

THE VALUE OF VISION

March  
2024

# Financial Statements and Management's Discussion & Analysis





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**For more information, please contact:**

Melissa Wardell, SVP/Chief Financial Officer at 214.703.7890 or [catalystcorp.org/contact](http://catalystcorp.org/contact)

## Management's Discussion and Analysis

### RESULTS OF OPERATIONS

Catalyst's net income for the three months ended March 31, 2024 and 2023 totaled \$15,075,432 and \$18,286,637, respectively. March year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2024 and 2023 of 67.0% and 69.9%, respectively. In December 2023, Catalyst called \$23,970,076 of outstanding perpetual contributed capital (PCC).

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

	YTD Mar 2024	YTD Mar 2023
Net interest income	\$19,447,637	\$12,630,328
Net fee income	10,560,235	10,004,289
Operating expenses	(15,751,909)	(14,303,432)
Other income on U.S. Central Estate settlement	-	9,429,252
Non controlling interest	819,469	526,200
Net income	\$15,075,432	\$18,286,637

Key Information:		
Net operating expense	\$5,191,674	\$4,299,143
PCC	\$167,791,012	\$187,417,762
Retained earnings	\$256,923,998	\$208,370,597
Operating efficiency ratio	67.0%	69.9%
Return on assets	1.32%	1.95%
Leverage / Tier 1 capital ratio	9.06%	10.17%
Retained earnings ratio	5.61%	5.48%
Daily average net assets – 12 month rolling	\$4,578,353,413	\$3,801,388,434
Monthly average EBA balance transfer to FRB	\$5,155,269,325	\$3,062,056,521

## CREDIT RISK

The weighted average life of assets is 0.924 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.472 years. As of March 31, 2024, Catalyst's investments are comprised as follows:

	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Net Unrealized (Loss)/Gain</b>
Asset-backed securities	\$1,914,258,060	\$1,910,608,896	(\$3,649,164)
Agency commercial mortgage-backed securities	604,950,928	592,169,441	(12,781,487)
Agency mortgage-backed securities	83,139,269	80,689,423	(2,449,846)
U.S. Treasury securities	39,848,559	38,912,964	(935,595)
Corporate debt obligations	21,921,021	21,929,684	8,663
Federal agency securities	775,557	779,094	3,537
<b>Total</b>	<b>\$2,664,893,394</b>	<b>\$2,645,089,502</b>	<b>(\$19,803,892)</b>

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

	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Net Unrealized (Loss)/Gain</b>
Credit card	\$667,381,337	\$665,086,508	(\$2,294,829)
Automobile	662,108,700	662,661,472	552,772
FFELP student loan	342,561,549	340,854,348	(1,707,201)
Equipment	242,206,474	242,006,568	(199,906)
<b>Total</b>	<b>\$1,914,258,060</b>	<b>\$1,910,608,896</b>	<b>(\$3,649,164)</b>

## INTEREST RATE RISK

Catalyst's primary method of monitoring interest rate risk is through the net economic value (NEV) test. The NEV test measures the dollar and percentage potential change in the fair value of Catalyst's capital (perpetual contributed capital and retained earnings) given a parallel, instantaneous, and permanent 300 basis point upward and downward change in the yield curve. The objective of the NEV test is to measure whether Catalyst has sufficient capital to absorb potential changes to the fair value of its balance sheet given large, sustained instantaneous interest rate shocks.

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

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
<b>NEV</b>	\$400,900	\$320,500	\$488,100
<b>% Change in NEV</b>	-	(20.0%)	21.8%

The percentage changes to Catalyst's NEV under either rate shock are under the 35 percent NCUA regulatory limit under Part I Expanded Authority.

## LIQUIDITY RISK

Liquidity risk pertains to whether Catalyst has sufficient short-term assets, marketable securities, and borrowing capacity to meet member credit unions' potential liquidity needs.

As of March 31, 2024, Catalyst has \$2,627,493,473 in cash and cash equivalents. In addition, Catalyst has access to a \$1,798,243,832 borrowing capacity at the Federal Reserve Bank (FRB) based on available collateral. Catalyst also has access to a \$343,284,850 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 March 31, 2024. Catalyst has \$180,000,000 outstanding advance as of March 31, 2024.

Catalyst continues to meet members' liquidity needs. Catalyst has outstanding loans of \$324,768,672 and additional uncommitted LOCs to members of \$11,300,219,220 as of March 31, 2024. All outstanding LOCs are collateralized by specific or general pledges of the members' assets.

## REGULATORY CAPITAL

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

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	<b>5.61%</b>	N/A	N/A
Leverage / Tier 1 capital ratio	<b>9.06%</b>	4.00%	5.00%
Tier 1 risk-based capital ratio	<b>29.22%</b>	4.00%	6.00%
Total risk-based capital ratio	<b>29.22%</b>	8.00%	10.00%

## Consolidated Statements of Financial Condition

(Unaudited)

As of March 31,	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$2,627,493,473	\$3,063,056,150
Investments:		
Available-for-sale	2,645,089,502	1,612,111,274
Other investments	43,733,939	33,012,100
Loans, net of allowance of \$0 and \$13,669 as of March 31, 2024 and 2023, respectively	324,768,672	373,395,658
Accrued receivables and other assets	55,280,440	45,019,986
Property and equipment, net	13,999,394	13,799,682
Goodwill and other intangible assets	6,765,053	7,175,053
National Credit Union Share Insurance Fund (NCUSIF)	2,392,209	2,390,296
<b>Total assets</b>	<b>\$5,719,522,682</b>	<b>\$5,149,960,199</b>
<b>Liabilities</b>		
Members' shares and certificates	\$5,105,881,826	\$4,628,099,582
Borrowed funds	180,000,000	100,000,000
Accrued expenses and other liabilities	18,975,481	41,138,849
<b>Total liabilities</b>	<b>5,304,857,307</b>	<b>4,769,238,431</b>
<b>Members' Equity</b>		
PCC	167,791,012	187,417,762
Retained earnings	256,923,998	208,370,597
Non controlling interest	10,275,792	10,447,040
Accumulated other comprehensive loss	(20,325,427)	(25,513,631)
<b>Total members' equity</b>	<b>414,665,375</b>	<b>380,721,768</b>
<b>Total liabilities and members' equity</b>	<b>\$5,719,522,682</b>	<b>\$5,149,960,199</b>

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

## Consolidated Statements of Income

(Unaudited)

	For the three months ended March 31,	
	2024	2023
<b>Interest income</b>		
Available-for-sale investments	\$32,257,104	\$14,140,904
Federal Reserve Bank	26,223,935	17,850,496
Loans	5,666,928	9,155,633
Other	668,712	474,146
Total interest income	64,816,679	41,621,179
<b>Interest expense</b>		
Members' shares and certificates	43,223,726	28,194,702
Borrowed funds	2,145,316	796,149
Total interest expense	45,369,042	28,990,851
Net interest income	19,447,637	12,630,328
<b>Net fee income</b>		
Share draft and depository processing fees	5,812,738	5,559,097
Off-balance-sheet income	2,448,345	2,336,083
Other fee income	4,811,764	4,554,970
Outside processing and service costs	(2,512,612)	(2,445,861)
Total net fee income	10,560,235	10,004,289
<b>Operating expenses</b>		
Compensation and benefits	11,297,581	10,612,458
Information technology	2,659,534	2,273,968
Professional fees	522,228	426,587
Office occupancy	314,309	300,605
Other operating expense	958,257	689,814
Total operating expenses	15,751,909	14,303,432
<b>Other income on U.S. Central Estate settlement</b>	-	9,429,252
<b>Non controlling interest</b>	819,469	526,200
<b>Net income</b>	<b>\$15,075,432</b>	<b>\$18,286,637</b>
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		



## Consolidated Statement of Comprehensive Income

(Unaudited)

For the three months ended March 31,	2024
<b>Net income</b>	<b>\$15,075,432</b>
<b>Other comprehensive loss</b>	
Net unrealized holding losses on investments classified as available-for-sale	(3,448,733)
Net unrealized holding losses on derivatives designated as cash flow hedges	(407,362)
Total other comprehensive loss	(3,856,095)
<b>Comprehensive income</b>	<b>\$11,219,337</b>
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>	

## Consolidated Statement of Members' Equity

(Unaudited)

For the three months ended March 31, 2024

	Perpetual Contributed Capital	Retained Earnings	Non Controlling Interest	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2023	\$167,790,512	\$244,718,980	\$8,629,422	(\$16,469,332)	\$404,669,582
Net income/(loss)		15,075,432	(819,469)		14,255,963
Capital contributions - additional			2,465,839		2,465,839
PCC issued	500				500
Dividends paid on PCC		(2,870,414)			(2,870,414)
Other comprehensive loss				(3,856,095)	(3,856,095)
Balance at March 31, 2024	\$167,791,012	\$256,923,998	\$10,275,792	(\$20,325,427)	\$414,665,375
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>					

## Notes to Consolidated Financial Statements

### 1. Cash and Cash Equivalents

Cash on deposit and cash items in the process of collection from correspondent banks and the FRB are included in cash and cash equivalents in the consolidated statements of financial condition. As of March 31, 2024 cash and cash equivalents include \$4,262,543 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 March 31, 2024 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss)/Gain
Asset-backed securities	\$1,914,258,060	\$1,910,608,896	(\$3,649,164)
Agency commercial mortgage-backed securities	604,950,928	592,169,441	(12,781,487)
Agency mortgage-backed securities	83,139,269	80,689,423	(2,449,846)
U.S. Treasury securities	39,848,559	38,912,964	(935,595)
Corporate debt obligations	21,921,021	21,929,684	8,663
Federal agency securities	775,557	779,094	3,537
Total	\$2,664,893,394	\$2,645,089,502	(\$19,803,892)

### 3. Other Investments

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

Investments in credit union service organizations (CUSOs)	\$7,869,139
Interest-bearing certificates of deposit	31,321,000
FHLB capital stock	2,543,800
Other	2,000,000
Total	\$43,733,939

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 PSCU/CO-OP, CURQL Fund I, LLP, Constellation Digital Partners, LLC, CU Investment Solutions, LLC, and Members Development Company, LLC.

#### 4. Loans

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

Open-end credit lines	\$25,341,498
Term loans	299,427,174
Total	\$324,768,672

#### 5. Members' Shares and Certificates

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

Members' shares	\$4,999,236,070
Members' certificates	106,645,756
Total	\$5,105,881,826

Catalyst members transferred \$5,406,982,215 to the Excess Balance Account at the FRB as of March 31, 2024.

#### 6. U.S. Central Estate Settlement

On March 18, 2021, the NCUA announced an interim distribution representing a partial recovery to the capital holders of the U.S. Central Asset Management Estate (USC AME). Catalyst holds an interest in the USC AME related to claims from Georgia Corporate Federal Credit Union (Georgia) and First Corporate Federal Credit Union (FirstCorp). Details regarding recovery and distributions to date are presented in the table below:

Distributions received from USC AME related to Georgia and FirstCorp	\$106,394,000
Projected remaining amount	4,027,000
Total expected recovery	\$110,421,000
2022 Distributions to former members of Georgia and FirstCorp that are Catalyst PCC members	\$53,014,000
2022 Waiver of Catalyst service fees to all credit unions	\$2,836,000