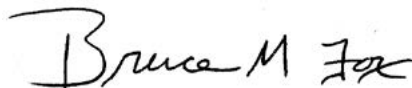
Whether it's building financial strength, managing risks, innovating with modern solutions, finding new efficiencies, supporting our credit union network or providing expertise and thought leadership, our ultimate goal is to serve as a catalyst for your credit union's growth. In the most basic sense, we want to help you manage money, move money and keep it safe.

The Due Diligence Report includes financial statements with detailed commentary and information about Catalyst's risk profile, portfolio composition, CUSO investments and compliance with NCUA Rules and Regulations Part 704. Information is also included about operational practices designed to protect credit unions.

The Due Diligence Report is posted annually and can be downloaded from Catalyst's website under [About Us / Due Diligence](#).

We hope this report serves as affirmation of your credit union's decision to collaborate with our organization on payments, asset management or liquidity solutions through capitalization or a non-capitalized client relationship. Please feel free to contact me or another Catalyst team member if you need additional information.

Best regards,



Bruce Fox, President/CEO
foxb@catalystcorp.org

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Financial Report

RESULTS OF OPERATIONS

Catalyst's net income for the year ended December 31, 2023 totaled \$62,384,936. December year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2023 of 69.6%.

A summary of the unaudited results of Catalyst's operations for the past four quarters is included in the following table.

	JAN-MAR 2023	APR-JUN 2023	JUL-SEP 2023	OCT-DEC 2023
Net interest income	\$12,630,328	\$14,692,420	\$16,087,162	\$17,931,891
Net fee income	10,004,289	10,557,893	10,395,233	10,483,211
Operating expenses	14,303,432	15,136,120	15,312,895	14,753,394
Other income	9,429,252	1,570,528	5,764,752	-
Non controlling interest	526,200	628,855	639,955	548,808
Net income	\$18,286,637	\$12,313,576	\$17,574,207	\$14,210,516

KEY INFORMATION

Net operating expense	\$4,299,143	\$4,578,227	\$4,917,662	\$4,270,183
Operating efficiency ratio (Qtr)	69.9%	69.8%	67.9%	71.1%
Return on assets (Qtr)	1.95%	1.24%	1.69%	1.30%
Daily average net assets – 12-month rolling	\$3,801,388,434	\$3,971,153,227	\$4,126,352,228	\$4,346,080,620
Perpetual contributed capital (PCC)	\$187,417,762	\$189,262,012	\$190,767,017	\$167,790,512
Retained earnings	\$208,370,597	\$218,331,968	\$233,295,622	\$244,718,980
Retained earnings ratio	5.48%	5.50%	5.65%	5.63%
Leverage ratio	10.17%	10.03%	10.04%	9.26%
Tier one risk-based capital ratio	28.96%	31.39%	34.05%	31.64%
Total risk-based capital ratio	28.96%	31.40%	34.05%	31.64%
Operating efficiency ratio (YTD)	69.9%	69.8%	69.2%	69.6%

Financial Report

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Unaudited)

	DECEMBER 31,	
	2023	2022
Assets		
Cash and cash equivalents	\$2,065,618,134	\$1,504,720,925
Investments:		
Available-for-sale	2,353,775,136	1,702,886,593
Other investments	43,700,404	43,466,967
Loans, net of allowance of \$8,492 and \$14,620 as of December 31, 2023 and 2022, respectively	425,237,664	685,649,497
Accrued receivables and other assets	44,095,986	41,350,101
Property and equipment, net	14,447,553	13,694,311
Goodwill and other intangible assets	6,867,553	7,277,553
National Credit Union Share Insurance Fund (NCUSIF)	2,392,209	2,390,296
Total assets	\$4,956,134,639	\$4,001,436,243
Liabilities		
Members' shares and certificates	\$4,328,009,363	\$3,425,767,225
Borrowed funds	180,000,000	199,844,000
PCC redemption payable	23,970,076	-
Accrued expenses and other liabilities	19,485,618	19,448,294
Total liabilities	4,551,465,057	3,645,059,519
Members' equity		
PCC	167,790,512	187,417,762
Retained earnings	244,718,980	192,161,001
Non controlling interest	8,629,422	10,973,240
Accumulated other comprehensive loss	(16,469,332)	(34,175,279)
Total members' equity	404,669,582	356,376,724
Total liabilities and members' equity	\$4,956,134,639	\$4,001,436,243

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

Financial Report

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

	FOR THE YEARS ENDED DECEMBER 31,	
	2023	2022
Interest income		
Available-for-sale investments	\$80,471,391	\$31,175,488
Federal Reserve Bank	94,877,081	19,360,327
Loans	26,037,072	12,777,959
Other	2,529,462	2,228,583
Total interest income	203,915,006	65,542,357
Interest expense		
Members' shares and certificates	137,483,246	34,302,189
Borrowed funds	5,089,959	1,506,510
Total interest expense	142,573,205	35,808,699
Net interest income	61,341,801	29,733,658
Net fee income		
Share draft and depository processing fees	22,365,428	20,897,707
Off-balance-sheet income	9,760,003	11,467,505
Other fee income	19,059,812	17,945,621
Outside processing and service costs	(9,744,617)	(9,534,917)
Total net fee income	41,440,626	40,775,916
Operating expenses		
Compensation and benefits	43,050,119	39,502,582
Information technology	9,772,622	8,782,527
Professional fees	1,804,848	1,875,748
Office occupancy	1,211,379	1,235,404
Other operating expense	3,666,873	3,059,082
Total operating expenses	59,505,841	54,455,343
April 2022 fee waiver	-	(2,835,941)
Other net gains	-	1,640,900
Other income	16,764,532	38,718,134
Non controlling interest	2,343,818	1,730,796
Net income	\$62,384,936	\$55,308,120

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

Financial Report

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

FOR THE YEARS ENDED DECEMBER 31,

	2023	2022
Net income	\$62,384,936	\$55,308,120
Other comprehensive income/(loss)		
Net unrealized holding gains/(losses) on investments classified as available-for-sale	17,449,134	(36,332,384)
Net unrealized holding gains/(losses) on derivatives designated as cash flow hedges	256,813	(370,987)
Total other comprehensive income/(loss)	17,705,947	(36,703,371)
Comprehensive income	\$80,090,883	\$18,604,749

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

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY

(Unaudited)

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2023

	Perpetual Contributed Capital	Retained Earnings	Non Controlling Interest	Accumulated Other Comprehensive Income/(Loss)	Total
Balance at December 31, 2021	\$179,026,250	\$192,567,414	\$6,539,789	\$2,528,092	\$380,661,545
Net income/(loss)	-	55,308,120	(1,730,796)	-	53,577,324
Capital contribution - additional	-	-	6,584,100	-	6,584,100
Dividend distribution	-	-	(419,853)	-	(419,853)
PCC issued	8,391,512	-	-	-	8,391,512
Dividends paid on PCC	-	(2,700,059)	-	-	(2,700,059)
Non pro-rata dividend distribution	-	(53,014,474)	-	-	(53,014,474)
Other comprehensive loss	-	-	-	(36,703,371)	(36,703,371)
Balance at December 31, 2022	187,417,762	192,161,001	10,973,240	(34,175,279)	356,376,724
Net income/(loss)	-	62,384,936	(2,343,818)	-	60,041,118
PCC issued	4,342,826	-	-	-	4,342,826
PCC redemption, January 1, 2024	(23,970,076)	-	-	-	(23,970,076)
Dividends paid on PCC	-	(9,826,957)	-	-	(9,826,957)
Other comprehensive income	-	-	-	17,705,947	17,705,947
Balance at December 31, 2023	\$167,790,512	\$244,718,980	\$8,629,422	(\$16,469,332)	\$404,669,582

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

Financial Report

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and Cash Equivalents

Cash on deposit and cash items in the process of collection from correspondent banks and the Federal Reserve Bank are included in cash and cash equivalents in the consolidated statements of financial condition. As of December 31, 2023, cash and cash equivalents include \$25,057,958 in money market mutual fund investments.

2. Available-for-Sale Investments

The amortized cost and estimated fair value of available-for-sale investments as of December 31, 2023 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss)/Gain
Asset-backed securities	\$1,624,702,348	\$1,621,774,192	(\$2,928,156)
Agency commercial mortgage-backed securities	596,654,800	586,148,519	(10,506,281)
Agency mortgage-backed securities	76,882,612	75,065,609	(1,817,003)
U.S. Treasury securities	49,222,581	48,208,776	(1,013,805)
Corporate debt obligations	21,872,276	21,778,034	(94,242)
Federal agency securities	795,678	800,006	4,328
Total	\$2,370,130,295	\$2,353,775,136	(\$16,355,159)

3. Other Investments

Other investments are comprised of the following as of December 31, 2023:

Investments in credit union service organizations (CUSOs)	\$7,869,404
Interest-bearing certificates of deposit	31,321,000
FHLB capital stock	2,510,000
Other	2,000,000
Total	\$43,700,404

Investments in CUSOs includes equity method investments in CU Business Group, LLC and Primary Financial, LLC and investments carried at cost, less impairments, if any, which include investments in CO-OP, CURQL Fund I, LLP, Constellation Digital Partners, LLC, CU Investment Solutions, LLC, Members Development Company, LLC, and PSCU.

4. Loans

The composition of loans is as follows as of December 31, 2023:

Open-end credit lines	\$112,890,546
Term loans	312,188,284
Loan participations, net of allowance	158,834
Total	\$425,237,664

Financial Report

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Members' Shares and Certificates

Members' shares and certificates are summarized as follows as of December 31, 2023:

Daily shares	\$4,158,997,253
Share certificates	169,012,110
Total	\$4,328,009,363

Catalyst members transferred \$3,389,882,493 to the Excess Balance Account (EBA) at the Federal Reserve Bank as of December 31, 2023.

6. Regulatory Capital

Catalyst exceeded all of the regulatory capital requirements under section 704.3 of the NCUA Regulations as of December 31, 2023. The table below presents Catalyst's actual and required capital ratios as of December 31, 2023:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Leverage ratio	9.26%	4.00%	5.00%
Tier 1 risk-based capital ratio	31.64%	4.00%	6.00%
Total risk-based capital ratio	31.64%	8.00%	10.00%

7. 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 Corporate) and First Corporate Federal Credit Union (First Corporate). The total expected recovery for Catalyst is approximately \$110,421,000. For the years ended December 31, 2023 and 2022, Catalyst received distributions totaling approximately \$15,194,000 and \$38,718,000, respectively.

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. Additionally, Catalyst waived one month of member services fees in 2022 totaling \$2,836,000.

Annual Report

Annually, Catalyst engages a third-party firm to conduct an external audit of its financial statements, including the consolidated statements of financial condition and related consolidated statements of income, comprehensive income, members' equity and cash flows for the prior year-end.

For the period ending December 31, 2022, the CPA firm of Doeren Mayhew performed this function. Catalyst's 2022 Annual Report and 2022 Audited Financials are available on Catalyst's website under [About Us / Due Diligence / Annual Meeting Materials](#).



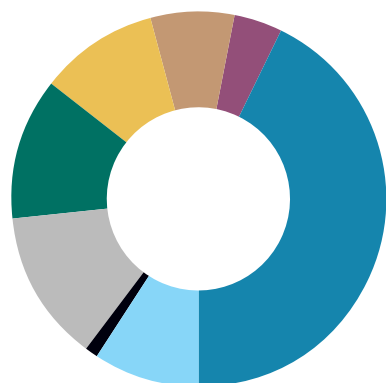
Catalyst's 2024 Annual Meeting will be held in-person:

May 7, 2024, 10 a.m. Central Time
Catalyst's headquarters in Plano, Texas.

The 2023 Annual Report and Audited Financials will be presented at the Annual Meeting and posted to Catalyst's website immediately prior to the Annual Meeting.

Risk Measures | Credit Risk

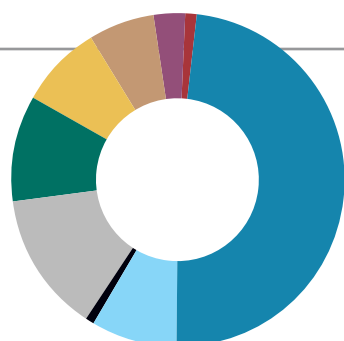
RISK EXPOSURE DECEMBER 31, 2023



DECEMBER 31, 2023

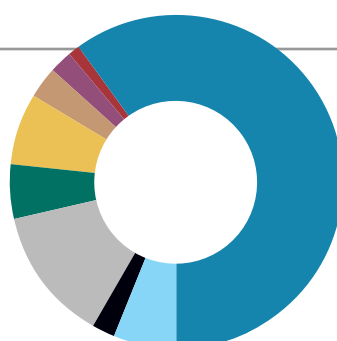
Overnight Cash	\$2,065,618,134
Secured Loans	\$425,078,830
Loan Participations	\$158,834
U.S. Treasury	\$48,208,776
Agency Securities	\$662,014,134
Auto Loans	\$608,547,199
Credit Cards	\$485,157,712
FFELP Student Loans	\$325,468,051
Equipment	\$202,601,230
Corporate Bonds	\$21,778,034

RISK EXPOSURE	REGULATORY LIMITS	CURRENT
Interest Rate Risk (NEV volatility)	-35%	-20.3%
Weighted Average Life of Financial Assets (yrs)	2.00	1.07
Weighted Average Life of Financial Assets - Stress Test (yrs)	2.25	1.12
Single Obligor Limits (% of Capital)		
Credit Card ABS	50%	16.3%
Sector Limits (% of Capital)		
Agency RMBS/CMBS	1000%	164.2%
Credit Card ABS	500%	120.5%
Asset Diversification (% of Assets)		
Agency RMBS/CMBS	50%	13.3%
Credit Card ABS	25%	9.8%



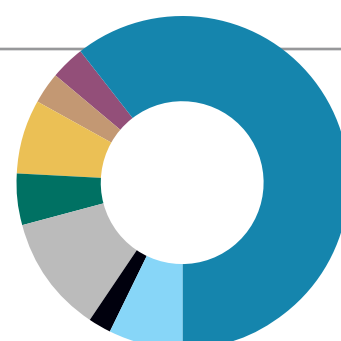
SEPTEMBER 30, 2023

Overnight Cash	\$2,330,413,002
Secured Loans	\$405,150,955
Loan Participations	\$200,847
U.S. Treasury	\$59,227,735
Agency Securities	\$662,143,582
Auto Loans	\$473,276,918
Credit Cards	\$409,039,776
FFELP Student Loans	\$283,220,065
Equipment	\$152,821,672
Corporate Bonds	\$36,555,408



JUNE 30, 2023

Overnight Cash	\$2,962,829,673
Secured Loans	\$308,839,436
Loan Participations	\$254,199
U.S. Treasury	\$79,200,101
Agency Securities	\$647,280,934
Auto Loans	\$261,494,821
Credit Cards	\$365,611,692
FFELP Student Loans	\$140,572,637
Equipment	\$115,637,736
Corporate Bonds	\$36,381,694



MARCH 31, 2023

Overnight Cash	\$3,063,056,150
Secured Loans	\$373,068,747
Loan Participations	\$326,911
U.S. Treasury	\$89,055,878
Agency Securities	\$573,870,792
Auto Loans	\$277,609,778
Credit Cards	\$359,580,421
FFELP Student Loans	\$147,814,717
Equipment	\$139,544,190
Corporate Bonds	\$24,635,498

Risk Measures | Interest Rate Risk

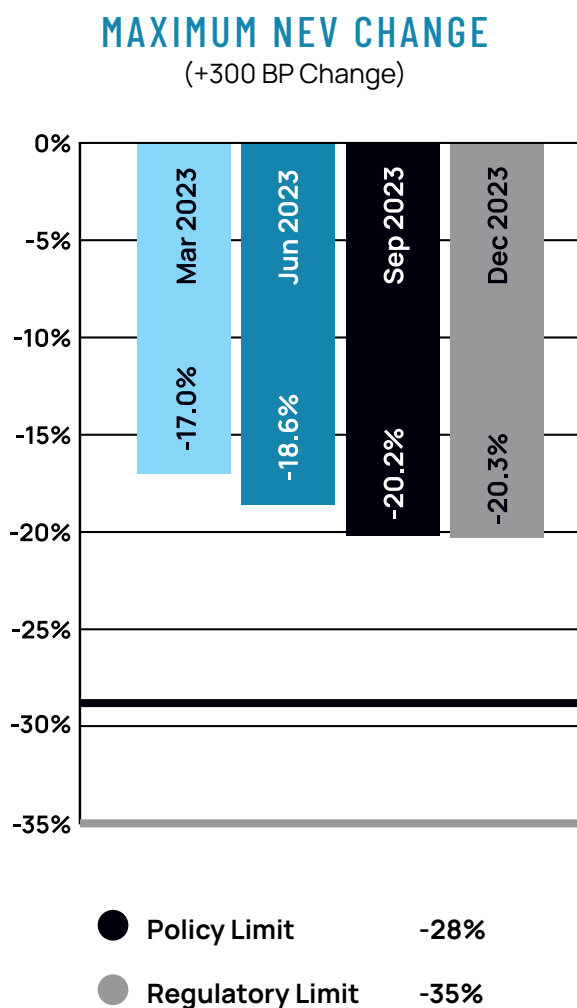
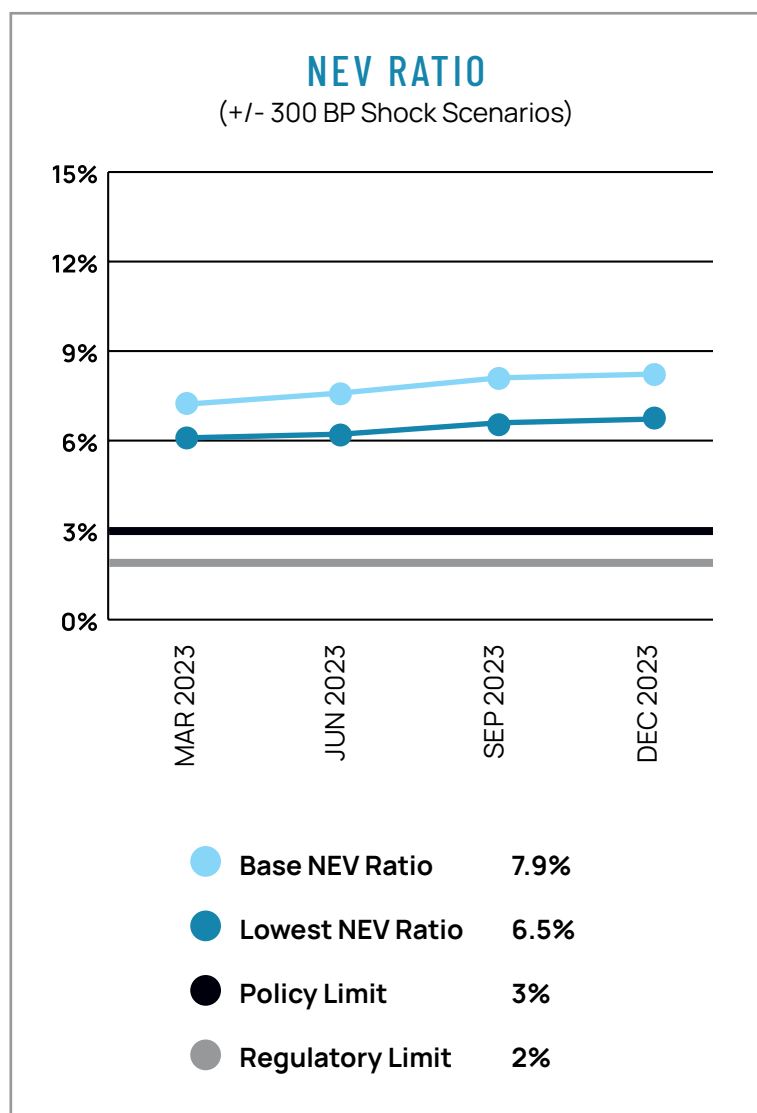
Catalyst's primary method of monitoring interest rate risk is through the net economic value (NEV) test.

The NEV test measures the dollar and percentage potential change in the fair value of Catalyst's capital (PCC 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 at December 31, 2023 is as follows (in thousands):

	NEV	\$ Change in NEV	% Change in NEV
Fair Value Base	\$392,600	N/A	N/A
Fair Value +300 BP	\$312,800	(\$79,800)	-20.3%
Fair Value -300 BP	\$479,600	\$87,000	22.1%



Risk Measures | 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, 2023, Catalyst has \$2,065,618,134 in cash and cash equivalents. In addition, Catalyst has access to a \$1,334,635,634 borrowing capacity at the Federal Reserve Bank based on available collateral. Catalyst also has access to a \$327,299,304 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, 2023. Catalyst has a \$180,000,000 outstanding advance as of December 31, 2023.

Catalyst continues to meet members' liquidity needs. Catalyst has outstanding loans of \$425,237,664

and additional uncommitted LOCs to members of \$11,305,768,769 as of December 31, 2023. All outstanding LOCs are collateralized by specific or general pledges of the members' assets.

EXCESS BALANCE ACCOUNT

Catalyst uses the Federal Reserve Bank's EBA to manage excess liquidity by sweeping funds above certain thresholds to member EBAs nightly. Below is a chart showing member share balances and the EBA balances for the month ending each of the last four quarters.

	Members' Shares Balances	EBA Balance
Mar 2023	\$4.4 billion	\$3.4 billion
Jun 2023	\$4.2 billion	\$2.8 billion
Sep 2023	\$4.3 billion	\$3.5 billion
Dec 2023	\$4.2 billion	\$3.4 billion

CURRENT PORTFOLIO* DECEMBER 31, 2023

Assets		
ASSETS	PERCENT OF BALANCE SHEET	WAL (YEARS)
Loans	8.6%	2.4
ABS - Autos	12.3%	0.7
ABS - Credit Cards	9.8%	1.5
FFELP Student Loans	6.6%	4.0
ABS - Equipment	4.1%	0.7
Agency RMBS/CMBS	13.3%	1.6
SBA Pools	0.0%	2.0
Corporate Bonds	0.4%	1.0
U.S. Treasury	1.0%	0.5
FDIC/NCUA Guaranteed Certificates	0.6%	0.9
FHLB Capital Stock	0.1%	0.0
Subordinated Debt	0.0%	6.3
Other (Non-Earning)	1.5%	3.7
Overnight	41.7%	0.0
Total	100.0%	1.03

Liabilities & Capital		
SHARES & EQUITY	PERCENT OF BALANCE SHEET	WAL (YEARS)
Overnight Shares	83.9%	0.0
Borrowed Funds	3.6%	0.5
Certificates	3.4%	0.7
Member Capital	3.4%	0.0
RUDE	4.8%	0.0
Other Liabilities	0.9%	0.0
Total	100.0%	0.05
Asset Average Life Mismatch (years)		0.98

WAL = Weighted Average Life
*Based on a \$4.956 billion balance sheet

Portfolio

ALM LIMITS

DECEMBER 31, 2023	REGULATION	CURRENT
No prohibited securities	None	None
NEV Volatility (Part 1)	-35%	-20.3%
NEV Ratio (Part 1)	>2%	6.5%
Weighted Average Life of Financial Assets (yrs)	2.00	1.07
Stressed Weighted Average Life of Financial Assets (yrs)	2.25	1.12

SINGLE OBLIGOR LIMITS TO CAPITAL*

DECEMBER 31, 2023	REGULATION	CURRENT
Auto Loan Asset Backed Securities	25%	7.7%
Credit Card Asset Backed Securities	50%	16.3%
FFELP Student Loan Securities	25%	11.0%
Equipment Asset Backed Securities	25%	9.3%
Corporate Bonds	25%	3.0%

* Obligor limits are set as a percentage of the corporate's total capital. As of December 31, 2023, total capital is \$402,648,580. Total capital consists of PCC and Retained Earnings, less Investments in Unconsolidated CUSOs and subordinated debt, plus allowance for loan and lease losses.

DIVERSIFICATION LIMITS TO ASSET SIZE

DECEMBER 31, 2023	REGULATION	CURRENT
Loans	N/A	8.6%
Auto Loan Asset Backed Securities	25%	12.3%
Credit Card Asset Backed Securities	25%	9.8%
FFELP Student Loan Securities	50%	6.6%
Equipment Asset Backed Securities	25%	4.1%
Corporate Bonds	50%	0.4%
Agency Residential/Commercial Mortgage Backed Securities	50%	13.3%
SBA Pools	25%	0.0%
U.S. Treasury	N/A	1.0%
FDIC/NCUA Guaranteed Certificates	N/A	0.6%
FHLB Capital Stock	N/A	0.1%
Subordinated Debt	N/A	0.0%
Other (Non-Earning)	N/A	1.5%
Overnight Investments	N/A	41.7%

SECTOR LIMITS TO CAPITAL**

DECEMBER 31, 2023	REGULATION	CURRENT
Auto Loan Asset Backed Securities	500%	151.1%
Credit Card Asset Backed Securities	500%	120.5%
FFELP Student Loan Securities	1,000%	80.8%
Equipment Asset Backed Securities	500%	50.3%
Corporate Bonds	1,000%	5.4%
Agency Residential/Commercial Mortgage Backed Securities	1,000%	164.2%
SBA Pools	500%	0.2%
U.S. Treasury	N/A	12.0%

** Sector limits are set as a percentage of the corporate's total capital. As of December 31, 2023, total capital is \$402,648,580. Total capital consists of PCC and Retained Earnings, less Investments in Unconsolidated CUSOs and subordinated debt, plus allowance for loan and lease losses.

Key Performance Ratio Graphics

OPERATING EFFICIENCY RATIO

The operating efficiency ratio is calculated as net fee income divided by operating expenses. Catalyst's ability to cover expenses through fee income supports a business model that is less reliant on balance-sheet activity for income and therefore supports a risk-averse portfolio for the long-term.

YTD Operating Efficiency Ratio



REGULATORY CAPITAL RATIOS

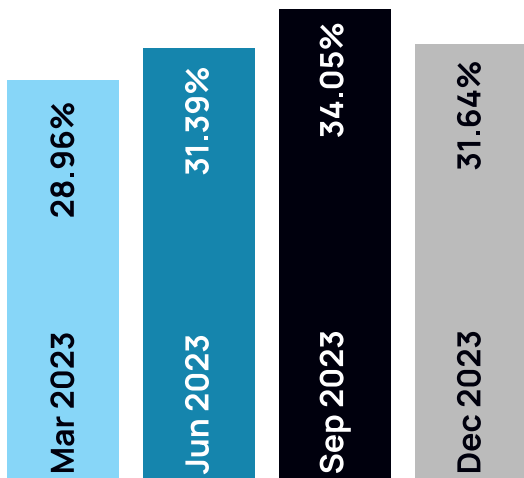
Retained Earnings Ratio



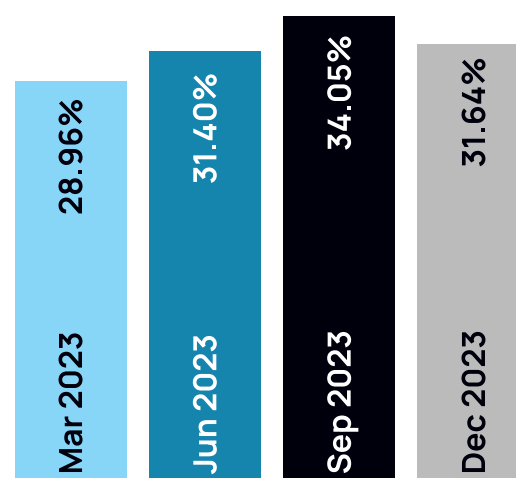
Leverage Ratio



Tier One Risk-Based Capital Ratio



Total Risk-Based Capital Ratio



CUSOs and Partners

Aptys Solutions, LLC

Aptys Solutions, LLC, (Aptys) owned by Catalyst and eight other corporate credit unions and bankers' banks, is a leading provider of correspondent electronic payment processing software for community financial institutions. Partnering with correspondent service providers, Aptys' payments platform processes over a billion ACH, check, wire, debit and instant payment transactions annually for over 5,000 credit unions and community banks nationwide.

Constellation Digital Partners, LLC

Constellation Digital Partners, LLC, is an open digital banking platform for credit unions that allows providers to develop and add services into the platform through a cloud-based marketplace-style interface. Credit unions then can choose the services they wish to offer their members from the platform. Catalyst has an investment of \$500,000 in the CUSO as of December 31, 2023.

CU Business Group, LLC

CU Business Group, LLC, provides business service consultation to credit union clients in areas such as: loan origination, underwriting and servicing, business deposit services, documentation and compliance, education and training, risk monitoring, loan participation network, independent loan review, strategic consulting, SBA lending and operational training. CU Business Group is owned by six corporate credit unions. As of December 31, 2023, Catalyst owns approximately 37% of this CUSO and has 180 member credit unions using its services.

CU Investment Solutions, LLC

CU Investment Solutions, LLC provides broker/dealer services to corporates and natural person credit unions. Catalyst has an investment of \$100,000 in the CUSO, which equates to an 11% ownership stake. Catalyst employs registered investment representatives to provide investment management services to credit unions through CU Investment Solutions, LLC. Catalyst's sales volume as of December 31, 2023 was \$4.8 billion.

CURQL Fund 1, LLLP

CURQL is an on-ramp for fintech entrepreneurs to bring innovation to credit unions and their members. CURQL offers a collaborative network for credit unions to identify, assess, partner with, and invest in fintech companies. Fintechs receive expertise, coaching, guidance, and support on their technology development journeys. Catalyst has an investment of \$1.4 million in the CUSO as of December 31, 2023.

CUSOURCE, LLC/Catalyst Strategic Solutions

CUSOURCE, LLC, doing business as Catalyst Strategic Solutions, is a wholly-owned CUSO of Catalyst that provides client credit unions with balance sheet consulting, including an SEC-registered advisory service, asset-liability management modeling, derivative hedging support, and related consultation. Catalyst Strategic Solutions has been in operation since 1998. As of December 31, 2023, 103 credit unions use the advisory service and 846 credit unions and corporates use ALM and consulting services. As of December 31, 2023, Catalyst Strategic Solutions had over \$5.1 billion in credit union investments under advisement.

For additional due diligence information on these CUSOs and partners, [contact Member Services](#) at 800.442.5763, Option 1.

CUSOs and Partners

JPMorgan Chase

JPMorgan Chase is a Catalyst partner, facilitating the safekeeping of its members' securities. Catalyst does not have an ownership stake in JPMorgan Chase, but does entrust execution of highly-regulated service activities to this partner. As a result, Catalyst monitors its financial and service performance. JPMorgan Chase is deeply familiar with the regulatory requirements credit unions must meet with regard to security safekeeping and due diligence of safekeeping service providers. It is competent and committed to ensuring safe and sound custodianship practices. Catalyst has 360 credit unions using the program that is offered in partnership with JPMorgan Chase, with approximately \$23.6 billion in safekeeping for credit unions and \$2.0 billion in corporate holdings as of December 31, 2023.

Members Development Company, LLC

Members Development Company, LLC provides research and development services to credit unions. Members address issues faced by credit unions and work toward the introduction of innovative products and services, along with enhanced opportunities for collaboration and industry education. Catalyst has an investment of \$30,000 in the CUSO as of December 31, 2023.

Primary Financial, LLC

Primary Financial, LLC is owned by 10 corporate credit unions and provides brokered certificates of deposit to natural person credit unions nationwide, as well as a channel for these credit unions to issue certificates.

Catalyst has an investment of \$1.4 million in Primary Financial, equating to an 8.0% interest in the company. As of December 31, 2023, Catalyst had SimpliCD agreements with 744 credit unions, including 342 credit unions actively using the service over the last 12 months, and \$455 million in sales year-to-date. As of December 31, 2023, Catalyst had SimpliCD issuance agreements with 300 credit unions, with issuance outstanding of \$1.3 billion.

PSCU, Inc.

PSCU, Inc. is a payments CUSO that leverages digital technology to support the success of 2,400 financial institutions, processing 8 billion transactions annually. PSCU's comprehensive, highly integrated payments solutions include credit, debit, ATM and prepaid card programs, digital banking, risk management, data analytics, marketing and strategic consulting, tailored for credit unions.

TranzCapture, LLC

TranzCapture, LLC is a credit union services organization established to provide software, primarily next-generation remote deposit capture. Services include branch, teller, ATM, business, mobile and ITM (interactive teller machine) capture applications. As of December 31, 2023, Catalyst owns 69% of the CUSO, Alloya Corporate Federal Credit Union owns 25% of the CUSO, VIZO Financial Corporate Credit Union owns 5% of the CUSO and Corporate One Federal Credit Union owns 1% of the CUSO. As of December 31, 2023, 1,321 credit unions were using TranzCapture services.

Operational Compliance

ENTERPRISE RESILIENCE SUMMARY

Catalyst's Enterprise Resilience Program is based on practices established by the Federal Financial Institutions Examination Council (FFIEC). Oversight is performed by the Operations Risk Management Committee, consisting primarily of management and senior management. The Enterprise Resilience (ER) Program and related activities are reviewed annually by the Technology Steering Committee and Board.

Catalyst has established a governance structure to oversee and implement resilience, continuity, and response capabilities for safeguarding employees, members/clients, products, and services.

Catalyst's ER governance includes:

- Aligning ER plans and policies with the risk appetite
- Identifying the continuity requirements to match the operation's criticality
- Establishing robust ER policy and plans
- Allocating adequate resources to ER activities
- Providing management oversight to implement and manage the program
- Monitoring and assessing ER performance relative to these goals

Catalyst attempts to minimize the impact of threats by the implementation of preventative controls. Should preventative controls fail to protect from a threat, the overall enterprise resilience strategy is to plan for impacts that escalate all the way through to the worst-case scenario to develop plans of action that are applicable to most any situation. These situations may range from non-catastrophic outages of individual computing systems or business processes to catastrophic outages that require redirecting operations to the collocation site.

The following strategies provide the framework for ensuring Catalyst can sustain critical business processes at a level acceptable to the business and member/client institutions.

Enterprise Resilience Plans

Enterprise Resilience Plans are developed for each business process to document the procedures to be followed to meet minimum service levels and recovery time objectives. Solutions are identified for potential issues, and resources are put in place to ensure the timely resolution to anticipated service disruptions.

Business units have developed and refined continuity plans for their critical systems and processes. Each plan is exercised annually per FFIEC guidelines. These plans, which are approved by senior management, collectively address a wide variety of scenarios:

- Employee emergency procedures provide guidance in steps to be taken should certain threats occur
- Immediate action items document in detail items that require immediate action during a disruption
- Disaster declaration plans address the building being inaccessible and/or totally destroyed
- Scenario outage plans address the loss of specific services
- Temporary evacuation plans address the evacuation of the building for a few hours
- The pandemic preparedness plan details steps to be taken in a pandemic event

Backup

Systems and data are backed up as often as required. Server backups and our common file storage systems data are archived into a secure online cloud solution for retention. Data backups are tested periodically to verify the backup system is working properly. Because recovery of data from magnetic media backup would take longer than what is acceptable during a disaster, a hot site is managed so that data can be mirrored or replicated to identical equipment for rapid recovery. Windows server backups and our common file storage systems are also backed up online, then replicated to additional disk storage at our hot site.

Operational Compliance

ENTERPRISE RESILIENCE SUMMARY (CONTINUED)

Hot-site

The hot site provides a highly secured environment with connectivity to numerous telecommunication carriers and utility power backed up by a UPS. Redundant firewalls, routers, switches, servers and data storage devices are in place and are exercised on a regular basis to protect against prolonged service disruptions. High-speed telecommunication lines are installed to connect the hot site to Catalyst's Plano, Texas office for rapid transmission of high volumes of data and images. Throughout the day, data is mirrored and replicated between the office and the hot site for storage on redundant disk. With implementation of active/active SAN for our virtual infrastructure, the virtual environment is configured so that in the event of a total site disaster, all our virtual machines would automatically reboot at our hot site. This same functionality allows our virtuals to be moved between the two locations throughout the day, without any interruption of services.

Cloud Services

In addition to on-premise data center services, Catalyst leverages cloud services for a variety of software, platform, and infrastructure-as-a-service requirements. Each of these implementations considers each department function's Recovery Time Objectives and Recovery Point Objectives to establish an implementation that meets the requirement. For solutions Catalyst is unable to control the configuration, necessary contractual obligations from the service provider are documented.

Automatic Call Distribution (ACD)

Catalyst implemented an ACD solution that provides a telephonic connection between the California office and the Plano office and other remote staff for member

services and remote deposit services. In essence, this created one member services call center and one remote deposit services call center by combining the call centers from both offices and remote staff. The ACD solution provides more flexibility for telephone communication with member credit unions.

Resilience Exercises

Critical business processes identified in the business impact analysis are exercised at least annually, and some of the more critical systems are exercised on a quarterly basis. Exercise exceptions are presented to senior management after each exercise. An overview of all exercises and exercise exceptions is presented to the Board annually.

Contingency Communications

Guidelines that provide information on how to establish communications with Catalyst as soon as possible following an event that causes a service disruption are available for member credit unions. Credit unions and Catalyst employees maintain familiarity with these contingency communications plans by conducting semi-annual exercises.

Third-party Risk Management

Catalyst has a comprehensive Third-party Risk Management program. All new vendors undergo due diligence commensurate with the work they will be providing for Catalyst and its members. Due diligence for high-risk vendors includes a detailed review of business continuity controls, as well as information security and financial performance. Due diligence is updated periodically according to a schedule determined by the level of risk to Catalyst.

Operational Compliance

ENTERPRISE RESILIENCE ACTIVITY REPORT

Service Alert Message (SAM) System

Regular SAM notifications, sent to participating credit unions, ensure that credit union contact information for specific processes is maintained and communications to member credit unions regarding the nature and duration of process specific disruptions is timely. The SAM system was used multiple times in 2023 to ensure successful communication with member credit unions in the event of service disruptions.

Contingency Communications Exercises

Contingency Communications Exercises are conducted at least semi-annually to ensure timely communications to member credit unions regarding the nature and duration of a service disruption in an effort to minimize the impact on operations. These exercises began in September 2002 with participation from a total of 153 credit unions. Catalyst now has the participation of 1,202 credit unions, partners and CUSOs in these exercises (as of December 2023).

Disaster Recovery Exercises

Disaster Recovery Exercises are conducted for all critical business processes. Each business unit has identified and prioritized, by function, the critical systems in its disaster recovery plan. The exercises are designed to compare results to pre-established Recovery Time Objectives. The last full failover disaster recovery exercise was performed in the 2nd quarter of 2023.

No significant issues were identified during any of the disaster recovery exercises performed in 2023.

Employee Notification Exercise

Employee notification exercises are conducted semi-annually to ensure immediate and responsive communication to Catalyst management and employees in the event of a disruption. A third-party mass notification and conferencing system can deliver alerts and information by phone, text and email. Additionally, conference bridges are available to streamline recovery collaboration efforts. Multiple employee notification exercises were conducted successfully in 2023.

Data Recovery Exercise

The data recovery exercise is conducted quarterly, if necessary, to validate that off-site backup data can be recalled and recovered as needed. Routine business activity often requires items to be restored outside the on-premise retention window. Day-to-day recovery needs in 2023 adequately demonstrated the ability to recover from storage.

Application Specific Exercises

Catalyst conducts application specific exercises of its critical systems and simulates scenarios that are different from those used during Catalyst's full-scale exercises, in order to assess additional areas of coverage.

Operational Compliance

BANK SECRECY ACT (BSA)/OFFICE OF FOREIGN ASSETS CONTROL (OFAC) SUMMARY

Catalyst is committed to fulfilling BSA, OFAC, and the USA PATRIOT Act requirements. Catalyst's BSA/OFAC Policy is reviewed and approved by the Board of Directors at least annually.

Anti-money laundering procedures have been developed and implemented that enable Catalyst to meet the anti-money laundering requirements. These procedures and controls include, but are not limited to, the following:

- Coordination and monitoring of compliance by a designated BSA compliance officer.
- A Member Identification Program designed to meet the requirements of Section 326 of the USA PATRIOT Act.
- BSA/OFAC risk assessment of Catalyst processes, products and services, and members.
- Review of unbatched transactions for the detection and reporting of suspicious activity to FinCEN.
- A documented process for analysis and reporting of suspicious activity.
- Entities, individuals, and addresses associated with unbatched transactions screened for potential matches against OFAC lists.
- Review of member accounts in accordance with Section 314(a) of the USA PATRIOT Act.
- Monthly reporting of BSA and OFAC activity to the Board of Directors.
- Ongoing training of appropriate personnel.
- Independent testing and monitoring of compliance.
- Recordkeeping and record retention.
- An annual review of policies, procedures and risk assessments.
- Checks and balances, including a validation process and the use of dual controls.

FIDELITY BOND STATEMENT

NCUA Part 704.18 states that "every corporate credit union will maintain bond coverage with a company holding a certificate of authority from the Secretary of the Treasury" and "the minimum amount of bond coverage will be computed based on the corporate credit union's daily average net assets for the preceding calendar year."

Catalyst maintains a \$10 million fidelity bond which is the coverage required by NCUA Part 704.

Privacy and Security

DESCRIPTION OF THE PRIVACY AND SECURITY AFFIDAVITS

The Affidavits below are provided to assist member credit unions with their due diligence and compliance with NCUA Rules and Regulations Parts 717 and 748, CFPB Regulation P (Part 1016) and the Payment Card Industry Data Security Standards.

Affidavit Regarding Part 717

Catalyst places a high priority on security, and utilizes security measures to protect not just nonpublic personal information and information about “covered accounts” (as defined in Part 717), but all types of confidential information that it receives from its member credit unions.

Under Part 717 of the NCUA's Regulations, Catalyst is deemed to be a “service provider” to its member credit unions. Catalyst is providing this Affidavit in order to assist member credit unions in their compliance with Part 717. The Affidavit is written in general language so that member credit unions can utilize the Affidavit regardless of the level of complexity of their security programs.

Catalyst utilizes policies and procedures, developed by the corporate, that are designed to prevent, detect and mitigate the risk of security breaches that could result in a member of a credit union, or any other person, being exposed to identity theft. These policies and procedures will apply to all circumstances in which Catalyst processes or otherwise has access to confidential information, whether in connection with providing services for a “covered account” held at a credit union or otherwise.

- Catalyst agrees not to use nonpublic personal information about any credit union's members, or about any other person, for any purpose other than those purposes for which the credit union disclosed the information to Catalyst, including servicing and processing of transactions in the ordinary course of business.

- Catalyst will utilize security measures that Catalyst deems to be appropriate for the protection of nonpublic personal information about credit union members and other persons, with particular attention to protection against unauthorized access to or unauthorized use of such information that could result in substantial harm or inconvenience to any credit union's members or to any other person.
- Catalyst has an Incident Response Plan in place that provides guidance for our response if a security breach occurs. If an incident occurs that involves unauthorized access to or unauthorized use of nonpublic personal information about any credit union's members or about any other person, Catalyst will take actions that Catalyst deems to be appropriate, including notification to the affected credit union as soon as possible of any such incident.
- Catalyst will utilize security measures designed to accomplish the proper disposal of nonpublic personal information held by Catalyst. If immediate deletion or disposal of the nonpublic personal information held by Catalyst is not feasible, then until the date when deletion or disposal of the information occurs, Catalyst will continue to utilize security measures designed to protect the information against unauthorized access and against unauthorized use.

Privacy and Security

Affidavit Regarding Part 1016 (Regulation P) and Part 748

Catalyst places a high priority on security, and utilizes security measures to protect not just nonpublic personal information, but all types of confidential information that it receives from its member credit unions.

Under Part 1016 (Regulation P) of the Consumer Financial Protection Bureau's Regulations and Part 748 of the NCUA's Regulations, Catalyst is deemed to be a "service provider" to its member credit unions. Catalyst is providing this Affidavit in order to assist member credit unions in their compliance with Part 1016 and Part 748. The Affidavit is written in general language so that member credit unions can utilize the Affidavit regardless of the level of complexity of their security programs.

Catalyst agrees not to use nonpublic personal information about any credit union's members, or about any other person, for any purpose other than those purposes for which the credit union disclosed the information to Catalyst, including servicing and processing of transactions in the ordinary course of business.

Catalyst will utilize security measures that Catalyst deems to be appropriate for the protection of nonpublic personal information about credit union members and other persons, with particular attention to protection against unauthorized access to or unauthorized use of such information that could result in substantial harm or inconvenience to any credit union's members or to any

other person. Catalyst's security program establishes standards for the protection of information assets. These standards are intended to be consistent with Part 748 of the NCUA rules and regulations. The program includes a data classification to protect information assets. In addition, Catalyst has a risk assessment process in place to evaluate risks, including security related risks.

Catalyst has an Incident Response Plan in place that provides guidance for our response if a security breach occurs. If an incident occurs that involves unauthorized access to or unauthorized use of nonpublic personal information about any credit union's members or about any other person, Catalyst will take actions that Catalyst deems to be appropriate, including notification to the affected credit union as soon as possible of any such incident.

Catalyst will utilize security measures designed to accomplish the proper disposal of nonpublic personal information held by Catalyst.

If immediate deletion or disposal of the nonpublic personal information held by Catalyst is not feasible, then until the date when deletion or disposal of the information occurs, Catalyst will continue to utilize security measures designed to protect the information against unauthorized access and against unauthorized use.

Privacy and Security

Affidavit Regarding PCI Data Security Standards

Catalyst places a high priority on security, and utilizes security measures to protect card data, in addition to many types of confidential information that it receives from its member credit unions.

This Affidavit is written in general language so that member credit unions can utilize the Affidavit regardless of the level of complexity of their security programs.

Catalyst has achieved full compliance to Payment Card Industry Data Security Standards. PCI DSS is a set of multifaceted security standards established by the major card brands (including Visa and MasterCard) to protect cardholder account information. These best practices include requirements for security management, policies, procedures, network architecture, software design and other critical protective measures.

To access the PCI DSS on PCI Security Council's website, visit [PCISecurityStandards.org](https://www.pcisecuritystandards.org).

Catalyst will utilize security measures that Catalyst deems to be appropriate, and comply with PCI DSS, for the protection of card data with particular attention to protection against unauthorized access to or unauthorized use of such data that could result in

substantial harm or inconvenience to any credit union's members or to any other person. Catalyst's security program establishes standards for the protection of information assets, including card data. Also, Catalyst has a risk assessment process in place to evaluate risks, including security-related risks.

Catalyst has an incident response plan in place that provides guidance for our response if a security breach occurs. If an incident occurs that involves unauthorized access to or unauthorized use of card data, Catalyst will take actions that Catalyst deems to be appropriate, including notification to the affected credit union as soon as possible of any such incident.

Catalyst will utilize security measures designed to accomplish the proper disposal of card data held by Catalyst. If immediate deletion or disposal of the card data held by Catalyst is not feasible, then until the date when deletion or disposal of the data occurs, Catalyst will continue to utilize security measures designed to protect the data against unauthorized access and against unauthorized use.

SSAE18 SOC2 Statement

Catalyst is committed to the confidentiality, integrity and availability of its operations, information, information systems and members' information. To meet these objectives, Catalyst has implemented and continues to develop internal controls. To demonstrate compliance with these controls, Catalyst engaged a firm to perform an SSAE18 review for the period October 1, 2022-September 30, 2023.

The SOC2 review is available to credit unions who [contact Member Services](#) or 800.442.5763, option 1. The reports also may be downloaded from TranZact by authorized users.

TEXAS

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