

THE VALUE OF VISION

June
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 six months ended June 30, 2024 and 2023 totaled \$31,914,049 and \$30,600,213, respectively. June year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2024 and 2023 of 69.5% and 69.8%, 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 six months ended June 30, 2024 and 2023 is included in the following table.

	YTD June 2024	YTD June 2023
Net interest income	\$40,010,324	\$27,322,748
Net fee income	21,909,809	20,562,182
Operating expenses	(31,539,096)	(29,439,552)
Other income	-	10,999,780
Non controlling interest	1,533,012	1,155,055
Net income	\$31,914,049	\$30,600,213

Key Information:		
Net operating expense	\$9,629,287	\$8,877,370
PCC	\$168,316,012	\$189,262,012
Retained earnings	\$271,273,581	\$218,331,968
Operating efficiency ratio	69.5%	69.8%
Return on assets	1.34%	1.55%
Leverage / Tier 1 capital ratio	9.02%	10.03%
Retained earnings ratio	5.69%	5.50%
Daily average net assets – 12 month rolling	\$4,765,235,648	\$3,971,153,227
Monthly average EBA balance transfer to FRB	\$4,856,654,689	\$2,245,980,761

CREDIT RISK

The weighted average life of assets is 1.002 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.409 years. As of June 30, 2024, Catalyst's investments are comprised as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss)/Gain
Asset-backed securities	\$2,032,269,451	\$2,029,782,532	(\$2,486,919)
Agency commercial mortgage-backed securities	590,347,251	577,536,217	(12,811,034)
Agency mortgage-backed securities	91,506,819	89,059,328	(2,447,491)
Commercial paper	49,125,116	49,151,000	25,884
Corporate debt obligations	34,538,073	34,605,312	67,239
U.S. Treasury securities	32,508,305	31,727,966	(780,339)
Federal agency securities	755,120	764,783	9,663
Total	\$2,831,050,135	\$2,812,627,138	(\$18,422,997)

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

	Amortized Cost	Estimated Fair Value	Net Unrealized Gain/(Loss)
Automobile	\$848,688,398	\$848,917,748	\$229,350
Credit card	556,036,373	553,444,776	(2,591,597)
FFELP student loan	333,976,202	334,057,627	81,425
Equipment	293,568,478	293,362,381	(206,097)
Total	\$2,032,269,451	\$2,029,782,532	(\$2,486,919)

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

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
NEV	\$417,000	\$335,800	\$504,300
% Change in NEV	-	(19.5%)	21.0%

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 June 30, 2024, Catalyst has \$2,043,827,822 in cash and cash equivalents. In addition, Catalyst has access to a \$1,649,465,240 borrowing capacity at the Federal Reserve Bank (FRB) based on available collateral. Catalyst also has access to a \$344,983,795 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 June 30, 2024. Catalyst has \$180,000,000 outstanding advance as of June 30, 2024.

Catalyst continues to meet members' liquidity needs. Catalyst has outstanding loans of \$317,298,420 and additional uncommitted LOCs to members of \$11,476,132,717 as of June 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 June 30, 2024. The table below presents Catalyst's actual and required capital ratios as of June 30, 2024:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	5.69%	N/A	N/A
Leverage / Tier 1 capital ratio	9.02%	4.00%	5.00%
Tier 1 risk-based capital ratio	26.08%	4.00%	6.00%
Total risk-based capital ratio	26.08%	8.00%	10.00%

Consolidated Statements of Financial Condition

(Unaudited)

As of June 30,	2024	2023
Assets		
Cash and cash equivalents	\$2,043,827,822	\$2,962,829,673
Investments:		
Available-for-sale	2,812,627,138	1,646,179,615
Other investments	40,810,642	41,867,925
Loans	317,298,420	309,093,635
Accrued receivables and other assets	46,787,874	45,107,435
Property and equipment, net	13,630,371	14,230,132
Goodwill and other intangible assets	6,662,553	7,072,553
National Credit Union Share Insurance Fund (NCUSIF)	2,338,721	2,354,026
Total assets	\$5,283,983,541	\$5,028,734,994
Liabilities		
Members' shares and certificates	\$4,622,598,808	\$4,473,339,510
Borrowed funds	180,000,000	150,000,000
Accrued expenses and other liabilities	50,891,745	20,937,522
Total liabilities	4,853,490,553	4,644,277,032
Members' Equity		
PCC	168,316,012	189,262,012
Retained earnings	271,273,581	218,331,968
Non controlling interest	9,795,168	9,818,185
Accumulated other comprehensive loss	(18,891,773)	(32,954,203)
Total members' equity	430,492,988	384,457,962
Total liabilities and members' equity	\$5,283,983,541	\$5,028,734,994

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

Consolidated Statements of Income

(Unaudited)

	For the six months ended June 30,	
	2024	2023
Interest income		
Available-for-sale investments	\$67,583,028	\$31,248,665
Federal Reserve Bank	53,400,122	46,197,325
Loans	10,408,949	14,221,337
Other	1,293,453	1,219,683
Total interest income	132,685,552	92,887,010
Interest expense		
Members' shares and certificates	88,393,780	63,347,058
Borrowed funds	4,281,448	2,217,204
Total interest expense	92,675,228	65,564,262
Net interest income	40,010,324	27,322,748
Net fee income		
Share draft and depository processing fees	11,935,387	11,230,183
Off-balance-sheet income	5,237,611	4,772,921
Other fee income	9,817,261	9,253,464
Outside processing and service costs	(5,080,450)	(4,694,386)
Total net fee income	21,909,809	20,562,182
Operating expenses		
Compensation and benefits	22,630,390	21,438,803
Information technology	5,242,479	4,760,488
Professional fees	938,628	994,358
Office occupancy	617,057	612,931
Other operating expense	2,110,542	1,632,972
Total operating expenses	31,539,096	29,439,552
Other income	-	10,999,780
Non controlling interest	1,533,012	1,155,055
Net income	\$31,914,049	\$30,600,213

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

Consolidated Statement of Comprehensive Income

(Unaudited)

For the six months ended June 30,	2024
Net income	\$31,914,049
Other comprehensive loss	
Net unrealized holding losses on investments classified as available-for-sale	(2,067,838)
Net unrealized holding losses on derivatives designated as cash flow hedges	(354,603)
Total other comprehensive loss	(2,422,441)
Comprehensive income	\$29,491,608
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>	

Consolidated Statement of Members' Equity

(Unaudited)

For the six months ended June 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)		31,914,049	(1,533,012)		30,381,037
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				(2,422,441)	(2,422,441)
Balance at June 30, 2024	\$168,316,012	\$271,273,581	\$9,795,168	(\$18,891,773)	\$430,492,988
<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 June 30, 2024 cash and cash equivalents include \$15,769,581 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 June 30, 2024 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized (Loss)/Gain
Asset-backed securities	\$2,032,269,451	\$2,029,782,532	(\$2,486,919)
Agency commercial mortgage-backed securities	590,347,251	577,536,217	(12,811,034)
Agency mortgage-backed securities	91,506,819	89,059,328	(2,447,491)
Commercial paper	49,125,116	49,151,000	25,884
Corporate debt obligations	34,538,073	34,605,312	67,239
U.S. Treasury securities	32,508,305	31,727,966	(780,339)
Federal agency securities	755,120	764,783	9,663
Total	\$2,831,050,135	\$2,812,627,138	(\$18,422,997)

3. Other Investments

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

Investments in credit union service organizations (CUSOs)	\$7,983,042
Interest-bearing certificates of deposit	28,250,000
FHLB capital stock	2,577,600
Other	2,000,000
Total	\$40,810,642

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 June 30, 2024:

Open-end credit lines	\$31,684,875
Term loans	285,613,545
Total	\$317,298,420

5. Members' Shares and Certificates

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

Members' shares	\$4,514,237,324
Members' certificates	108,361,484
Total	\$4,622,598,808

Catalyst members transferred \$4,884,168,555 to the Excess Balance Account at the FRB as of June 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