



## **Business Plan Financial Projections**

Catalyst Corporate Federal Credit Union's business model is scalable based on member participation and resulting fee income. The base case scenario presented is based on the capital and fee income from members that purchased perpetual contributed capital ("PCC") during the offering that closed on September 6, 2011. Any additional PCC contributed would likely only improve the results presented herein.

Net income is projected to vary from approximately \$3.4 million to \$6.5 million over the 10-year period (2011–2020), with a rate of return ("ROA") ranging from 5 basis points to 29 basis points. Projected net income, *i.e.*, ROA in 2011 and 2012, is 5 basis points and 15 basis points, respectively.

The year-end leverage ratio and retained earnings ratio are projected to increase significantly from 2011 to 2020 based on a \$2.0 billion balance sheet. At year-end 2011, Catalyst Corporate's leverage ratio and retained earnings ratio are projected to be 4.60% and 18 basis points respectively. In Year 3, Catalyst Corporate's projected leverage ratio is 5.04% and its projected retained earnings ratio is 65 basis points. The 65 basis points of retained earnings exceed the regulatory target of 45 basis points in the first three (3) years.

Catalyst Corporate's financial projections include a leverage ratio of 4.95% (Year 6) and 4.84% (Year 10), and a retained earnings ratio of 147 basis points (Year 6) and 242 basis points (Year 10).

Catalyst Corporate's total tier 2 capital ratio (*i.e.*, retained earnings and PCC) is projected to be 5.87% in Year 6 and 6.82% in Year 10.

## Annex A

### Catalyst Corporate's Base Scenario

	2011	2012	2013	2014	2015	2016	2020
Daily Average Net Assets (2)	\$ 2,216,613	\$ 2,258,774	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
MCS- on notice (unamortized) (3)	10,029	3,662	-	-	-	-	-
Perpetual Contributed Capital (4)	91,350	91,350	91,350	91,350	91,350	91,350	91,350
Retained Earnings (5)	4,045	7,433	12,963	18,768	23,866	29,493	48,435
Total Tier 2 Capital	105,424	102,445	104,313	110,118	115,216	120,843	139,785
Net Interest Income (6)	\$ 14,778	\$ 8,373	\$ 11,200	\$ 12,000	\$ 12,000	\$ 12,200	\$ 12,400
Net Fee Income -							
Payment/Correspondent (7)	17,919	14,481	13,913	13,693	13,478	13,322	12,595
Fee Income - Off Balance Sheet (8)	5,290	5,942	6,297	6,472	6,472	6,927	7,571
Operating Expense (9)	31,449	25,408	25,879	26,360	26,852	26,822	28,225
Net Income	\$ 6,538	\$ 3,388	\$ 5,531	\$ 5,804	\$ 5,099	\$ 5,627	\$ 4,341
Net Operating Expense	\$ 8,240	\$ 4,985	\$ 5,669	\$ 6,196	\$ 6,901	\$ 6,573	\$ 8,059
Net Interest Margin (1) (2)	0.10%	0.37%	0.56%	0.60%	0.60%	0.61%	0.62%
Coverage Ratio (1)	74%	80%	78%	76%	74%	75%	71%
Return on Assets (1) (2)	0.05%	0.15%	0.28%	0.29%	0.25%	0.28%	0.22%
Retained Earnings Ratio (1) (2) (10)	0.18%	0.33%	0.65%	0.94%	1.19%	1.47%	2.42%
Leverage Ratio (1) (2) (11)	4.60%	4.38%	5.04%	5.33%	5.59%	4.95%	4.84%
Total Tier 2 Capital Ratio (2) (12)	4.60%	4.38%	5.04%	5.33%	5.59%	5.87%	6.82%

#### Notes:

- Catalyst Corporate's projections are based on a merger of Southwest Bridge Corporate Federal Credit Union ("Southwest Bridge") and Georgia Corporate Federal Credit Union ("Georgia Corporate") on September 6, 2011. The merger is accounted for as a reverse acquisition whereby Southwest Bridge results from operations are presented for the first eight months of 2011 and then combined with Georgia Corporate results of operation for the remaining four months of 2011. The 2011 ratios reported in the above chart (net interest margin, coverage ratio, return on assets ratio and the required regulatory ratios) are based on operating results and the associated daily average net assets (DANA) from September 6, 2011, through December 31, 2011.
- DANA is calculated beginning on September 6, 2011, and managed in a tight range for 2013-2020. DANA is managed by using the Federal Reserve Bank's Excess Balance Account (EBA) with a cap on the Performance Tiered Account (PTA), which is adjusted as needed.
- MCS on notice represents the unamortized portion of the Georgia Corporate Capital Shares that was not converted to PCC on September 6, 2011.
- PCC represents the capital contribution that resulted from Catalyst Corporate's initial PCC offering that closed on September 6, 2011. Any PCC issued under this offering will result in the ability to increase DANA, increase number of services and potential fee income, and/or improve regulatory ratios.
- Catalyst Corporate retained \$3.5 million in Southwest Bridge retained earnings.
- The net interest income projections are based the current low interest rate environment continuing through 2013. Net interest income is positively impacted once higher yielding share certificates previously issued to member credit unions mature in the first quarter of 2012. The projections also assume that all of the U.S. Central Bridge Corporate Credit Union share certificates are redeemed by December 2011. Dividends are projected to be paid on PCC at one (1)-month LIBOR plus 50 basis points.

7. Eight hundred and sixty-eight (868) members of Southwest Bridge and Georgia Corporate recapitalized Catalyst Corporate. Fee income-payment/correspondent projections are based on actual volumes produced by these members. Fee income is projected for 2011 and 2012 from Catalyst Corporate member credit unions that are transitioning services to other providers, as Catalyst Corporate will continue to honor its current contract commitments with these credit unions.
8. Fee income-off balance sheet projections are based on credit unions that utilize advisory, ALM and brokerage services. Credit unions do not have to purchase PCC to utilize these services. The model projects an approximate 2.00% increase in off-balance sheet fees from 2012 through 2020.
9. Operating expenses for 2012 are projected at \$25.4 million after right-sizing Catalyst Corporate in light of the number of member credit unions it serves and the anticipated fee income from those members. The projections also include a 70.00% reduction in Georgia Corporate's operating expenses in 2012 resulting from efficiencies gained from the merger.
10. Part 704 of the NCUA regulations specifies retained earnings targets of 0.45% (2013), 1.00% (2016) and 2.00% (2020). The *pro forma* projections for Catalyst Corporate result in retained earnings ratios of 0.65% (2013), 1.47% (2016) and 2.42% (2020).
11. Part 704 defines a well capitalized corporate as having a leverage ratio of 5.00% and an adequately capitalized corporate as a leverage ratio of 4.00%. The leverage ratio (PCC plus retained earnings less investment in CUSOs divided by DANA) is calculated through 2015. Per regulation, the impact of PCC on the leverage ratio is reduced beginning in 2016 based on retained earnings. The impact of PCC is capped at 100.00% of retained earnings in 2020. The *pro forma* projections result in a leverage ratio of 5.04% (2013), 4.95% (2016) and 4.84% (2020).
12. Total tier 2 capital ratio is calculated as (PCC plus retained earnings plus unamortized MCS on notice less investment in CUSOs divided by DANA). The *pro forma* projections result in total tier 2 capital ratio of 5.04% (2013), 5.87% (2016) and 6.82% (2020).