

THE VALUE OF VISION

May  
2024

# Financial Statements and Management's Discussion & Analysis





# Table of Contents

---

- Management’s Discussion and Analysis .....2
- Results of Operations..... 2
- Credit Risk..... 3
- Interest Rate Risk..... 4
- Liquidity Risk..... 4
- Regulatory capital..... 5
- Consolidated Statements of Financial Condition (*Unaudited*) ..... 6
- Consolidated Statements of Income (*Unaudited*)..... 7
- Consolidated Statement of Comprehensive Income (*Unaudited*) ..... 8
- Consolidated Statement of Members’ Equity (*Unaudited*)..... 8
- Notes to Consolidated Financial Statements ..... 9
  - 1. Cash and Cash Equivalents ..... 9
  - 2. Available-for-Sale Investments ..... 9
  - 3. Other Investments ..... 9
  - 4. Loans ..... 10
  - 5. Members’ Shares and Certificates..... 10
  - 6. U.S. Central Estate Settlement..... 10

**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 five months ended May 31, 2024 and 2023 totaled \$26,083,864 and \$25,221,276, respectively. May year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2024 and 2023 of 68.9% and 69.2%, 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 five months ended May 31, 2024 and 2023 is included in the following table.

	YTD May 2024	YTD May 2023
Net interest income	\$32,994,448	\$22,289,866
Net fee income	18,280,274	16,807,305
Operating expenses	(26,523,890)	(24,283,168)
Other income on U.S. Central Estate settlement	-	9,429,252
Non controlling interest	1,333,032	978,021
Net income	\$26,083,864	\$25,221,276

Key Information:		
Net operating expense	\$8,243,616	\$7,475,863
PCC	\$168,316,012	\$188,124,899
Retained earnings	\$265,443,396	\$212,953,031
Operating efficiency ratio	68.9%	69.2%
Return on assets	1.33%	1.56%
Leverage / Tier 1 capital ratio	9.01%	10.04%
Retained earnings ratio	5.65%	5.46%
Daily average net assets – 12 month rolling	\$4,702,212,137	\$3,902,044,810
Monthly average EBA balance transfer to FRB	\$5,055,513,276	\$2,371,677,375

## 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 1.408 years. As of May 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	\$1,943,895,764	\$1,939,700,819	(\$4,194,945)
Agency commercial mortgage-backed securities	596,680,764	581,818,909	(14,861,855)
Agency mortgage-backed securities	93,472,327	90,393,212	(3,079,115)
Commercial paper	48,903,813	48,946,000	42,187
U.S. Treasury securities	32,457,847	31,600,422	(857,425)
Corporate debt obligations	26,440,666	26,498,554	57,888
Federal agency securities	761,968	767,529	5,561
<b>Total</b>	<b>\$2,742,613,149</b>	<b>\$2,719,725,445</b>	<b>(\$22,887,704)</b>

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

	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Net Unrealized Gain/(Loss)</b>
Automobile	\$776,727,415	\$777,000,015	\$272,600
Credit card	597,423,084	594,503,096	(2,919,988)
FFELP student loan	319,099,570	317,803,002	(1,296,568)
Equipment	250,645,695	250,394,706	(250,989)
<b>Total</b>	<b>\$1,943,895,764</b>	<b>\$1,939,700,819</b>	<b>(\$4,194,945)</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 May 31, 2024 is as follows (in thousands):

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
NEV	\$406,100	\$326,300	\$492,100
% Change in NEV	-	(19.7%)	21.2%

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 May 31, 2024, Catalyst has \$2,438,576,391 in cash and cash equivalents. In addition, Catalyst has access to a \$1,784,615,493 borrowing capacity at the Federal Reserve Bank (FRB) based on available collateral. Catalyst also has access to a \$345,940,983 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 May 31, 2024. Catalyst has \$180,000,000 outstanding advance as of May 31, 2024.

Catalyst continues to meet members' liquidity needs. Catalyst has outstanding loans of \$316,131,179 and additional uncommitted LOCs to members of \$11,423,811,153 as of May 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 May 31, 2024. The table below presents Catalyst's actual and required capital ratios as of May 31, 2024:

<b>Capital Ratio</b>	<b>Ratio</b>	<b>Minimum level to be classified as adequately capitalized</b>	<b>Minimum level to be classified as well capitalized</b>
Retained earnings ratio	<b>5.65%</b>	N/A	N/A
Leverage / Tier 1 capital ratio	<b>9.01%</b>	4.00%	5.00%
Tier 1 risk-based capital ratio	<b>27.09%</b>	4.00%	6.00%
Total risk-based capital ratio	<b>27.09%</b>	8.00%	10.00%

## Consolidated Statements of Financial Condition

(Unaudited)

As of May 31,	2024	2023
<b>Assets</b>		
Cash and cash equivalents	\$2,438,576,391	\$2,162,948,594
Investments:		
Available-for-sale	2,719,725,445	1,785,093,531
Other investments	42,214,229	41,912,278
Loans	316,131,179	376,739,410
Accrued receivables and other assets	44,737,218	49,440,079
Property and equipment, net	13,722,392	14,266,537
Goodwill and other intangible assets	6,696,720	7,106,720
National Credit Union Share Insurance Fund (NCUSIF)	2,338,721	2,354,026
Total assets	\$5,584,142,295	\$4,439,861,175
<b>Liabilities</b>		
Members' shares and certificates	\$4,963,386,959	\$3,886,108,160
Borrowed funds	180,000,000	150,000,000
Accrued expenses and other liabilities	20,547,848	20,613,529
Total liabilities	5,163,934,807	4,056,721,689
<b>Members' Equity</b>		
PCC	168,316,012	188,124,899
Retained earnings	265,443,396	212,953,031
Non controlling interest	9,995,148	9,995,219
Accumulated other comprehensive loss	(23,547,068)	(27,933,663)
Total members' equity	420,207,488	383,139,486
Total liabilities and members' equity	\$5,584,142,295	\$4,439,861,175

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

## Consolidated Statements of Income

(Unaudited)

	For the five months ended May 31,	
	2024	2023
<b>Interest income</b>		
Available-for-sale investments	\$55,456,465	\$25,398,956
Federal Reserve Bank	45,036,212	36,934,387
Loans	8,861,584	12,531,192
Other	1,090,050	931,142
Total interest income	110,444,311	75,795,677
<b>Interest expense</b>		
Members' shares and certificates	73,872,634	51,842,169
Borrowed funds	3,577,229	1,663,642
Total interest expense	77,449,863	53,505,811
Net interest income	32,994,448	22,289,866
<b>Net fee income</b>		
Share draft and depository processing fees	10,010,197	9,307,093
Off-balance-sheet income	4,352,459	3,924,137
Other fee income	8,109,965	7,504,859
Outside processing and service costs	(4,192,347)	(3,928,784)
Total net fee income	18,280,274	16,807,305
<b>Operating expenses</b>		
Compensation and benefits	19,067,206	17,743,090
Information technology	4,382,959	3,925,436
Professional fees	805,264	792,951
Office occupancy	517,453	505,735
Other operating expense	1,751,008	1,315,956
Total operating expenses	26,523,890	24,283,168
<b>Other income on U.S. Central Estate settlement</b>	-	9,429,252
<b>Non controlling interest</b>	1,333,032	978,021
<b>Net income</b>	<b>\$26,083,864</b>	<b>\$25,221,276</b>

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



## Consolidated Statement of Comprehensive Income

(Unaudited)

For the five months ended May 31,	2024
<b>Net income</b>	<b>\$26,083,864</b>
<b>Other comprehensive loss</b>	
Net unrealized holding losses on investments classified as available-for-sale	(6,532,546)
Net unrealized holding losses on derivatives designated as cash flow hedges	(545,190)
Total other comprehensive loss	(7,077,736)
<b>Comprehensive income</b>	<b>\$19,006,128</b>
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>	

## Consolidated Statement of Members' Equity

(Unaudited)

For the five months ended May 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)		26,083,864	(1,333,032)		24,750,832
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				(7,077,736)	(7,077,736)
Balance at May 31, 2024	\$168,316,012	\$265,443,396	\$9,995,148	(\$23,547,068)	\$420,207,488
<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 May 31, 2024 cash and cash equivalents include \$14,978,979 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 May 31, 2024 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss)/Gain
Asset-backed securities	\$1,943,895,764	\$1,939,700,819	(\$4,194,945)
Agency commercial mortgage-backed securities	596,680,764	581,818,909	(14,861,855)
Agency mortgage-backed securities	93,472,327	90,393,212	(3,079,115)
Commercial paper	48,903,813	48,946,000	42,187
U.S. Treasury securities	32,457,847	31,600,422	(857,425)
Corporate debt obligations	26,440,666	26,498,554	57,888
Federal agency securities	761,968	767,529	5,561
<b>Total</b>	<b>\$2,742,613,149</b>	<b>\$2,719,725,445</b>	<b>(\$22,887,704)</b>

### 3. Other Investments

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

Investments in credit union service organizations (CUSOs)	\$7,984,429
Interest-bearing certificates of deposit	29,686,000
FHLB capital stock	2,543,800
Other	2,000,000
<b>Total</b>	<b>\$42,214,229</b>

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 May 31, 2024:

Open-end credit lines	\$31,547,173
Term loans	284,584,006
Total	\$316,131,179

#### 5. Members' Shares and Certificates

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

Members' shares	\$4,853,926,285
Members' certificates	109,460,674
Total	\$4,963,386,959

Catalyst members transferred \$5,423,666,953 to the Excess Balance Account at the FRB as of May 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