

THE VALUE OF VISION

April
2024

Financial Statements and Management's Discussion & Analysis





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Management's Discussion and Analysis

RESULTS OF OPERATIONS

Catalyst's net income for the four months ended April 30, 2024 and 2023 totaled \$20,509,981 and \$21,815,817, respectively. April year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2024 and 2023 of 68.1% 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 four months ended April 30, 2024 and 2023 is included in the following table.

	YTD Apr 2024	YTD Apr 2023
Net interest income	\$26,139,853	\$17,396,494
Net fee income	14,325,262	13,344,632
Operating expenses	(21,021,611)	(19,102,923)
Other income on U.S. Central Estate settlement	-	9,429,252
Non controlling interest	1,066,477	748,362
Net income	\$20,509,981	\$21,815,817

Key Information:		
Net operating expense	\$6,696,349	\$5,758,291
PCC	\$168,316,012	\$188,124,899
Retained earnings	\$259,869,513	\$209,547,572
Operating efficiency ratio	68.1%	69.9%
Return on assets	1.33%	1.73%
Leverage / Tier 1 capital ratio	9.02%	10.11%
Retained earnings ratio	5.60%	5.45%
Daily average net assets – 12 month rolling	\$4,637,334,772	\$3,841,913,900
Monthly average EBA balance transfer to FRB	\$5,246,741,031	\$2,610,470,995

CREDIT RISK

The weighted average life of assets is 1.029 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.484 years. As of April 30, 2024, Catalyst's investments are comprised as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss)/Gain
Asset-backed securities	\$1,816,444,506	\$1,811,572,190	(\$4,872,316)
Agency commercial mortgage-backed securities	601,056,005	584,573,410	(16,482,595)
Agency mortgage-backed securities	95,308,152	91,813,156	(3,494,996)
Commercial paper	48,677,219	48,669,944	(7,275)
U.S. Treasury securities	32,405,821	31,457,281	(948,540)
Corporate debt obligations	26,352,050	26,379,760	27,710
Federal agency securities	768,780	765,920	(2,860)
Total	\$2,621,012,533	\$2,595,231,661	(\$25,780,872)

Catalyst's asset-backed securities are collateralized by the following asset types as of April 30, 2024:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss)/Gain
Automobile	\$670,911,706	\$670,926,340	\$14,634
Credit card	567,430,583	563,704,106	(3,726,477)
FFELP student loan	331,657,630	330,907,260	(750,370)
Equipment	246,444,587	246,034,484	(410,103)
Total	\$1,816,444,506	\$1,811,572,190	(\$4,872,316)

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 April 30, 2024 is as follows (in thousands):

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
NEV	\$396,500	\$317,300	\$482,200
% Change in NEV	-	(20.0%)	21.6%

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 April 30, 2024, Catalyst has \$2,002,161,353 in cash and cash equivalents. In addition, Catalyst has access to a \$1,613,475,452 borrowing capacity at the Federal Reserve Bank (FRB) based on available collateral. Catalyst also has access to a \$335,910,607 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 April 30, 2024. Catalyst has \$180,000,000 outstanding advance as of April 30, 2024.

Catalyst continues to meet members' liquidity needs. Catalyst has outstanding loans of \$354,221,194 and additional uncommitted LOCs to members of \$11,322,666,153 as of April 30, 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 April 30, 2024. The table below presents Catalyst's actual and required capital ratios as of April 30, 2024:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	5.60%	N/A	N/A
Leverage / Tier 1 capital ratio	9.02%	4.00%	5.00%
Tier 1 risk-based capital ratio	28.10%	4.00%	6.00%
Total risk-based capital ratio	28.10%	8.00%	10.00%

Consolidated Statements of Financial Condition

(Unaudited)

As of April 30,	2024	2023
Assets		
Cash and cash equivalents	\$2,002,161,353	\$2,751,842,265
Investments:		
Available-for-sale	2,595,231,661	1,643,302,346
Other investments	42,849,204	36,752,302
Loans	354,221,194	350,285,558
Accrued receivables and other assets	57,682,373	46,445,681
Property and equipment, net	13,859,172	13,726,336
Goodwill and other intangible assets	6,730,886	7,140,886
National Credit Union Share Insurance Fund (NCUSIF)	2,338,721	2,354,026
Total assets	\$5,075,074,564	\$4,851,849,400
Liabilities		
Members' shares and certificates	\$4,463,589,537	\$4,338,659,507
Borrowed funds	180,000,000	100,000,000
Accrued expenses and other liabilities	19,601,424	29,244,068
Total liabilities	4,663,190,961	4,467,903,575
Members' Equity		
PCC	168,316,012	188,124,899
Retained earnings	259,869,513	209,547,572
Non controlling interest	10,261,703	10,224,878
Accumulated other comprehensive loss	(26,563,625)	(23,951,524)
Total members' equity	411,883,603	383,945,825
Total liabilities and members' equity	\$5,075,074,564	\$4,851,849,400

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

Consolidated Statements of Income

(Unaudited)

	For the four months ended April 30,	
	2024	2023
Interest income		
Available-for-sale investments	\$43,644,028	\$19,376,663
Federal Reserve Bank	35,503,207	27,391,794
Loans	7,287,967	10,803,562
Other	878,546	700,646
Total interest income	87,313,748	58,272,665
Interest expense		
Members' shares and certificates	58,324,359	39,720,022
Borrowed funds	2,849,536	1,156,149
Total interest expense	61,173,895	40,876,171
Net interest income	26,139,853	17,396,494
Net fee income		
Share draft and depository processing fees	7,818,526	7,374,594
Off-balance-sheet income	3,389,187	3,170,011
Other fee income	6,479,962	6,012,490
Outside processing and service costs	(3,362,413)	(3,212,463)
Total net fee income	14,325,262	13,344,632
Operating expenses		
Compensation and benefits	15,128,358	13,973,077
Information technology	3,500,943	3,084,071
Professional fees	659,038	658,405
Office occupancy	419,653	401,696
Other operating expense	1,313,619	985,674
Total operating expenses	21,021,611	19,102,923
Other income on U.S. Central Estate settlement	-	9,429,252
Non controlling interest	1,066,477	748,362
Net income	\$20,509,981	\$21,815,817

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

Consolidated Statement of Comprehensive Income

(Unaudited)

For the four months ended April 30,	2024
Net income	\$20,509,981
Other comprehensive loss	
Net unrealized holding losses on investments classified as available-for-sale	(9,425,713)
Net unrealized holding losses on derivatives designated as cash flow hedges	(668,580)
Total other comprehensive loss	(10,094,293)
Comprehensive income	\$10,415,688
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>	

Consolidated Statement of Members' Equity

(Unaudited)

For the four months ended April 30, 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)		20,509,981	(1,066,477)		19,443,504
Capital contributions - additional			2,698,758		2,698,758
PCC issued	525,500				525,500
Dividends paid on PCC		(5,359,448)			(5,359,448)
Other comprehensive loss				(10,094,293)	(10,094,293)
Balance at April 30, 2024	\$168,316,012	\$259,869,513	\$10,261,703	(\$26,563,625)	\$411,883,603
<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 April 30, 2024 cash and cash equivalents include \$15,487,066 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 April 30, 2024 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss)/Gain
Asset-backed securities	\$1,816,444,506	\$1,811,572,190	(\$4,872,316)
Agency commercial mortgage-backed securities	601,056,005	584,573,410	(16,482,595)
Agency mortgage-backed securities	95,308,152	91,813,156	(3,494,996)
Commercial paper	48,677,219	48,669,944	(7,275)
U.S. Treasury securities	32,405,821	31,457,281	(948,540)
Corporate debt obligations	26,352,050	26,379,760	27,710
Federal agency securities	768,780	765,920	(2,860)
Total	\$2,621,012,533	\$2,595,231,661	(\$25,780,872)

3. Other Investments

Other investments are comprised of the following as of April 30, 2024:

Investments in credit union service organizations (CUSOs)	\$7,879,404
Interest-bearing certificates of deposit	30,426,000
FHLB capital stock	2,543,800
Other	2,000,000
Total	\$42,849,204

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 April 30, 2024:

Open-end credit lines	\$62,843,626
Term loans	291,377,568
Total	\$354,221,194

5. Members' Shares and Certificates

Members' shares and certificates are summarized as follows as of April 30, 2024 are as follows:

Members' shares	\$4,351,307,944
Members' certificates	112,281,593
Total	\$4,463,589,537

Catalyst members transferred \$4,578,165,673 to the Excess Balance Account at the FRB as of April 30, 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