

THE VALUE OF VISION

September
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 nine months ended September 30, 2024 and 2023 totaled \$47,360,066 and \$48,174,420, respectively. September year-to-date operations resulted in an operating efficiency ratio (net fee income divided by operating expenses) for 2024 and 2023 of 70.4% and 69.2%, respectively. The September 2024 year-to-date other loss includes an impairment recorded related to a cost-based investment and software that has been discontinued. 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 nine months ended September 30, 2024 and 2023 is included in the following table.

	YTD Sept 2024	YTD Sept 2023
Net interest income	\$59,855,975	\$43,409,910
Net fee income	33,440,420	30,957,415
Operating expenses	(47,480,598)	(44,752,447)
Other (loss)/income	(875,270)	16,764,532
Non controlling interest	2,419,539	1,795,010
Net income	\$47,360,066	\$48,174,420

Key Information:		
Net operating expense	\$14,040,178	\$13,795,032
PCC	\$168,318,167	\$190,767,017
Retained earnings	\$284,227,577	\$233,295,622
Operating efficiency ratio	70.4%	69.2%
Return on assets	1.28%	1.56%
Leverage / Tier 1 capital ratio	9.00%	10.04%
Retained earnings ratio	5.78%	5.65%
Daily average net assets – 12 month rolling	\$4,921,665,736	\$4,126,352,228
Monthly average EBA balance transfer to FRB	\$4,930,369,416	\$2,745,110,574

CREDIT RISK

The weighted average life of assets is 1.016 years. All investment securities are classified as available-for-sale investments and have a weighted average life of 1.322 years. As of September 30, 2024, Catalyst's investments are comprised as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized Gain/(Loss)
Asset-backed securities	\$2,113,218,645	\$2,118,146,710	\$4,928,065
Agency commercial mortgage-backed securities	613,128,140	610,590,344	(2,537,796)
Agency mortgage-backed securities	85,968,699	85,843,284	(125,415)
U.S. Treasury securities	57,884,327	57,424,625	(459,702)
Corporate debt obligations	49,925,762	50,005,683	79,921
Commercial paper	49,816,442	49,842,000	25,558
Federal agency securities	734,363	750,757	16,394
Total	\$2,970,676,378	\$2,972,603,403	\$1,927,025

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

	Amortized Cost	Estimated Fair Value	Net Unrealized Gain/(Loss)
Automobile	\$953,293,872	\$956,321,030	\$3,027,158
Credit card	550,124,487	551,553,502	1,429,015
FFELP student loan	318,203,706	318,144,751	(58,955)
Equipment	291,596,580	292,127,427	530,847
Total	\$2,113,218,645	\$2,118,146,710	\$4,928,065

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

	Fair Value	Fair Value +300 Basis Points	Fair Value -300 Basis Points
NEV	\$453,800	\$374,800	\$539,500
% Change in NEV	-	(17.4%)	18.9%

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 September 30, 2024, Catalyst has \$1,764,202,186 in cash and cash equivalents. In addition, Catalyst has access to a \$1,997,989,632 borrowing capacity at the Federal Reserve Bank (FRB) based on available collateral. Catalyst also has access to a \$368,684,906 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 September 30, 2024.

Catalyst continues to meet members' liquidity needs. Catalyst has outstanding loans of \$303,405,404 and additional uncommitted LOCs to members of \$11,605,245,322 as of September 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 September 30, 2024. The table below presents Catalyst's actual and required capital ratios as of September 30, 2024:

Capital Ratio	Ratio	Minimum level to be classified as adequately capitalized	Minimum level to be classified as well capitalized
Retained earnings ratio	5.78%	N/A	N/A
Leverage / Tier 1 capital ratio	9.00%	4.00%	5.00%
Tier 1 risk-based capital ratio	23.39%	4.00%	6.00%
Total risk-based capital ratio	23.39%	8.00%	10.00%

Consolidated Statements of Financial Condition

(Unaudited)

As of September 30,	2024	2023
Assets		
Cash and cash equivalents	\$1,764,202,186	\$2,330,413,002
Investments:		
Available-for-sale	2,972,603,403	2,076,285,156
Other investments	39,140,693	44,658,643
Loans	303,405,404	405,351,802
Accrued receivables and other assets	53,074,987	49,176,540
Property and equipment, net	13,827,573	14,306,132
Goodwill and other intangible assets	6,560,053	6,970,053
National Credit Union Share Insurance Fund (NCUSIF)	2,338,721	2,354,026
Total assets	\$5,155,153,020	\$4,929,515,354
Liabilities		
Members' shares and certificates	\$4,661,917,675	\$4,458,405,165
Borrowed funds	-	50,000,000
Accrued expenses and other liabilities	29,428,833	22,535,114
Total liabilities	4,691,346,508	4,530,940,279
Members' Equity		
PCC	168,318,167	190,767,017
Retained earnings	284,227,577	233,295,622
Non controlling interest	8,908,641	9,178,230
Accumulated other comprehensive gain/ (loss)	2,352,127	(34,665,794)
Total members' equity	463,806,512	398,575,075
Total liabilities and members' equity	\$5,155,153,020	\$4,929,515,354
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statements of Income

(Unaudited)

For the nine months ended September 30,		
	2024	2023
Interest income		
Available-for-sale investments	\$105,937,101	\$52,420,899
Federal Reserve Bank	74,511,120	72,127,165
Loans	14,688,621	19,710,513
Other	2,087,867	1,859,761
Total interest income	197,224,709	146,118,338
Interest expense		
Members' shares and certificates	132,829,073	98,925,635
Borrowed funds	4,539,661	3,782,793
Total interest expense	137,368,734	102,708,428
Net interest income	59,855,975	43,409,910
Net fee income		
Share draft and depository processing fees	17,991,690	16,783,809
Off-balance-sheet income	8,027,881	7,204,553
Other fee income	14,999,902	14,137,247
Outside processing and service costs	(7,579,053)	(7,168,194)
Total net fee income	33,440,420	30,957,415
Operating expenses		
Compensation and benefits	34,332,905	32,386,681
Information technology	7,902,521	7,275,933
Professional fees	1,354,447	1,379,999
Office occupancy	924,733	924,389
Other operating expense	2,965,992	2,785,445
Total operating expenses	47,480,598	44,752,447
Other (loss)/income	(875,270)	16,764,532
Non controlling interest	2,419,539	1,795,010
Net income	\$47,360,066	\$48,174,420
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>		

Consolidated Statement of Comprehensive Income

(Unaudited)

For the nine months ended September 30,	2024
Net income	\$47,360,066
Other comprehensive gain	
Net unrealized holding gains on investments classified as available-for-sale	18,282,183
Net unrealized holding gains on derivatives designated as cash flow hedges	539,276
Total other comprehensive gain	18,821,459
Comprehensive income	\$66,181,525
<i>The accompanying notes are an integral part of the consolidated financial statements.</i>	

Consolidated Statement of Members' Equity

(Unaudited)

For the nine months ended September 30, 2024

	Perpetual Contributed Capital	Retained Earnings	Non Controlling Interest	Accumulated Other Comprehensive Gain/(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)		47,360,066	(2,419,539)		44,940,527
Capital contributions - additional			2,698,758		2,698,758
PCC issued	527,655				527,655
Dividends paid on PCC		(7,851,469)			(7,851,469)
Other comprehensive gain				18,821,459	18,821,459
Balance at September 30, 2024	\$168,318,167	\$284,227,577	\$8,908,641	\$2,352,127	\$463,806,512
<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.

2. Available-for-Sale Investments

The amortized cost and estimated fair value of available-for-sale investments as of September 30, 2024 are as follows:

	Amortized Cost	Estimated Fair Value	Net Unrealized Gain/ (Loss)
Asset-backed securities	\$2,113,218,645	\$2,118,146,710	\$4,928,065
Agency commercial mortgage-backed securities	613,128,140	610,590,344	(2,537,796)
Agency mortgage-backed securities	85,968,699	85,843,284	(125,415)
U.S. Treasury securities	57,884,327	57,424,625	(459,702)
Corporate debt obligations	49,925,762	50,005,683	79,921
Commercial paper	49,816,442	49,842,000	25,558
Federal agency securities	734,363	750,757	16,394
Total	\$2,970,676,378	\$2,972,603,403	\$1,927,025

3. Other Investments

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

Interest-bearing certificates of deposit	\$27,010,000
Investments in credit union service organizations (CUSOs)	7,518,793
FHLB capital stock	2,611,900
Other	2,000,000
Total	\$39,140,693

Investments in CUSOs includes equity method investments in CU Business Group, LLC and Primary Financial, LLC and investments carried at cost, which include investments in Velera, CURQL Fund I, LLP, CU Investment Solutions, LLC, and Members Development Company, LLC.

4. Loans

The composition of loans is as follows as of September 30, 2024:

Open-end credit lines	\$27,071,135
Term loans	276,334,269
Total	\$303,405,404

5. Members' Shares and Certificates

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

Members' shares	\$4,555,451,605
Members' certificates	106,466,070
Total	\$4,661,917,675

Catalyst members transferred \$4,609,568,056 to the Excess Balance Account at the FRB as of September 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