UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended **June 30, 2023**

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to

Commission file number: **001-40893**

CATALYST BANCORP, INC.

(Exact name of registrant as specified in its charter)

Louisiana	**86-2411762**
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification No.)

235 N. Court Street, Opelousas, Louisiana 70570
(Address of principal executive offices; Zip Code)

(337) 948-3033
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	**CLST**	**Nasdaq Capital Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 and 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☒		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes☐ No ☒

There were 4,911,490 shares of Registrant's common stock, par value of $0.01 per share, issued and outstanding as of August 7, 2023.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CATALYST BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in thousands)	(Unaudited) June 30, 2023	December 31, 2022
ASSETS		
Non-interest-bearing cash	$ 4,769	$ 5,092
Interest-bearing cash and due from banks	15,022	8,380
Total cash and cash equivalents	19,791	13,472
Investment securities:		
Securities available-for-sale, at fair value	75,876	79,602
Securities held-to-maturity (fair values of $10,950 and $10,724, respectively)	13,468	13,475
Loans receivable, net of unearned income	133,493	133,607
Allowance for loan losses	(2,081)	(1,807)
Loans receivable, net	131,412	131,800
Accrued interest receivable	707	673
Foreclosed assets	296	320
Premises and equipment, net	6,111	6,303
Stock in correspondent banks, at cost	1,839	1,808
Bank-owned life insurance	13,813	13,617
Other assets	2,662	2,254
TOTAL ASSETS	$ 265,975	$ 263,324
LIABILITIES		
Deposits		
Non-interest-bearing	$ 41,482	$ 33,657
Interest-bearing	129,891	131,437
Total deposits	171,373	165,094
Advances from Federal Home Loan Bank	9,288	9,198
Other liabilities	977	558
TOTAL LIABILITIES	181,638	174,850
SHAREHOLDERS' EQUITY		
Preferred stock, $0.01 par value - 5,000,000 shares authorized; none issued	-	-
Common stock, $0.01 par value; 30,000,000 shares authorized; 4,929,542 and 5,290,000 issued and outstanding at June 30, 2023 and December 31, 2022, respectively	49	53
Additional paid-in capital	47,032	51,062
Unallocated common stock held by benefit plans	(6,616)	(6,307)
Retained earnings	52,517	52,740
Accumulated other comprehensive income (loss)	(8,645)	(9,074)
TOTAL SHAREHOLDERS' EQUITY	84,337	88,474
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 265,975	$ 263,324

The accompanying Notes are an integral part of these financial statements.

CATALYST BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Dollars in thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
INTEREST INCOME				
Loans receivable, including fees	$ 1,691	$ 1,555	$ 3,320	$ 3,118
Investment securities	413	352	840	681
Other	218	58	429	77
Total interest income	2,322	1,965	4,589	3,876
INTEREST EXPENSE				
Deposits	351	87	584	179
Advances from Federal Home Loan Bank	68	68	136	136
Total interest expense	419	155	720	315
Net interest income	1,903	1,810	3,869	3,561
Provision for (reversal of) credit losses	-	(189)	-	(260)
Net interest income after provision for (reversal of) credit losses	1,903	1,999	3,869	3,821
NON-INTEREST INCOME				
Service charges on deposit accounts	200	182	383	350
Gain (loss) on disposals and sales of fixed assets	-	(77)	-	(77)
Bank-owned life insurance	99	98	196	119
Federal community development grant	-	171	-	171
Other	18	5	32	13
Total non-interest income	317	379	611	576
NON-INTEREST EXPENSE				
Salaries and employee benefits	1,178	1,218	2,381	2,479
Occupancy and equipment	198	227	411	437
Data processing and communication	220	242	447	450
Professional fees	117	175	246	315
Directors’ fees	114	55	229	110
ATM and debit card	61	59	119	108
Foreclosed assets, net	63	1	65	(3)
Advertising and marketing	22	109	52	151
Franchise and shares tax	25	58	52	116
Regulatory fees and assessments	42	33	66	69
Insurance	26	34	55	66
Printing, supplies and postage	43	51	74	80
Other	82	122	179	207
Total non-interest expense	2,191	2,384	4,376	4,585
Income (loss) before income tax expense (benefit)	29	(6)	104	(188)
Income tax expense (benefit)	(10)	(21)	(8)	(62)
NET INCOME (LOSS)	$ 39	$ 15	$ 112	$ (126)
Earnings (loss) per share - basic	$ 0.01	$ 0.01	$ 0.03	$ (0.02)
Earnings per share - diluted	0.01	N/A	0.03	N/A

The accompanying Notes are an integral part of these financial statements.

CATALYST BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in thousands)	**2023**	**2022**	**2023**	**2022**
Net income (loss)	$ 39	$ 15	$ 112	$ (126)
Net change in unrealized gains (losses) on available-for-sale securities	(819)	(2,705)	543	(7,547)
Income tax effect	172	568	(114)	1,585
Total other comprehensive income (loss)	(647)	(2,137)	429	(5,962)
Total comprehensive income (loss)	$ (608)	$ (2,122)	$ 541	$ (6,088)

The accompanying Notes are an integral part of these financial statements.

CATALYST BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)

(Dollars in thousands)	Common Stock	Additional Paid-in Capital	Unallocated Common Stock Held by Benefit Plans	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, MARCH 31, 2022	$ 53	$ 50,821	$ (4,126)	$ 52,419	$ (4,508)	$ 94,659
Net income (loss)	-	-	-	15	-	15
Other comprehensive income (loss)	-	-	-	-	(2,137)	(2,137)
ESOP shares released for allocation	-	17	53	-	-	70
BALANCE, JUNE 30, 2022	$ 53	$ 50,838	$ (4,073)	$ 52,434	$ (6,645)	$ 92,607
BALANCE, MARCH 31, 2023	$ 51	$ 48,259	$ (6,664)	$ 52,478	$ (7,998)	$ 86,126
Net income (loss)	-	-	-	39	-	39
Other comprehensive income (loss)	-	-	-	-	(647)	(647)
Excise tax on stock purchased to fund the 2022 Recognition and Retention Plan	-	-	(5)	-	-	(5)
ESOP shares released for allocation	-	3	53	-	-	56
Stock compensation expense	-	143	-	-	-	143
Repurchase of common stock	(2)	(1,373)	-	-	-	(1,375)
BALANCE, JUNE 30, 2023	$ 49	$ 47,032	$ (6,616)	$ 52,517	$ (8,645)	$ 84,337
BALANCE, DECEMBER 31, 2021	$ 53	$ 50,802	$ (4,179)	$ 52,560	$ (683)	$ 98,553
Net income (loss)	-	-	-	(126)	-	(126)
Other comprehensive income (loss)	-	-	-	-	(5,962)	(5,962)
ESOP shares released for allocation	-	36	106	-	-	142
BALANCE, JUNE 30, 2022	$ 53	$ 50,838	$ (4,073)	$ 52,434	$ (6,645)	$ 92,607
BALANCE, DECEMBER 31, 2022	$ 53	$ 51,062	$ (6,307)	$ 52,740	$ (9,074)	$ 88,474
Impact of adoption of ASC 326	-	-	-	(335)	-	(335)
Net income (loss)	-	-	-	112	-	112
Other comprehensive income (loss)	-	-	-	-	429	429
Stock purchased to fund the 2022 Recognition and Retention Plan	-	-	(415)	-	-	(415)
ESOP shares released for allocation	-	17	106	-	-	123
Stock compensation expense	-	284	-	-	-	284
Repurchase of common stock	(4)	(4,331)	-	-	-	(4,335)
BALANCE, JUNE 30, 2023	$ 49	$ 47,032	$ (6,616)	$ 52,517	$ (8,645)	$ 84,337

The accompanying Notes are an integral part of these financial statements.

CATALYST BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
(Dollars in thousands)	**2023**	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 112	$ (126)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Investment securities amortization, net	157	263
Federal Home Loan Bank stock dividends	(31)	(2)
Amortization of prepayment penalties on debt restructuring	90	90
Provision for (reversal of) credit losses	-	(260)
Net loss (gain) on disposals and sales of premises and equipment	-	77
Increase in cash surrender value of bank-owned life insurance	(196)	(119)
Stock-based compensation	407	142
Depreciation of premises and equipment	202	237
Net write-downs and losses (gains) on the sale of foreclosed assets	62	(9)
Deferred income tax expense (benefit)	(119)	48
(Increase) decrease in other assets	(347)	(157)
Increase (decrease) in other liabilities	201	(133)
Net cash provided by (used in) operating activities	538	51
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in available-for-sale securities:		
Proceeds from maturities, calls, and paydowns	4,119	5,968
Purchases	-	(7,703)
Net decrease (increase) in loans	143	(1,803)
Proceeds from sale of foreclosed assets	-	29
Purchases of premises and equipment	(10)	(231)
Purchase of bank-owned life insurance	-	(10,000)
Net cash provided by (used in) investing activities	4,252	(13,740)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	6,279	1,940
Purchase of stock to fund the 2022 Recognition and Retention Plan	(415)	-
Repurchase of common stock	(4,335)	-
Net cash provided by (used in) financing activities	1,529	1,940
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,319	(11,749)
CASH AND CASH EQUIVALENTS, beginning of period	13,472	40,884
CASH AND CASH EQUIVALENTS, end of period	$ 19,791	$ 29,135
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Acquisition of real estate in settlement of loans	$ 37	$ -
SUPPLEMENTAL SCHEDULE OF INTEREST AND TAXES PAID		
Cash paid for interest	$ 532	$ 230
Cash paid for income taxes	-	243

The accompanying Notes are an integral part of these financial statements.

CATALYST BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. BASIS OF PRESENTATION

Catalyst Bancorp, Inc. ("Catalyst Bancorp" or the "Company") is the holding company for Catalyst Bank (the "Bank"), formerly known as St. Landry Homestead Federal Savings Bank. The Bank has been in operation in the Acadiana region of south-central Louisiana since 1922 and offers commercial and retail banking products through six full-service locations.

The Company was incorporated by the Bank in February 2021 as part of the conversion of the Bank from the mutual to the stock form of organization (the "Conversion"). The Conversion was completed on October 12, 2021, at which time the Company acquired all of the issued and outstanding shares of common stock of the Bank and became the holding company for the Bank. Shares of the Company's common stock were issued and sold in an offering to certain depositors of the Bank and others. The Company was not engaged in operations and had not issued any shares of stock prior to the completion of the Conversion.

As used in this report, unless the context otherwise requires, the terms "we," "our," "us," or the "Company" refer to Catalyst Bancorp, and the term the "Bank" refers to Catalyst Bank, the wholly owned subsidiary of the Company. In addition, unless the context otherwise requires, references to the operations of the Company include the operations of the Bank.

The accompanying unaudited consolidated financial statements of the Company were prepared in accordance with instructions for Form 10-Q and Regulation S-X and do not include information or footnotes necessary for a complete presentation of financial condition, results of operations, comprehensive income, changes in equity and cash flows in conformity with accounting principles generally accepted in the United States of America ("GAAP"). In the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the financial statements have been included. The results of operations for the three and six months ended June 30, 2023 and 2022 are not necessarily indicative of the results which may be expected for the entire fiscal year. These statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2022.

Certain amounts reported in prior periods may have been reclassified to conform to the current period presentation. Such reclassifications had no effect on previously reported equity or net income.

Critical Accounting Policies and Estimates

Critical accounting policies are defined as those that are reflective of significant judgments and uncertainties and could reflect materially different results under different assumptions and conditions. Methodologies the Company uses when applying critical accounting policies and developing critical estimates are included in its Annual Report on Form 10-K for the year ended December 31, 2022.

As of January 1, 2023, the Company adopted the guidance in Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. The main provisions of the ASU have been codified by the Financial Accounting Standards Board ("FASB") in Topic 326 of the Accounting Standards Codification ("ASC 326"). The new standard changed the impairment model for most financial assets that are measured at amortized cost, including off-balance sheet credit exposures, from an incurred loss model to an expected loss model. Determining the appropriateness of the allowance requires judgement by management about the effect of matters that are inherently uncertain. Changes in factors and forecasts used in evaluating the overall loan portfolio may result in significant changes in the allowance for credit losses and related provision expense in future periods. The allowance level is influenced by loan volumes, loan asset quality ratings, delinquency status, historical credit loss experience, loan performance characteristics, forecasted information and other conditions influencing loss expectations. Changes to the assumptions in the model in future periods could have a material impact on the Company's Consolidated Financial Statements. See Note 2 for more detailed information on the Company's estimate of expected credit losses and its impact on the financial statements.

There were no other material changes from the significant accounting policies previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022. In preparing the financial statements, the Company is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the Company's financial condition, results of operations, comprehensive income, changes in equity and cash flows for the interim periods presented. These adjustments are of a normal recurring nature and include appropriate estimated provisions.

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Adopted in 2023

ASU No. 2016-13. On January 1, 2023, the Company adopted the guidance under ASU No. 2016-13, Financial Instruments – Credit Losses, Measurement of Credit Losses on Financial Instruments. The amendments introduced an impairment model that is based on current expected credit losses ("CECL"), rather than incurred losses, to estimate credit losses on certain types of financial instruments. The main provisions of the ASU have been codified by the FASB under ASC 326. ASC 326 requires financial assets measured on an amortized cost basis, including loans and held-to-maturity debt securities, to be presented at an amount net of an allowance for credit losses, which reflects expected losses for the full life of the financial asset. Unfunded lending commitments are also within the scope of ASC 326. Under former GAAP, credit losses were not recognized until the occurrence of the loss was probable and, as a result, the allowance for credit losses did not reflect an estimate of credit losses for the full life of financial assets.

In addition, ASC 326 requires expected credit related losses for available-for-sale debt securities to be recorded through an allowance for credit losses, while non-credit related losses will continue to be recognized through other comprehensive income. Under former GAAP, we assessed our investment securities for other-than-temporary impairment and any declines in fair value that were deemed other-than-temporary resulted in a direct write-down to the amortized cost basis of the related security. The allowance approach allows estimated expected credit losses to be adjusted from period-to-period, as opposed to a permanent write-down.

The Company applied the guidance under ASC 326 using the modified retrospective approach which resulted in an adjustment to beginning retained earnings for 2023. The information for reporting periods beginning on and after January 1, 2023 are presented under ASC 326, while prior periods continue to be reported in accordance with previously applicable GAAP. The following table illustrates the impact of ASC Topic 326.

(Dollars in thousands)	December 31, 2022	ASC 326 Adoption Impact	January 1, 2023
Allowance for credit losses			
One- to four-family residential	$ 1,224	$ 158	$ 1,382
Commercial real estate	248	(53)	195
Construction and land	74	40	114
Multi-family residential	40	5	45
Commercial and industrial	175	51	226
Consumer	46	8	54
Total allowance for loan losses	$ 1,807	$ 209	$ 2,016
Unfunded lending commitments(1)	-	216	216
Total allowance for credit losses	$ 1,807	$ 425	$ 2,232
Retained Earnings			
Total increase in the allowance for credit losses		$ 425	
Tax effect		(90)	
Decrease to retained earnings, net of tax effect		$ 335	

(1) The allowance for credit losses on unfunded lending commitments is recorded within "other liabilities" on the statement of financial condition. The related provision for credit losses for unfunded lending commitments is recorded with the provision for loan losses and reported in aggregate as the provision for credit losses on the income statement.

Under ASC 326, the Company groups loans and unfunded lending commitments with similar risk characteristics into pools or segments and collectively evaluates each pool to estimate the allowance for credit losses. For each loan pool, the Company uses the remaining life method to calculate its credit loss estimate under CECL. The remaining life method applies an estimated average loss rate to the expected future outstanding balances of the relevant pool of loans. The estimated average loss rate is based on historical charge-off rates and the future balances or the remaining life of each pool is based on recent trends in the rate at which existing loans have paid-off or paid-down. We attempt to forecast the average loss rate for each pool over the first two years of the estimated remaining life, then revert to the long-term average after the forecast period. For each pool of loans, management also evaluates and applies qualitative adjustments to the calculated allowance for credit losses based on several factors, including, but not limited to, changes in current and expected future economic conditions, changes in industry experience and loan concentrations, changes in credit quality, changes in lending policies and personnel and changes in the competitive and regulatory environment of the banking industry.

The ultimate loss rates computed for each loan pool (a product of our quantitative calculation and qualitative adjustments) are used to estimate the allowance for credit losses on unfunded lending commitments. The pooled loan loss rates are applied to the portion of the unfunded lending commitments that management expects to fund in the future. These unfunded commitments are segmented into pools consistent with our grouping of outstanding loans and include available portions of lines of credit, undisbursed portions construction loans and commitments to originate new loans.

The Company has identified the following portfolio segments based on the risk characteristics described below.

One- to four-family residential – This category primarily consists of loans secured by residential real estate located in our market. The performance of these loans may be adversely affected by, among other factors, unemployment rates, local residential real estate market conditions and the interest rate environment. Generally, these loans are for longer terms than commercial and construction loans.

Commercial real estate – This category generally consists of loans secured by retail and industrial use buildings, hotels, strip shopping centers and other properties used for commercial purposes. The performance of these loans may be adversely affected by, among other factors, conditions specific to the relevant industry, the real estate market for the property type and geographic region where the property or borrower is located.

Construction and land – This category consists of loans to finance the ground-up construction and/or improvement of residential and commercial properties and loans secured by land. The performance of these loans is generally dependent upon the successful completion of improvements and/or land development for the end user, the sale of the property to a third party, or a secondary source of cash flow from the owners. The successful completion of planned improvements and development may be adversely affected by changes in the estimated property value upon completion of construction, projected costs and other conditions leading to project delays.

Multi-family residential – This category consists of loans secured by apartment or residential buildings with five or more units used to accommodate households on a temporary or permanent basis. The performance of multi-family loans is generally dependent on the receipt of rental income from the tenants who occupy the subject property. The occupancy rate of the subject property and the ability of the tenants to pay rent may be adversely affected by the location of the subject property and local economic conditions.

Commercial and industrial – This category primarily consists of secured and unsecured loans to small and mid-sized businesses to fund operations or purchase non-real estate assets. Secured loans are primarily secured by accounts receivable, inventory, equipment and certain other business assets. The performance of these loans may be adversely affected by, among other factors, conditions specific to the relevant industry, fluctuations in the value of the collateral and individual performance factors related to the borrower.

Consumer – This category consists of loans to individuals for household, family and other personal use. The performance of these loans may be adversely affected by national and local economic conditions, unemployment rates and other factors affecting the borrower's income available to service the debt.

Loans are individually evaluated for credit losses when they do not share similar risk characteristics with our identified loan pools under ASC 326. Generally, management considers loans for individual analysis when the outstanding balance is greater than $50,000 and when we have identified certain unique characteristics that impact the risk of credit loss. These characteristics include, but are not limited to, the creditworthiness of the borrower, the reliability of the primary source of repayment, the quality of the collateral, the size of the loan or relationship, and the industry of the borrower. The allowance for credit losses on individually evaluated, collateral-dependent loans is based on a comparison of the recorded investment in the loan with the fair value of the underlying collateral. Alternatively, we estimate credit losses on individual loans by comparing the loan's recorded investment to the loan's estimated fair value based on discounted cash flows or an observable market price.

At adoption of ASC 326, management also evaluated its securities portfolio for credit losses. The types of securities in the Company's portfolio have a long history of minimal credit risk and management does not expect or estimate any credit losses to occur over the life of these assts. In addition, management does not have the intent to sell any of the Company's securities in an unrealized loss position and believes that it is more likely than not that the Company will not have to sell any such securities before recovery of cost. As a result, the Company has not recorded an allowance for credit losses for its held-to-maturity or available-for-sale securities.

ASU No. 2022-02. In March 2022, the FASB issued ASU 2022-02, Financial Instruments - Credit Losses (ASC 326), Troubled Debt Restructurings ("TDRs") and Vintage Disclosures. The amendments in this ASU respond to feedback received by the FASB during the post-implementation review of the amendments included in ASU 2016-13. The amendments in ASU 2022-02 eliminate the accounting guidance for TDRs by creditors in ASC 310-40, Receivables – Troubled Debt Restructurings by Creditors and enhance disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Under the amendments in ASU 2022-02, an entity must apply the guidance under ASC 310-20 to determine whether a modification results in a new loan or a continuation of an existing loan rather than applying the guidance for TDRs. The amendments in ASU 2022-02 are effective at adoption of the amendments in ASU 2016-13. The implementation of ASU 2022-02 did not materially impact the Company's financial statements or disclosures.

NOTE 3. EARNINGS PER SHARE

Earnings (loss) per common share was computed based on the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands, except per share data)	**2023**	**2022**	**2023**	**2022**
Numerator				
Net income (loss) available to common shareholders	$ 39	$ 15	$ 112	$ (126)
Denominator				
Weighted average common shares outstanding	4,986	5,290	5,100	5,290
Weighted average unallocated common stock held by benefit plans	(600)	(410)	(601)	(413)
Weighted average shares - basic	4,386	4,880	4,499	4,877
Effect of dilutive stock-based awards:				
Stock options	-	-	-	-
Restricted stock	-	-	-	-
Weighted average shares - assuming dilution	4,386	4,880	4,499	4,877
Basic earnings (loss) per common share	$ 0.01	$ 0.01	$ 0.03	$ (0.02)
Diluted earnings per common share	0.01	N/A	0.03	N/A

The weighted average of potentially dilutive common shares attributable to outstanding stock options that were anti-dilutive totaled 295,340 for the three and six months ended June 30, 2023 and were excluded from the calculation of diluted earnings per share. The weighted average of potentially dilutive common shares attributable to restricted stock that were anti-dilutive totaled 119,336 for the three and six months ended June 30, 2023 and were excluded from the calculation of diluted earnings per share.

During the three and six months ended June 30, 2022, there were no convertible securities or other contracts to issue common stock outstanding that if converted or exercised would result in potential dilution of earnings per share.

NOTE 4. INVESTMENT SECURITIES

Investment securities have been classified according to management's intent. The amortized cost of securities and their approximate fair values are as follows:

	June 30, 2023			
(Dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities available-for-sale				
Mortgage-backed securities	$ 69,804	$ 1	$ (9,477)	$ 60,328
U.S. Government and agency obligations	10,984	-	(976)	10,008
Municipal obligations	6,031	1	(492)	5,540
Total available-for-sale	$ 86,819	$ 2	$ (10,945)	$ 75,876
Securities held-to-maturity				
U.S. Government and agency obligations	$ 13,005	$ -	$ (2,487)	$ 10,518
Municipal obligations	463	-	(31)	432
Total held-to-maturity	$ 13,468	$ -	$ (2,518)	$ 10,950

	December 31, 2022			
(Dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities available-for-sale				
Mortgage-backed securities	$ 74,044	$ 15	$ (9,892)	$ 64,167
U.S. Government and agency obligations	10,979	-	(1,062)	9,917
Municipal obligations	6,065	4	(551)	5,518
Total available-for-sale	$ 91,088	$ 19	$ (11,505)	$ 79,602
Securities held-to-maturity				
U.S. Government and agency obligations	$ 13,006	$ -	$ (2,718)	$ 10,288
Municipal obligations	469	-	(33)	436
Total held-to-maturity	$ 13,475	$ -	$ (2,751)	$ 10,724

There were no securities transferred between classifications during the six months ended June 30, 2023 or 2022.

Accrued interest receivable on the Company's investment securities totaled $ 250,000 and $257,000 at June 30, 2023 and December 31, 2022, respectively.

Investment securities with a carrying amount of approximately $ 43.1 million and $ 20.4 million, respectively, were pledged to secure deposits as required or permitted by law at June 30, 2023 and December 31, 2022.

The following is a summary of maturities of securities available-for-sale and held-to-maturity at June 30, 2023 and December 31, 2022:

	June 30, 2023			
	Available-for-Sale		Held-to-Maturity	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Amounts maturing in:				
One year or less	$ 1,000	$ 981	$ -	$ -
After one through five years	12,823	11,964	2,338	2,039
After five through ten years	14,697	13,387	7,125	5,726
After ten years	58,299	49,544	4,005	3,185
Total	$ 86,819	$ 75,876	$ 13,468	$ 10,950

	December 31, 2022			
	Available-for-Sale		Held-to-Maturity	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Amounts maturing in:				
One year or less	$ 1,000	$ 962	$ -	$ -
After one through five years	11,496	10,634	2,343	2,031
After five through ten years	17,139	15,699	7,125	5,611
After ten years	61,453	52,307	4,007	3,082
Total	$ 91,088	$ 79,602	$ 13,475	$ 10,724

Securities are classified according to their contractual maturities without consideration of principal amortization, potential prepayments, or call options. The expected maturities may differ from contractual maturities because of the exercise of call options and potential paydowns. Accordingly, actual maturities may differ from contractual maturities.

Information pertaining to securities with gross unrealized losses at June 30, 2023 and December 31, 2022 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	June 30, 2023					
	Less than 12 Months		12 Months or Greater		Total	
(Dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available-for-sale						
Mortgage-backed securities	$ 5,503	$ (217)	$ 53,836	$ (9,260)	$ 59,339	$ (9,477)
U.S. Government and agency obligations	-	-	10,008	(976)	10,008	(976)
Municipal obligations	612	(9)	3,905	(483)	4,517	(492)
Total available-for-sale	$ 6,115	$ (226)	$ 67,749	$ (10,719)	$ 73,864	$ (10,945)
Securities held-to-maturity						
U.S. Government and agency obligations	$ -	$ -	$ 10,518	$ (2,487)	$ 10,518	$ (2,487)
Municipal obligations	-	-	432	(31)	432	(31)
Total held-to-maturity	$ -	$ -	$ 10,950	$ (2,518)	$ 10,950	$ (2,518)
Total	$ 6,115	$ (226)	$ 78,699	$ (13,237)	$ 84,814	$ (13,463)

	December 31, 2022					
	Less than 12 Months		12 Months or Greater		Total	
(Dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available-for-sale						
Mortgage-backed securities	$ 9,759	$ (546)	$ 53,402	$ (9,346)	$ 63,161	$ (9,892)
U.S. Government and agency obligations	-	-	9,917	(1,062)	9,917	(1,062)
Municipal obligations	602	(16)	3,885	(535)	4,487	(551)
Total available-for-sale	$ 10,361	$ (562)	$ 67,204	$ (10,943)	$ 77,565	$ (11,505)
Securities held-to-maturity						
U.S. Government and agency obligations	$ -	$ -	$ 10,288	$ (2,718)	$ 10,288	$ (2,718)
Municipal obligations	120	(6)	316	(27)	436	(33)
Total held-to-maturity	$ 120	$ (6)	$ 10,604	$ (2,745)	$ 10,724	$ (2,751)
Total	$ 10,481	$ (568)	$ 77,808	$ (13,688)	$ 88,289	$ (14,256)

At June 30, 2023 and December 31, 2022, the Company held 96 securities with an unrealized loss. The securities with unrealized losses consisted of government-sponsored mortgage-backed securities and debt obligations guaranteed by federal, state and local government entities. These unrealized losses relate principally to noncredit related factors, including changes in current interest rates for similar types of securities. Based on management's evaluation of the securities portfolio, the Company has not established an allowance for credit losses for its available-for-sale or held-to-maturity securities at June 30, 2023.

Under ASC 326, management evaluates available-for-sale securities in unrealized loss positions to determine if the decline in the fair value of each security below its amortized cost basis is due to credit-related factors or noncredit-related factors. Consideration is given to the extent to which that fair value is less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period sufficient to allow for any anticipated recovery in fair value. At June 30, 2023, management does not have the intent to sell any of the Company's securities in an unrealized loss position and believes that it is more likely than not that the Company will not have to sell any such securities before recovery of cost.

Prior to the adoption of ASC 326, management evaluated securities for other-than-temporary impairment and, as of December 31, 2022, no declines in fair value were deemed to be other-than temporary. See Note 2 for more information on the adoption of ASC 326.

NOTE 5. LOANS RECEIVABLE

Loans receivable at June 30, 2023 and December 31, 2022 are summarized as follows:

(Dollars in thousands)	June 30, 2023	December 31, 2022
Real estate loans		
One- to four-family residential	$ 85,655	$ 87,508
Commercial real estate	19,175	19,437
Construction and land	4,620	6,172
Multi-family residential	3,094	3,200
Total real estate loans	112,544	116,317
Other loans		
Commercial and industrial	17,609	13,843
Consumer	3,340	3,447
Total other loans	20,949	17,290
Total loans	133,493	133,607
Less: Allowance for loan losses	(2,081)	(1,807)
Net loans	$ 131,412	$ 131,800

Accrued interest receivable on the Company's loans totaled $ 453,000 and $411,000 at June 30, 2023 and December 31, 2022, respectively. Accrued interest receivable is excluded from the Company's estimate of the allowance for credit losses.

The following tables outline the changes in the allowance for loan losses for the six months ended June 30, 2023 and 2022.

	For the Six Months Ended June 30, 2023					
(Dollars in thousands)	Beginning Balance	ASC 326 Adoption Impact(1)	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses						
One- to four-family residential	$ 1,224	$ 158	$ (246)	$ -	$ 75	$ 1,211
Commercial real estate	248	(53)	4	-	-	199
Construction and land	74	40	19	-	-	133
Multi-family residential	40	5	(4)	-	-	41
Commercial and industrial	175	51	49	-	2	277
Consumer	46	8	5	(17)	7	49
Unallocated	-	-	171	-	-	171
Total for loans	$ 1,807	$ 209	$ (2)	$ (17)	$ 84	$ 2,081
Unfunded lending commitments(2)	-	216	2	-	-	218
Total	$ 1,807	$ 425	$ -	$ (17)	$ 84	$ 2,299

(1) Refer to Note 2 for more information on the adoption of ASC 326.

(2) The allowance for credit losses on unfunded lending commitments is recorded within "other liabilities" on the statement of financial condition. The related provision for credit losses for unfunded lending commitments is recorded with the provision for loan losses and reported in aggregate as the provision for credit losses on the income statement.

(Dollars in thousands)	For the Six Months Ended June 30, 2022 Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for loan losses					
One- to four-family residential	$ 1,573	$ (173)	$ (69)	$ 55	$ 1,386
Commercial real estate	370	(78)	-	-	292
Construction and land	55	(14)	-	-	41
Multi-family residential	73	(29)	-	-	44
Commercial and industrial	137	37	(21)	7	160
Consumer	68	(3)	(11)	3	57
Total	$ 2,276	$ (260)	$ (101)	$ 65	$ 1,980

The following tables outline the allowance for loan losses and the balance of loans by method of loss evaluation at June 30, 2023 and December 31, 2022.

(Dollars in thousands)	June 30, 2023 Individually Evaluated	June 30, 2023 Collectively Evaluated	June 30, 2023 Total	December 31, 2022 Individually Evaluated	December 31, 2022 Collectively Evaluated	December 31, 2022 Total
Allowance for loan losses						
One- to four-family residential	$ 100	$ 1,111	$ 1,211	$ 216	$ 1,008	$ 1,224
Commercial real estate	-	199	199	-	248	248
Construction and land	53	80	133	-	74	74
Multi-family residential	-	41	41	-	40	40
Commercial and industrial	-	277	277	-	175	175
Consumer	-	49	49	-	46	46
Unallocated	-	171	171	-	-	-
Total	$ 153	$ 1,928	$ 2,081	$ 216	$ 1,591	$ 1,807
Loans						
One- to four-family residential	$ 1,410	$ 84,245	$ 85,655	$ 2,712	$ 84,796	$ 87,508
Commercial real estate	50	19,125	19,175	51	19,386	19,437
Construction and land	137	4,483	4,620	33	6,139	6,172
Multi-family residential	-	3,094	3,094	-	3,200	3,200
Commercial and industrial	-	17,609	17,609	-	13,843	13,843
Consumer	-	3,340	3,340	-	3,447	3,447
Total	$ 1,597	$ 131,896	$ 133,493	$ 2,796	$ 130,811	$ 133,607

At June 30, 2023 all loans individually evaluated for credit losses, totaling $ 1.6 million, were considered collateral-dependent financial assets under ASC 326. Loans are considered collateral-dependent and individually evaluated when, based on management's assessment as of the reporting date, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. Collateral-dependent loans primarily consist of residential real estate loans secured by one- to four-family residential properties located in our market.

A summary of current, past due and nonaccrual loans as of June 30, 2023 and December 31, 2022 follows:

	As of June 30, 2023						
(Dollars in thousands)	Past Due 30-89 Days and Accruing	Past Due Over 90 Days and Accruing	Past Due Over 30 Days and Non-accruing	Total Past Due	Current and Accruing	Current and Non-accruing	Total Loans
One- to four-family residential	$ 1,644	$ 260	$ 287	$ 2,191	$ 82,218	$ 1,246	$ 85,655
Commercial real estate	111	-	50	161	19,014	-	19,175
Construction and land	-	-	-	-	4,574	46	4,620
Multi-family residential	-	-	-	-	3,094	-	3,094
Commercial and industrial	46	-	-	46	17,563	-	17,609
Consumer	5	-	-	5	3,335	-	3,340
Total	$ 1,806	$ 260	$ 337	$ 2,403	$ 129,798	$ 1,292	$ 133,493

	As of December 31, 2022						
(Dollars in thousands)	Past Due 30-89 Days and Accruing	Past Due Over 90 Days and Accruing	Past Due Over 30 Days and Non-accruing	Total Past Due	Current and Accruing	Current and Non-accruing	Total Loans
One- to four-family residential	$ 2,077	$ 191	$ 716	$ 2,984	$ 83,848	$ 676	$ 87,508
Commercial real estate	166	-	51	217	19,220	-	19,437
Construction and land	156	-	18	174	5,965	33	6,172
Multi-family residential	-	-	-	-	3,200	-	3,200
Commercial and industrial	-	-	-	-	13,843	-	13,843
Consumer	6	-	-	6	3,441	-	3,447
Total	$ 2,405	$ 191	$ 785	$ 3,381	$ 129,517	$ 709	$ 133,607

A summary of total nonaccrual loans as of June 30, 2023 and December 31, 2022 follows:

	June 30, 2023			December 31, 2022
(Dollars in thousands)	With Allowance for Credit Loss	Without Allowance for Credit Loss	Total	Total
Nonaccrual loans				
One- to four-family residential	$ 956	$ 577	$ 1,533	$ 1,392
Commercial real estate	-	50	50	51
Construction and land	46	-	46	51
Multi-family residential	-	-	-	-
Commercial and industrial	-	-	-	-
Consumer	-	-	-	-
Total	$ 1,002	$ 627	$ 1,629	$ 1,494

The Company was not committed to lend any additional funds on nonaccrual loans at June 30, 2023 or December 31, 2022. The Company does not recognize interest income while loans are on nonaccrual status. All payments received while on nonaccrual status are applied against the principal balance of nonaccrual loans.

At June 30, 2023, loans secured by residential and commercial real estate for which formal foreclosure proceedings were in process totaled $205,000 and $50,000, respectively. At December 31, 2022, loans secured by residential and commercial real estate for which formal foreclosure proceedings were in process totaled $331,000 and $50,000, respectively.

During the six months ended June 30, 2023 and the year ended December 31, 2022, the Company did not grant any loan modifications to borrowers experiencing financial difficulty.

Information on impaired loans as of December 31, 2022 follows:

	December 31, 2022			
(Dollars in thousands)	Recorded Investment Without an Allowance	Recorded Investment With an Allowance	Unpaid Principal	Related Allowance
One- to four-family residential	$ 1,843	$ 869	$ 3,149	$ 216
Commercial real estate	51	-	52	-
Construction and land	33	-	42	-
Multi-family residential	-	-	-	-
Commercial and industrial	-	-	-	-
Consumer	-	-	-	-
Total	$ 1,927	$ 869	$ 3,243	$ 216

The table below presents the average balances and interest income for impaired loans for the three and six months ended June 30, 2022.

	Three Months Ended June 30, 2022		Six Months Ended June 30, 2022	
(Dollars in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
One- to four-family residential	$ 2,597	$ 16	$ 2,625	$ 33
Commercial real estate	51	-	51	-
Construction and land	61	-	61	-
Multi-family residential	-	-	-	-
Commercial and industrial	-	-	-	-
Consumer	-	-	-	-
Total	$ 2,709	$ 16	$ 2,737	$ 33

Loans are categorized by credit quality indicators based on relevant information about the ability of borrowers to service their debt, such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. Credit quality classifications follow regulatory guidelines and can generally be described as follows:

Pass – Loans in this category have strong asset quality and liquidity along with a multi-year track record of profitability.

Special Mention – Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.

Substandard – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss – Loans classified as loss have been identified as uncollectible and are generally charged-off in the period identified.

The information for each of the credit quality indicators is updated at least quarterly in conjunction with the determination of the adequacy of the allowance for credit losses.

The following table presents the Company's loan portfolio by credit quality classification and origination year as of June 30, 2023. The Company uses the latter of origination or renewal date to classify term loans into vintages.

	Term Loans by Origination Year							Line-of-credit Arrangements Converted to Term Loans	
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Line-of-credit Arrangements		Total
One- to four-family residential									
Pass	$ 1,267	$ 11,286	$ 3,568	$ 3,045	$ 3,300	$ 56,595	$ 1,824	$ 2,041	$ 82,926
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	24	-	13	131	13	2,548	-	-	2,729
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 1,291	$ 11,286	$ 3,581	$ 3,176	$ 3,313	$ 59,143	$ 1,824	$ 2,041	$ 85,655
Commercial real estate									
Pass	$ 1,108	$ 2,155	$ 2,119	$ 4,688	$ 3,518	$ 4,635	$ 35	$ 359	$ 18,617
Special Mention	-	111	107	-	-	-	-	-	218
Substandard	-	-	-	-	-	340	-	-	340
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 1,108	$ 2,266	$ 2,226	$ 4,688	$ 3,518	$ 4,975	$ 35	$ 359	$ 19,175
Construction and land									
Pass	$ 59	$ 195	$ 58	$ 179	$ 50	$ 608	$ 3,289	$ -	$ 4,438
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	137	-	15	-	30	-	-	182
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 59	$ 332	$ 58	$ 194	$ 50	$ 638	$ 3,289	$ -	$ 4,620
Multi-family residential									
Pass	$ -	$ -	$ 472	$ -	$ 294	$ 2,328	$ -	$ -	$ 3,094
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ 472	$ -	$ 294	$ 2,328	$ -	$ -	$ 3,094
Commercial and industrial									
Pass	$ 3,975	$ 2,922	$ 937	$ 380	$ 324	$ 71	$ 9,000	$ -	$ 17,609
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 3,975	$ 2,922	$ 937	$ 380	$ 324	$ 71	$ 9,000	$ -	$ 17,609
Consumer									
Pass	$ 982	$ 645	$ 788	$ 424	$ 226	$ 275	$ -	$ -	$ 3,340
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 982	$ 645	$ 788	$ 424	$ 226	$ 275	$ -	$ -	$ 3,340
Total									
Pass	$ 7,391	$ 17,203	$ 7,942	$ 8,716	$ 7,712	$ 64,512	$ 14,148	$ 2,400	$ 130,024
Special Mention	-	111	107	-	-	-	-	-	218
Substandard	24	137	13	146	13	2,918	-	-	3,251
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 7,415	$ 17,451	$ 8,062	$ 8,862	$ 7,725	$ 67,430	$ 14,148	$ 2,400	$ 133,493

The following table presents gross charge-offs and recoveries for the six months ended June 30, 2023 by origination year of the related loans. The Company uses the latter of origination or renewal date to classify loans into vintages.

	Loan Origination Year						
(Dollars in thousands)	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**
Charge-offs							
One- to four-family residential	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-	-	-
Construction and land	-	-	-	-	-	-	-
Multi-family residential	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-
Consumer	1	4	6	1	-	5	17
Total	$ 1	$ 4	$ 6	$ 1	$ -	$ 5	$ 17
Recoveries							
One- to four-family residential	$ -	$ -	$ -	$ -	$ -	$ 75	$ 75
Commercial real estate	-	-	-	-	-	-	-
Construction and land	-	-	-	-	-	-	-
Multi-family residential	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	2	2
Consumer	-	-	1	1	-	5	7
Total	$ -	$ -	$ 1	$ 1	$ -	$ 82	$ 84

The following table presents the Company's loan portfolio by credit quality classification as of December 31, 2022.

	December 31, 2022				
(Dollars in thousands)	**Pass**	**Special Mention**	**Substandard**	**Doubtful**	**Total**
One- to four-family residential	$ 84,219	$ 171	$ 3,118	$ -	$ 87,508
Commercial real estate	19,334	-	103	-	19,437
Construction and land	5,822	291	59	-	6,172
Multi-family residential	3,200	-	-	-	3,200
Commercial and industrial	13,843	-	-	-	13,843
Consumer	3,447	-	-	-	3,447
Total	$ 129,865	$ 462	$ 3,280	$ -	$ 133,607

NOTE 6. DEPOSITS

Deposits at June 30, 2023 and December 31, 2022 are summarized as follows:

	June 30, 2023		December 31, 2022	
(Dollars in thousands)	Amount	Percent	Amount	Percent
Non-interest-bearing demand deposits	$ 41,482	24.2 %	$ 33,657	20.4 %
Negotiable order of withdrawal (“NOW”)	34,159	19.9	36,991	22.4
Money market	18,798	11.0	15,734	9.5
Savings	26,927	15.7	26,209	15.9
Certificates of deposit	50,007	29.2	52,503	31.8
Total deposits	$ 171,373	100.0 %	$ 165,094	100.0 %

The estimated amount of our total uninsured deposits (that is, deposits in excess of the FDIC’s insurance limit) was $ 50.2 million and $43.4 million, respectively, at June 30, 2023 and December 31, 2022.

Certificates of deposit and other time deposits issued in denominations that exceed FDIC insurance limit of $250,000 or more totaled $7.9 million and $8.9 million at June 30, 2023 and December 31, 2022, respectively, and are included in interest-bearing deposits in the statements of financial condition.

At June 30, 2023 scheduled maturities of certificates of deposits were as follows:

(Dollars in thousands)	Amount
2023	$ 21,409
2024	26,102
2025	1,134
2026	801
2027	412
2028	149
Total	$ 50,007

NOTE 7. CAPITAL AND REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, the Office of the Comptroller of the Currency ("OCC"). Failure to meet minimum regulatory capital requirements can result in certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements of the Company and the Bank. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total risk-based capital, Tier 1 Capital to risk-weighted assets, and Tier 1 Capital to adjusted total assets. As of June 30, 2023 and December 31, 2022, the Bank met all of the capital adequacy requirements to which it is subject.

At June 30, 2023 and December 31, 2022, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category. The following table presents actual and required capital ratios for the Bank.

	Actual		To be Well Capitalized under the Prompt Corrective Action Provision	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**
As of June 30, 2023				
Common Equity Tier 1 Capital	$ 78,650	56.02 %	$ 9,126	>6.5 %
Tier 1 Risk-Based Capital	78,650	56.02	11,232	>8.0
Total Risk-Based Capital	80,412	57.27	14,040	>10.0
Tier 1 Leverage Capital	78,650	30.64	12,836	>5.0
As of December 31, 2022				
Common Equity Tier 1 Capital	$ 78,527	56.17 %	$ 9,087	>6.5 %
Tier 1 Risk-Based Capital	78,527	56.17	11,184	>8.0
Total Risk-Based Capital	80,275	57.42	13,980	>10.0
Tier 1 Leverage Capital	78,527	30.37	12,929	>5.0

Share Repurchase Plans

In January 2023, the Company's Board of Directors approved the Company's first share repurchase plan (the "January 2023 Repurchase Plan"), which allowed the Company to purchase 265,000 shares, or approximately 5% of the Company's outstanding common stock. The January 2023 Repurchase Plan was completed in April 2023. In April 2023, the Company announced its second share repurchase plan (the "April 2023 Repurchase Plan"). Under the April 2023 Repurchase Plan, the Company may purchase up to 252,000 shares, or approximately 5% of the Company's outstanding shares of common stock.

During the three months ended June 30, 2023, the Company repurchased 129,070 shares of its common stock at an average cost per share of $10.65. During the six months ended June 30, 2023, the Company repurchased 360,458 shares of its common stock at an average cost per share of $12.03. At June 30, 2023, 156,542 shares were available for repurchase under the April 2023 Repurchase Plan.

NOTE 8. FAIR VALUE MEASUREMENTS

In accordance with fair value guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1 — Valuation is based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. Level 1 assets and liabilities generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 — Valuation is based on inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly or indirectly. The valuation may be based on quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term for the asset or liability.

Level 3 — Valuation is based on unobservable income inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2023 and December 31, 2022 follows:

	Fair Value Measurements at Reporting Date Using			
(Dollars in thousands)	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
June 30, 2023				
Available-for-sale securities	$ 75,876	$ -	$ 75,876	$ -
December 31, 2022				
Available-for-sale securities	$ 79,602	$ -	$ 79,602	$ -

Fair values of assets and liabilities measured on a nonrecurring basis at June 30, 2023 and December 31, 2022 follows:

	Fair Value Measurements at Reporting Date Using			
(Dollars in thousands)	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
June 30, 2023				
Loans individually evaluated for credit losses	$ 465	$ -	$ -	$ 465
Foreclosed assets	296	-	-	296
Total	$ 761	$ -	$ -	$ 761
December 31, 2022				
Loans individually evaluated for credit losses	$ 898	$ -	$ -	$ 898
Foreclosed assets	320	-	-	320
Total	$ 1,218	$ -	$ -	$ 1,218

At June 30, 2023 and December 31, 2022, individually evaluated loans with a recorded investment of $ 617,000 and $1.1 million, respectively, have been written down to their fair value by a charge to the allowance for loan losses. Foreclosed assets are written down to fair value by a charge to earnings through foreclosed asset expense. During the three and six months ended June 30, 2023, the Company incurred a total loss on foreclosed assets of $62,000. During the three and six months ended June 30, 2022, no impairment losses on foreclosed assets were recognized.

The fair value of loans individually evaluated and foreclosed assets is estimated using third-party appraisals of the collateral or asset held less estimated costs to sell and discounts to reflect current conditions.

NOTE 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company follows the guidance of FASB ASC 825, Financial Instruments, and FASB ASC 820, Fair Value Measurement. This guidance permits entities to measure many financial instruments and certain other items at fair value. No assets have been elected to be reported at fair value. The objective is to improve financial reporting by providing the Company with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This guidance clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants. Under this guidance, fair value measurements are not adjusted for transaction costs. This guidance establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quotes priced in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Accounting Standards Codification 825-10, *Recognition and Measurement of Financial Assets and Financial Liabilities,* requires that the Company disclose estimated fair values for its financial instruments, whether or not recognized in the statement of financial condition. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments. Certain financial instruments and all nonfinancial instruments are excluded from the disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments of which it is practicable to estimate that value:

Cash and cash equivalents - The carrying amounts reported in the statements of financial condition for cash and cash equivalents approximate those assets' fair values and are classified within Level 1 of the fair value hierarchy.

Investment securities - The fair market values of investments securities are obtained from a third-party service provider, whose prices are based on a combination of observed market prices for identical or similar instruments and various matrix pricing programs. The fair market values of investment securities are classified within Level 2 of the fair value hierarchy.

Loans receivable, net - Loans are valued using the methodology developed for Economic Value of Equity pricing, with a build-up for loans based on the U.S. Treasury yield curve, a credit risk spread and an overhead coverage rate. Loans receivable are classified within Level 3 of the fair value hierarchy.

Bank-owned life insurance - The cash surrender value of bank-owned life insurance approximates its fair value and is classified within Level 2 of the fair value hierarchy.

Non-maturity deposit liabilities - Under ASC 825-10, the fair value of deposits with no stated maturity, such as non-interest-bearing demand deposits, savings, NOW, money market and checking accounts, is equal to the amount payable on demand at the reporting date. These non-maturity deposit liabilities are classified within Level 2 of the fair value hierarchy.

Certificates of deposit - All certificates are assumed to remain on the Company's books until maturity without any change in coupon. Fair values are estimated using market pricing data for new CDs of similar structure and remaining maturity. Certificates of deposit are classified within Level 2 of the fair value hierarchy.

Federal Home Loan Bank borrowings - Data is taken from the Company's FHLB Customer Profile report. All borrowings are priced using current advance pricing data from the FHLB's website for new borrowings of similar structure and remaining maturity. FHLB borrowings are classified within Level 2 of the fair value hierarchy.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business or the value of assets and liabilities that are not considered financial instruments.

The estimated fair values of the Company's financial instruments as of June 30, 2023 and December 31, 2022 are as follows:

	June 30, 2023				
(Dollars in thousands)	**Carrying Amount**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets:					
Cash and cash equivalents	$ 19,791	$ 19,791	$ 19,791	$ -	$ -
Investment securities:					
Available-for-sale	75,876	75,876	-	75,876	-
Held-to-maturity	13,468	10,950	-	10,950	-
Loans receivable, net	131,412	120,212	-	-	120,212
Bank-owned life insurance	13,813	13,813	-	13,813	-
Financial Liabilities:					
Deposits	171,373	170,198	-	170,198	-
Borrowed funds	9,288	8,511	-	8,511	-

	December 31, 2022				
(Dollars in thousands)	**Carrying Amount**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets:					
Cash and cash equivalents	$ 13,472	$ 13,472	$ 13,472	$ -	$ -
Investment securities:					
Available-for-sale	79,602	79,602	-	79,602	-
Held-to-maturity	13,475	10,724	-	10,724	-
Loans receivable, net	131,800	121,208	-	-	121,208
Bank-owned life insurance	13,617	13,617	-	13,617	-
Financial Liabilities:					
Deposits	165,094	163,797	-	163,797	-
Borrowed funds	9,198	8,484	-	8,484	-

The carrying amounts in the preceding table are included in the statement of financial condition under the applicable captions. It is not practical to estimate the fair value of stock in correspondent banks because the equity securities are not marketable. The carrying amount of investments without readily determinable fair value are reported in the statements of financial condition at historical cost.

NOTE 10. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company has various outstanding commitments and contingent liabilities that are not reflected in the accompanying financial statements. In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on our financial statements.

The Company is not involved in any pending legal proceedings as a plaintiff or defendant other than routine legal proceedings occurring in the ordinary course of business, and at June 30, 2023, we were not involved in any legal proceedings, the outcome of which would be material to our financial condition or results of operations.

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments consist of unfunded commitments to extend credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the statement of financial position. The contract or notional amounts of these instruments reflect the extent of the Company's involvement in particular classes of instruments.

On January 1, 2023 and at adoption of ASC 326, the Company recorded an allowance for credit losses on unfunded lending commitments of $216,000. Refer to Note 2 for more information on the adoption of ASC 326. The allowance for credit losses on unfunded lending commitments is recorded within "other liabilities" on the statement of financial condition. The related provision for credit losses for unfunded lending commitments is recorded with the provision for loan losses and reported in aggregate as the provision for credit losses on the income statement. At June 30, 2023, the allowance for credit losses for unfunded lending commitments totaled $218,000. Total unfunded lending commitments amounted to $ 25.8 million and $22.8 million at June 30, 2023 and December 31, 2022, respectively.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Management's Discussion and Analysis of Financial Condition and Results of Operations at June 30, 2023 and for the three and six months ended June 30, 2023 and 2022 is intended to assist in understanding our financial condition and results of operations. The information contained in this section should be read in conjunction with the unaudited consolidated financial statements of the Company and the notes thereto appearing in Part I, Item 1, of this Quarterly Report on Form 10-Q as well as the business and financial information included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2022.

Cautionary Note Regarding Forward-Looking Statements

Certain matters in this Form 10-Q may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not statements of historical fact, are based on certain assumptions and are generally identified by use of words such as "believes," "expects," "anticipates," "estimates," "forecasts," "intends," "plans," "targets," "potentially," "probably," "projects," "outlook" or similar expressions or future or conditional verbs such as "may," "will," "should," "would," and "could." These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date made. These forward-looking statements are based on our current beliefs and expectations and, by their nature, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

Important factors that could cause our actual results to differ materially from the results anticipated or projected, include, but are not limited to, the following:

- general economic conditions, either nationally or in our market areas, that are different than expected;
- conditions relating to the COVID-19 pandemic, or other infectious disease outbreaks, including the severity and duration of the associated economic slowdown, either nationally or in our market areas, that are worse than expected;
- changes in the level and direction of loan delinquencies and charge-offs and changes in estimates of the adequacy of the allowance for loan losses;
- our ability to access cost-effective funding;
- major catastrophes such as hurricanes, floods or other natural disasters, the related disruption to local, regional and global economic activity and financial markets, and the impact that any of the foregoing may have on us and our customers and other constituencies;
- technological changes that may be more difficult or expensive than expected;
- success or consummation of new business initiatives may be more difficult or expensive than expected;
- the inability of third party service providers to perform;

- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to continue to implement our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, reduce the fair value of financial instruments or reduce the origination levels in our lending business, or increase the level of defaults, losses and prepayments on loans;
- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- our ability to manage market risk, credit risk and operational risk in the current economic conditions;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate any assets, liabilities, customers, systems and management personnel we may acquire into our operations and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the U. S. Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to retain key employees; and our compensation expense associated with equity allocated or awarded to our employees.

We undertake no obligation to publicly update or revise any forward-looking statements included in this report or to update the reasons why actual results could differ from those contained in such statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking statements discussed in this report might not occur and you should not put undue reliance on any forward-looking statements.

Overview

Catalyst Bancorp, Inc. ("Catalyst Bancorp" or the "Company") is the holding company for Catalyst Bank (the "Bank"), formerly known as St. Landry Homestead Federal Savings Bank. The Company was incorporated by the Bank in February 2021 as part of the conversion of the Bank from the mutual to the stock form of organization (the "Conversion"). The Conversion was completed on October 12, 2021, at which time the Company acquired all of the issued and outstanding shares of common stock of the Bank, which became the wholly-owned subsidiary of Catalyst Bancorp. The Bank officially changed its name to Catalyst Bank in June 2022.

Founded in 1922, the Bank is a community-oriented savings bank serving the banking needs of customers in the Acadiana region of south-central Louisiana. We are headquartered in Opelousas, Louisiana and serve our customers through six full-service branches located in Carencro, Eunice, Lafayette, Opelousas, and Port Barre. Our primary business consists of attracting deposits from the general public and using those funds together with funds we borrow from the Federal Home Loan Bank ("FHLB") of Dallas and other sources to originate loans to our customers and invest in securities.

Historically, we operated as a traditional thrift relying on long-term, single-family residential mortgage loans secured by properties located primarily in St. Landry Parish and adjoining areas to generate interest income. We have re-focused our business strategy to a relationship-based community bank model targeting small- to mid-sized businesses and business professionals in our market areas while continuing to serve our traditional customer base. The Conversion and offering were important factors in our efforts to become a more dynamic, profitable and growing institution.

At June 30, 2023, total assets were $266.0 million, including total loans of $133.5 million and total investment securities of $89.3 million, total deposits were $171.4 million and total shareholders' equity was $84.3 million. The Company reported net income of $39,000 for the three months ended June 30, 2023, and $112,000 for the six months ended June 30, 2023. For the same three and six-month periods in 2022, the Company reported net income of $15,000 and a net loss of $126,000, respectively. On June 23, 2022, the Bank rebranded and officially changed its name to Catalyst Bank. Pre-tax costs associated with the rebranding of the Bank totaled $208,000 and $242,000 for the three and six months ended June 30, 2022, respectively. The Company also received and recognized into income a $171,000 Bank Enterprise Award ("BEA") Program grant from the Community Development Financial Institution ("CDFI") Fund during the three months ended June 30, 2022.

Our results of operations depend, to a large extent, on net interest income, which is the difference between the income earned on our loan and investment portfolios and interest expense on deposits and borrowings. Our net interest income is largely determined by our net interest spread, which is the difference between the average yield earned on interest-earning assets and the average rate paid on interest-bearing liabilities, and the relative amounts of interest-earning assets and interest-bearing liabilities. Results of operations are also affected by our provisions for loan losses, fee income and other non-interest income and non-interest expense. Non-interest expense principally consists of compensation, office occupancy and equipment expense, data processing, advertising and business promotion and other expense. Our results of operations are also significantly affected by general economic and competitive conditions, particularly changes in interest rates, government policies and actions of regulatory authorities. Future changes in applicable law, regulations or government policies may materially impact our financial condition and results of operations.

Critical Accounting Estimates

In reviewing and understanding financial information for the Company, you are encouraged to read and understand the significant accounting policies used in preparing our financial statements. These policies are described in Note 1 of the notes to our consolidated financial statements included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2022. Any changes to our significant accounting policies are described in Note 1 to the unaudited, consolidated financial statements included in Item 1 of this Form 10-Q. Our accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. Accordingly, the financial statements require certain estimates, judgments, and assumptions, which are believed to be reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the periods presented. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an emerging growth company, we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We are taking advantage of the benefits of this extended transition period. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards.

The following accounting policies comprise those that management believes are the most critical to aid in fully understanding and evaluating our reported financial results. These policies require numerous estimates or economic assumptions that may prove inaccurate or may be subject to variations which may significantly affect our reported results and financial condition for the period or in future periods.

Allowance for Credit Losses. We have identified the evaluation of the allowance for credit losses as a critical accounting policy where amounts are sensitive to material variation. On January 1, 2023, the Company adopted the guidance under ASU No. 2016-13, Financial Instruments – Credit Losses, Measurement of Credit Losses on Financial Instruments. The main provisions of the ASU have been codified by the FASB under ASC 326. The amendments introduced an impairment model that is based on current expected credit losses ("CECL"), rather than incurred losses, to estimate credit losses on loans. For reporting periods beginning on or after January 1, 2023, the allowance for credit losses reflects management's current estimate of expected credit losses over the remaining life of its loans as of the end of the reporting period. For reporting periods prior to January 1, 2023, the allowance for credit losses represented management's estimate for probable and reasonably estimable loan losses, but which had not yet been realized as of the end of the reporting period. Refer to Note 2 of the unaudited, consolidated financial statements included in Item 1 of this Form 10-Q for more information on the adoption of ASC 326.

The allowance for credit losses includes the allowance for loan losses and the allowance for credit losses on unfunded lending commitments, which is recorded in other liabilities on the statement of financial condition. The allowance for credit losses is established through a provision for credit losses charged to earnings. Loans, or portions of loans, are charged off against the allowance in the period that such loans, or portions thereof, are deemed uncollectible. Subsequent recoveries are added to the allowance. The allowance for loan losses totaled $2.1 million, or 1.56% of total loans, at June 30, 2023 and $1.8 million, or 1.35% of total loans, at December 31, 2022. The increase in the allowance for loan losses from December 31, 2022 largely reflects the addition of forecasted credit losses due to the adoption ASC 326.

Management's estimate of the allowance for credit losses considers factors such as changes in the types and amount of loans in the loan portfolio, historical loss experience, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, estimated losses relating to specifically identified loans, current and future economic conditions, and forecasted information. This evaluation is inherently subjective as it requires material estimates including, among others, average historical loss experience, expected future loss rates, the amount and timing of expected future pay-downs on existing loans and fundings on unfunded commitments, and the value of underlying collateral. All of these estimates may be susceptible to significant changes as more information becomes available.

While management uses the best information available to make loan loss allowance evaluations, adjustments to the allowance may be necessary based on changes in economic and other conditions or changes in accounting guidance. In addition, the Office of the Comptroller of the Currency as an integral part of their examination processes periodically reviews our allowance for credit losses. While management is responsible for the establishment of the allowance for credit losses and for adjusting such allowance through provisions for credit losses, management may determine, as a result of such regulatory reviews, that an increase or decrease in the allowance or provision for credit losses may be necessary or that loan charge-offs are needed. To the extent that actual outcomes differ from management's estimates, additional provisions to the allowance for credit losses may be required that would adversely impact earnings in future periods.

Investment Securities. Available-for-sale securities consist of investment securities not classified as trading securities or held-to-maturity securities. Available-for-sale securities are reported at fair value and unrealized holding gains and losses, net of tax, on available-for-sale securities are included in other comprehensive income. The fair market values of investment securities are obtained from a third party service provider, whose prices are based on a combination of observed market prices for identical or similar instruments and various matrix pricing programs. The fair market values of investment securities are classified within Level 2 of the fair value hierarchy. At June 30, 2023 and December 31, 2022, net unrealized losses on available-for-sale securities totaled $10.9 million and $11.5 million, respectively. Unrealized losses on our available-for-sale securities relate principally to the increases in market rates of similar types of securities. The Company has not realized or recognized any losses in the statement of income for any investment securities held at June 30, 2023 or December 31, 2022.

The adoption of ASC 326 amended the guidance applicable to measuring and recognizing losses on available-for-sale securities. Under ASC 326, expected credit related losses for available-for-sale debt securities are recorded through an allowance for credit losses, while non-credit related losses will continue to be recognized through other comprehensive income as unrealized holding gains and losses, net of tax. Under former GAAP, we assessed our investment securities for other-than-temporary impairment and any declines in fair value that were deemed other-than-temporary resulted in a direct write-down to the amortized cost basis of the related security. The allowance approach allows estimated expected credit losses to be adjusted from period-to-period, as opposed to a permanent write-down.

For reporting periods on or after January 1, 2023 and the adoption of ASC 326, management evaluates available-for-sale securities in unrealized loss positions to determine if the decline in the fair value of each security below its amortized cost basis is due to credit-related factors or noncredit-related factors. Consideration is given to the extent to which that fair value is less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period sufficient to allow for any anticipated recovery in fair value.

For reporting periods prior to January 1, 2023, management evaluated securities for other-than-temporary impairment. If d eclines in the estimated fair value of individual investment securities below their cost were considered other-than-temporary, impairment losses were recognized in the statement of income with an offset to the carrying value of the investment security. Factors affecting the determination of whether an other-than-temporary impairment had occurred include, among other things, the length of time and the extent to which the fair value has been less than cost, the financial condition and near term prospects of the issuer, that the Company does not intend to sell these securities, an it is more likely than not that the Company will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value.

Comparison of Financial Condition at June 30, 2023 and December 31, 2022

Total Assets. Total assets increased $2.7 million, or 1.0%, to $266.0 million at June 30, 2023 from $263.3 million at December 31, 2022. The increase resulted primarily from a $6.3 million increase in cash and cash equivalents, which was largely attributable to growth in total deposits of $6.3 million from December 31, 2022 to June 30, 2023.

Loans. Total loans declined by $114,000, or 0.1%, to $133.5 million at June 30, 2023, compared to $133.6 million at December 31, 2022. During the six months ended June 30, 2023, commercial and industrial loan growth was more than offset by net declines in our real estate loan portfolio.

The majority of the Company's loan portfolio consists of real estate loans secured by properties in our local market area, the Acadiana region of south Louisiana. Loans secured by one- to four-family residential properties accounted for 64.2% of total loans and commercial real estate loans accounted for 14.4% of total loans at June 30, 2023. Our commercial real estate loans are generally secured by retail and industrial use buildings, hotels, strip shopping centers and other properties used for commercial purposes. Approximately 66% of our real estate loans have adjustable rates and, of our total real estate loans, approximately $55.1 million, or 49%, are scheduled to re-price or mature during the next 12 months.

Our non-real estate loans primarily consist of commercial and industrial loans, which amounted to 13.2% of total loans, at June 30, 2023. This segment of the portfolio largely consists of loans to local businesses involved in industrial manufacturing and equipment, communications, and professional services. Approximately 37% of our commercial and industrial loans have adjustable rates and, of total commercial and industrial loans, approximately $8.8 million, or 50%, are scheduled to re-price or mature during the next 12 months.

The following table summarizes the changes in the composition of our loan portfolio by type of loan as of the dates indicated.

	June 30, 2023		December 31, 2022		Change	
(Dollars in thousands)	**Amount**	**%**	**Amount**	**%**		
Real estate loans						
One- to four-family residential	$ 85,655	64.2 %	$ 87,508	65.5 %	$ (1,853)	(2.1)%
Commercial real estate	19,175	14.4	19,437	14.5	(262)	(1.3)
Construction and land	4,620	3.5	6,172	4.6	(1,552)	(25.1)
Multi-family residential	3,094	2.3	3,200	2.4	(106)	(3.3)
Total real estate loans	112,544	84.4	116,317	87.0	(3,773)	(3.2)
Other loans						
Commercial and industrial	17,609	13.2	13,843	10.4	3,766	27.2
Consumer	3,340	2.4	3,447	2.6	(107)	(3.1)
Total other loans	20,949	15.6	17,290	13.0	3,659	21.2
Total loans	$ 133,493	100.0 %	$ 133,607	100.0 %	$ (114)	(0.1)

Allowance for Credit Losses. As of January 1, 2023, the Company adopted the guidance under ASC 326. The adoption of ASC 326 resulted in a $209,000, or 12%, increase in the allowance for loan losses, and a $216,000 increase in other liabilities due to the allowance for credit losses on unfunded commitments. At adoption, we also recorded a corresponding $335,000 after-tax decrease in retained earnings. The increase in the total allowance for credit losses, which is inclusive of the reserve for unfunded commitments, was primarily due to the addition of forecasted credit losses. Refer to Note 2 of the financial statements for more information on the adoption of ASC 326.

At January 1, 2023, the allowance for loan losses totaled $2.0 million, or 1.51% of total loans, compared to $1.8 million, or 1.35% of total loans, at December 31, 2022. At June 30, 2023, the allowance for loan losses totaled $2.1 million, or 1.56% of total loans, and the allowance for credit losses on unfunded commitments totaled $218,000, up $2,000 from the date of adoption of ASC 326. The total provision for credit losses on loans and unfunded commitments was zero for the first six months of 2023.

The following table presents the changes in the allowance for loan losses and other related data for the periods indicated.

(Dollars in thousands)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Year Ended December 31, 2022
Allowance for loan losses:			
Balance, beginning of period	$ 1,807	$ 2,276	$ 2,276
Impact of adoption of ASC 326	209	-	-
Provision for (reversal of) loan losses	(2)	(260)	(375)
Net loan recoveries (charge-offs):			
One- to four-family residential	75	(14)	(69)
Commercial real estate	-	-	-
Construction and land	-	-	-
Multi-family residential	-	-	-
Commercial and industrial	2	(14)	1
Consumer	(10)	(8)	(26)
Total net recoveries (charge-offs)	67	(36)	(94)
Balance, end of period	$ 2,081	$ 1,980	$ 1,807
Allowance for credit losses on unfunded lending commitments:			
Balance, beginning of period	$ -	$ -	$ -
Impact of adoption of ASC 326	216	-	-
Provision for (reversal of) credit losses on unfunded lending commitments	2	-	-
Balance, end of period	$ 218	$ -	$ -
Total allowance for credit losses, end of period	$ 2,299	$ 1,980	$ 1,807
Total provision for (reversal of) credit losses	-	(260)	(375)
Total loans at end of period	$ 133,493	$ 133,869	$ 133,607
Total non-accrual loans at end of period	1,629	1,246	1,494
Total non-performing loans at end of period	1,889	1,287	1,685
Total average loans	133,586	132,542	132,503
Allowance for loan losses as a percent of:			
Total loans	1.56 %	1.48 %	1.35 %
Non-accrual loans	127.75	158.91	120.95
Non-performing loans	110.16	153.85	107.24
Net annualized recoveries (charge-offs) as a percent of average loans by portfolio:			
One- to four-family residential	0.17 %	(0.03)%	(0.08)%
Commercial real estate	-	-	-
Construction and land	-	-	-
Multi-family residential	-	-	-
Commercial and industrial	0.03	(0.30)	0.01
Consumer	(0.61)	(0.38)	(0.66)
Total loans	0.10	(0.05)	(0.07)

Non-performing Assets. The following table shows the amounts of our non-performing assets, which include non-accruing loans, accruing loans 90 days or more past due and real estate owned at the dates indicated.

(Dollars in thousands)	June 30, 2023	December 31, 2022
Non-accruing loans		
One- to four-family residential	$ 1,533	$ 1,392
Commercial real estate	50	51
Construction and land	46	51
Multi-family residential	-	-
Commercial and industrial	-	-
Consumer	-	-
Total non-accruing loans	1,629	1,494
Accruing loans 90 days or more past due		
One- to four-family residential	260	191
Commercial real estate	-	-
Construction and land	-	-
Multi-family residential	-	-
Commercial and industrial	-	-
Consumer	-	-
Total accruing loans 90 days or more past due	260	191
Total non-performing loans	1,889	1,685
Foreclosed assets	296	320
Total non-performing assets	$ 2,185	$ 2,005
Total loans	$ 133,493	$ 133,607
Total assets	265,975	263,324
Total non-accruing loans as a percentage of total loans	1.22 %	1.12 %
Total non-performing loans as a percentage of total loans	1.42	1.26
Total non-performing loans as a percentage of total assets	0.71	0.64
Total non-performing assets as a percentage of total assets	0.82	0.76

Investment Securities. Total investment securities, available-for-sale and held-to-maturity, amounted to $89.3 million at June 30, 2023, down $3.7 million, or 4.0%, compared to $93.1 million in investment securities at December 31, 2022. Net unrealized losses on securities available-for-sale totaled $10.9 million at June 30, 2023, compared to $11.5 million at December 31, 2022. Unrealized losses on available-for-sale securities relate principally to increases in market interest rates for similar securities. At June 30, 2023, 86.6% of total investment securities, based on amortized cost, or $86.8 million, were classified as available-for-sale. Our investment securities portfolio consists primarily of debt obligations issued by the U.S. government and government agencies and government-sponsored mortgage-backed securities. During the six months ended June 30, 2023, investment security maturities, calls and principal repayments totaled $4.1 million. The Company has not purchased investment securities since the fourth quarter of 2022. We have also not sold or reclassified securities during this current period of interest rate hikes by the Federal Reserve, which began in March 2022.

The following table presents the amortized cost of our total investment securities portfolio that mature during each of the periods indicated and the weighted average yields for each range of maturities at June 30, 2023.

	Contractual Maturity as of June 30, 2023				
(Dollars in thousands)	**One Year or Less**	**After One Through Five Years**	**After Five Through Ten Years**	**Over Ten Years**	**Total**
Total investment securities					
Mortgage-backed securities	$ -	$ 3,351	$ 10,682	$ 55,771	$ 69,804
U.S. Government and agency obligations	1,000	9,984	9,000	4,005	23,989
Municipal obligations	-	1,826	2,140	2,528	6,494
Total	$ 1,000	$ 15,161	$ 21,822	$ 62,304	$ 100,287
Weighted average yield					
Mortgage-backed securities	- %	3.01 %	1.98 %	1.61 %	1.73 %
U.S. Government and agency obligations	0.50	1.08	1.26	2.37	1.34
Municipal obligations	-	1.11	3.09	1.35	1.86
Total weighted average yield	-	1.51	1.79	1.65	1.65

Securities are classified according to their contractual maturities without consideration of principal amortization, potential prepayments, or call options. The expected maturities may differ from contractual maturities because of the exercise of call options and potential paydowns. Accordingly, actual maturities may differ from contractual maturities. Weighted average yields are calculated by dividing the estimated annual income divided by the average amortized cost of the applicable securities.

Investment securities with a fair value of approximately $41.8 million and $18.7 million, respectively, were pledged to secure public fund deposits in excess of the FDIC's insurance limit at June 30, 2023 and December 31, 2022.

Deposits. Total deposits were $171.4 million at June 30, 2023, up $6.3 million, or 3.8%, compared to December 31, 2022. The increase in deposits was primarily due to an increase in the balance of public funds and commercial money market accounts. Our public funds consist primarily of non-interest bearing and NOW account deposits from municipalities within our market. Our public fund deposits totaled $24.7 million, or 14.4% of total deposits, at June 30, 2023, compared to $21.0 million, or 12.7% of total deposits, at December 31, 2022.

Our total uninsured deposits (that is deposits in excess of the FDIC's insurance limit), inclusive of public funds, were approximately $50.2 million at June 30, 2023 and $43.4 million at December 31, 2022. Total uninsured non-public fund deposits were approximately $30.5 million and $26.9 million at June 30, 2023 and December 31, 2022, respectively. The full amount of our public funds deposits in excess of the FDIC's insurance limit are secured by pledging investment securities or by allocating available portions of a letter of credit from the FHLB to collateralize the balances.

The following table presents total deposits by account type for the dates indicated.

	June 30, 2023		December 31, 2022			
(Dollars in thousands)	**Amount**	**%**	**Amount**	**%**	**Change**	
Non-interest-bearing demand deposits	$ 41,482	24.2 %	$ 33,657	20.4 %	$ 7,825	23.2 %
Negotiable order of withdrawal ("NOW")	34,159	19.9	36,991	22.4	(2,832)	(7.7)
Money market	18,798	11.0	15,734	9.5	3,064	19.5
Savings	26,927	15.7	26,209	15.9	718	2.7
Certificates of deposit	50,007	29.2	52,503	31.8	(2,496)	(4.8)
Total deposits	$ 171,373	100.0 %	$ 165,094	100.0 %	$ 6,279	3.8

Borrowings. Our borrowings, which consist of FHLB advances, amounted to $9.3 million and $9.2 million at June 30, 2023 and December 31, 2022, respectively. The change in the carrying value of our FHLB advances reflects the amortization of deferred prepayment penalties on $10.0 million in advances restructured in December of 2020. Deferred prepayment penalties on our FHLB advances totaled $712,000 and $802,000 at June 30, 2023 and December 31, 2022, respectively.

Shareholders' Equity. Shareholders' equity totaled $84.3 million, or 31.7% of total assets, at June 30, 2023, down $4.1 million, or 4.7%, from $88.5 million, or 33.6% of total assets, at December 31, 2022. Shareholders' equity decreased by $4.3 million due to the Company's repurchases of its common stock.

In January 2023, the Company's Board of Directors approved the Company's first share repurchase plan (the "January 2023 Repurchase Plan"), which allowed the Company to purchase 265,000 shares, or approximately 5% of the Company's outstanding common stock. The January 2023 Repurchase Plan was completed in April 2023. In April 2023, the Company announced its second share repurchase plan (the "April 2023 Repurchase Plan"). Under the April 2023 Repurchase Plan, the Company may purchase up to 252,000 shares, or approximately 5% of the Company's outstanding shares of common stock. During the six months ended June 30, 2023, the Company repurchased 360,458 shares of its common stock at an average cost per share of $12.03. At June 30, 2023, 156,542 shares were available for repurchase under the April 2023 Repurchase Plan.

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Average Balances, Net Interest Income, and Yields Earned and Rates Paid. The following tables show for the periods indicated the total dollar amount of interest income from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates, and the net interest margin. Taxable equivalent ("TE") yields have been calculated using a marginal tax rate of 21%. All average balances are based on daily balances.

	Three Months Ended June 30,					
	2023			2022		
(Dollars in thousands)	**Average Balance**	**Interest**	**Average Yield/Rate**	**Average Balance**	**Interest**	**Average Yield/Rate**
Interest-earning assets:						
Loans receivable[1]	$ 133,394	$ 1,691	5.09 %	$ 134,058	$ 1,555	4.65 %
Investment securities[(TE)(2)]	101,630	413	1.65	104,137	352	1.37
Other interest-earning assets	18,403	218	4.73	30,108	58	0.78
Total interest-earning assets[(TE)]	253,427	2,322	3.68	268,303	1,965	2.94
Non-interest-earning assets	14,668			18,226		
Total assets	$ 268,095			$ 286,529		
Interest-bearing liabilities:						
NOW, money market and savings accounts	83,962	142	0.68	85,646	24	0.11
Certificates of deposit	51,185	209	1.64	64,936	63	0.39
Total interest-bearing deposits	135,147	351	1.04	150,582	87	0.23
FHLB advances	9,264	68	2.94	9,079	68	3.00
Total interest-bearing liabilities	144,411	419	1.17	159,661	155	0.39
Non-interest-bearing liabilities	38,263			33,354		
Total liabilities	182,674			193,015		
Shareholders' equity	85,421			93,514		
Total liabilities and shareholders' equity	$ 268,095			$ 286,529		
Net interest-earning assets	$ 109,016			$ 108,642		
Net interest income; average interest rate spread[(TE)]		$ 1,903	2.51 %		$ 1,810	2.55 %
Net interest margin[(TE)(3)]			3.02			2.71
Average interest-earning assets to average interest-bearing liabilities			175.49			168.05

(1) Includes non-accrual loans during the respective periods. Calculated net of deferred fees and discounts and loans in process.
(2) Average investment securities does not include unrealized holding gains/ losses on available-for-sale securities.
(3) Equals net interest income divided by average interest-earning assets. Taxable equivalent yields are calculated using a marginal tax rate of 21%.

(Dollars in thousands)	Six Months Ended June 30, 2023 Average Balance	2023 Interest	2023 Average Yield/Rate	2022 Average Balance	2022 Interest	2022 Average Yield/Rate
Interest-earning assets:						
Loans receivable(1)	$ 133,586	$ 3,320	5.01 %	$ 132,542	$ 3,118	4.74 %
Investment securities (TE)(2)	102,679	840	1.65	103,887	681	1.32
Other interest-earning assets	19,108	429	4.52	34,830	77	0.45
Total interest-earning assets (TE)	255,373	4,589	3.63	271,259	3,876	2.88
Non-interest-earning assets	14,634			15,482		
Total assets	$ 270,007			$ 286,741		
Interest-bearing liabilities:						
NOW, money market and savings accounts	87,447	222	0.51 %	83,776	48	0.12 %
Certificates of deposit	51,356	362	1.42	65,434	131	0.40
Total interest-bearing deposits	138,803	584	0.85	149,210	179	0.24
FHLB advances	9,240	136	2.95	9,057	136	3.01
Total interest-bearing liabilities	148,043	720	0.98	158,267	315	0.40
Non-interest-bearing liabilities	35,584			33,045		
Total liabilities	183,627			191,312		
Shareholders' equity	86,380			95,429		
Total liabilities and shareholders' equity	$ 270,007			$ 286,741		
Net interest-earning assets	$ 107,330			$ 112,992		
Net interest income; average interest rate spread(TE)		$ 3,869	2.65 %		$ 3,561	2.48 %
Net interest margin (TE)(3)			3.06			2.65
Average interest-earning assets to average interest-bearing liabilities			172.50			171.39

(1) Includes non-accrual loans during the respective periods. Calculated net of deferred fees and discounts and loans in process.
(2) Average investment securities does not include unrealized holding gains/ losses on available-for-sale securities.
(3) Equals net interest income divided by average interest-earning assets. Taxable equivalent yields are calculated using a marginal tax rate of 21%.

Rate/Volume Analysis. The following tables show the extent to which changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities affected our interest income and expense during the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in rate, which is the change in rate multiplied by prior year volume, and (2) changes in volume, which is the change in volume multiplied by prior year rate. The combined effect of changes in both rate and volume has been allocated proportionately to the change due to rate and the change due to volume.

	Three Months Ended June 30, 2023 vs 2022			Six Months Ended June 30, 2023 vs 2022		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
(Dollars in thousands)	Rate	Volume		Rate	Volume	
Interest income:						
Loans receivable	$ 145	$ (9)	$ 136	$ 178	$ 24	$ 202
Investment securities	70	(9)	61	167	(8)	159
Other interest-earning assets	189	(29)	160	400	(48)	352
Total interest income	404	(47)	357	745	(32)	713
Interest expense:						
NOW, money market and savings accounts	118	-	118	172	2	174
Certificates of deposit	162	(16)	146	264	(33)	231
Total deposits	280	(16)	264	436	(31)	405
FHLB advances and other borrowings	(1)	1	-	(3)	3	-
Total interest expense	279	(15)	264	433	(28)	405
Increase (decrease) in net interest income	$ 125	$ (32)	$ 93	$ 312	$ (4)	$ 308

Comparison of Results of Operations for the Three Months Ended June 30, 2023 and 2022.

General. For the three months ended June 30, 2023 and 2022, the Company reported net income of $39,000 and $15,000, respectively. Net interest income was up $93,000, or 5.1%, for the three months ended June 30, 2023, compared to the same period in 2022. The provision for credit losses totaled zero for the three months ended June 30, 2023, compared to a reversal of loan losses of $189,000 for the three months ended June 30, 2022. During the three months ended June 30, 2022, the Company recognized a $171,000 BEA Program grant from the CDFI Fund as non-interest income and officially changed the name of the Bank to Catalyst Bank. Pre-tax costs associated with the rebranding of the Bank to Catalyst Bank totaled $208,000 for the three months ended June 30, 2022. Total non-interest expense for the three months ended June 30, 2023 was down $193,000, or 8.1%, from the same period in 2022.

Interest Income. Total interest income increased $357,000, or 18.2%, to $2.3 million for the three months ended June 30, 2023, compared to the three months ended June 30, 2022. Interest income on loans, investment securities, and other interest-earning assets were up by $136,000, $61,000, and $160,000, respectively.

The average loan yield was 5.09% for the three months ended June 30, 2023, up from 4.65% for the three months ended June 30, 2022. Average loans were $133.4 million for the three months ended June 30, 2023, down $664,000, or 0.5%, compared to the same period in 2022. At June 30, 2023, approximately 62% of our total loans have adjustable rates and approximately 49% of total loans are scheduled to re-price or mature during the next 12 months. Interest income on loans for the three months ended June 30, 2022 included $96,000 of recognized deferred PPP loan fees. PPP loans were fully paid-off in June 2022 and no deferred fee income has been earned from PPP loans during 2023.

The increase in interest income on investment securities was due to an increase in the average rate earned on our securities portfolio. The average rate earned on our investment securities portfolio was 1.65% for the three months ended June 30, 2023, up 28 basis points compared to 1.37% for the same period in 2022.

Interest income on other interest-earning assets, consisting primarily of interest-earning cash and deposits at other financial institutions, increased due to the impact of higher average short-term interest rates during the 2023 period compared to 2022.

Interest Expense. Total interest expense increased $264,000, or 170.3%, to $419,000 for the three months ended June 30, 2023, compared to $155,000 for the three months ended June 30, 2022. Interest expense on deposits was $351,000 during the three months ended June 30, 2023, up $264,000, or 303.4%, from $87,000 for the three months ended June 30, 2022. The average rate paid on interest-bearing deposits was 1.04% for the three months ended June 30, 2023, up 81 basis points from 0.23% for the three months June 30, 2022.

Net Interest Income. Net interest income was $1.9 million for the three months ended June 30, 2023, up $93,000, or 5.1%, from the three months ended June 30, 2022. Our interest rate spread was 2.51% and 2.55% for the three months ended June 30, 2023 and 2022, respectively. Our net interest margin was 3.02% and 2.71% for the three months ended June 30, 2023 and 2022, respectively. The increase in net interest margin and net interest income over the comparable periods was primarily the result of increased yields on our interest-earning assets due to significant increases in market interest rates during 2022 and 2023. Rising market rates have also led to an increase in the average cost of our deposits, though the increase in the average rate paid on our deposit accounts did not completely offset the increase in income on interest-earning assets over the comparable three-month periods.

Provision for Credit Losses. The total provision for credit losses on loans and unfunded commitments was zero for the three months ended June 30, 2023, compared to a reversal of $189,000 for the same period in 2022. The reversal during the 2022 period primarily reflected the release of reserve builds recorded during 2020 for the estimated effects of the COVID-19 pandemic on credit quality. While our initial assessment of the impact of the COVID-19 improved during 2022, uncertainty remains due to risks related to declining government stimulus availability and rising market interest rates.

Non-interest Income. Non-interest income totaled $317,000 for the three months ended June 30, 2023, a decrease of $62,000, or 16.4%, compared to $379,000 for the three months ended June 30, 2022. During the three months ended June 30, 2022, the Company received and recognized into income a $171,000 BEA Program grant from the CDFI Fund and incurred losses on the disposal of fixed assets of $77,000. The BEA Program grants awards to depository institutions that have successfully increased their investments in economically distressed communities through certain qualified activities, including investments in CDFIs and providing loans, investments and financial services to businesses and residents located in distressed communities. Of the losses on disposed assets, $55,000 was attributable to branch signage that was replaced due to our rebranding.

Non-interest Expense. Non-interest expense totaled $2.2 million for the three months ended June 30, 2023, down $193,000, or 8.1%, compared to the three months ended June 30, 2022. Total non-interest expense for the three months ended June 30, 2022 included $153,000 of rebranding-related expenses.

Salaries and employee benefits expense totaled $1.2 million for the three months ended June 30, 2023, down $40,000, or 3.3%, compared to the same period in 2022 primarily due to a lower employee count and a reduction in bonus expense in the 2023 period. These cost savings were partially offset by stock compensation expense in 2023 related to awards granted under the 2022 Stock Option Plan and 2022 Recognition and Retention Plan in September 2022. Compensation expense related to awards granted under these plans and included in salaries and employee benefits expense, totaled $82,000 for the three months ended June 30, 2023.

Directors' fees totaled $114,000 for the three months ended June 30, 2023, up $59,000 from the same period in 2022 due to stock compensation expense related to awards granted in September 2022 under the 2022 Stock Option Plan and 2022 Recognition and Retention Plan.

Occupancy and equipment expense totaled $198,000 for the three months ended June 30, 2023, down $29,000, or 12.8%, compared to the same period in 2022. Occupancy and equipment expense for the three months ended June 30, 2022 included rebranding-related expenses of $14,000.

Data processing and communication expense totaled $220,000 for the three months ended June 30, 2023, down $22,000, or 9.1%, compared to the same period in 2022. Data processing and communication expense for the three months ended June 30, 2022 included rebranding-related expenses of $32,000.

Professional fees totaled $117,000 for the three months ended June 30, 2023, down $58,000, or 33.1%, from the same period in 2022 primarily due to a decrease in consulting expense. Professional fees of $26,000 were incurred for assistance with the BEA Program grant application during the three months ended June 30, 2022.

Foreclosed assets expense totaled $63,000 for the three months ended June 30, 2023, up $62,000 from the same period in 2022. The Company recorded a write-down of $62,000 on real estate held as foreclosed assets during the three months ended June 30, 2023. The real estate had a carrying value of $320,000 at March 31, 2023 and the sale of the property closed in July 2023.

Advertising and marketing expense totaled $22,000 for the three months ended June 30, 2023, down $87,000 from the comparable period in 2022. Advertising and marketing expense for the three months ended June 30, 2022 included rebranding-related expenses of $87,000.

Franchise and shares tax expense totaled $25,000 for the three months ended June 30, 2023, a decrease of $33,000, or 56.9%, compared to the same period in 2022. Management's estimate of Louisiana shares tax due for 2023 is based on the actual shares tax paid for 2022. Shares tax due for 2022 was received during the fourth quarter of 2022 and the amount was less than our initial estimate recorded in the first three quarters of 2022.

Income Tax Expense. The Company reported an income tax benefit of $10,000 and $21,000 for the three months ended June 30, 2023 and 2022, respectively. The Company's income tax benefit for both periods was largely attributable to non-taxable income from bank-owned life insurance and certain investment securities.

Comparison of Results of Operations for the Six Months Ended June 30, 2023 and 2022.

General. For the six months ended June 30, 2023, the Company reported net income of $112,000, compared to a net loss of $126,000 for the six months ended June 30, 2022. Net interest income was up $308,000, or 8.6%, for the six months ended June 30, 2023, compared to the same period in 2022. The provision for credit losses totaled zero for the six months ended June 30, 2023, compared to a reversal of loan losses of $260,000 for the six months ended June 30, 2022. During the six months ended June 30, 2022, the Company recognized a $171,000 BEA Program grant as non-interest income and officially changed the name of the Bank to Catalyst Bank. Pre-tax costs associated with the rebranding of the Bank totaled $242,000 for the six months ended June 30, 2022. Non-interest expense for the six months ended June 30, 2023 was down $209,000, or 4.6%, compared to the same period in 2022.

Interest Income. Total interest income increased $713,000, or 18.4%, to $4.6 million for the six months ended June 30, 2023, compared to the six months ended June 30, 2022. Interest income on loans, investment securities, and other interest-earning assets were up by $202,000, $159,000, and $352,000, respectively.

The average loan yield was 5.01% for the six months ended June 30, 2023, up from 4.74% for the six months ended June 30, 2022. Average loans were $133.6 million for the six months ended June 30, 2023, up $1.0 million, or 0.8%, compared to the same period in 2022. Interest income on loans for the six months ended June 30, 2022 included $186,000 of recognized deferred PPP loan fees.

The increase in interest income on investment securities was due to an increase in the average rate earned on our securities portfolio. The average rate earned on our investment securities portfolio was 1.65% for the six months ended June 30, 2023, up 33 basis points compared to 1.32% for the same period in 2022.

Interest income on other interest-earning assets, consisting primarily of interest-earning cash and deposits at other financial institutions, increased due to the impact of higher average short-term interest rates during the 2023 period compared to 2022.

Interest Expense. Total interest expense increased $405,000, or 128.6%, to $720,000 for the six months ended June 30, 2023, compared to $315,000 for the six months ended June 30, 2022. Interest expense on deposits was $584,000 during the six months ended June 30, 2023, up $405,000, or 226.3%, from $179,000 for the six months ended June 30, 2022. The average rate paid on interest-bearing deposits was 0.85% for the six months ended June 30, 2023, up 61 basis points from 0.24% for the six months June 30, 2022.

Net Interest Income. Net interest income was $3.9 million for the six months ended June 30, 2023, up $308,000, or 8.6%, from the six months ended June 30, 2022. Our interest rate spread was 2.65% and 2.48% for the six months ended June 30, 2023 and 2022, respectively. Our net interest margin was 3.06% and 2.65% for the six months ended June 30, 2023 and 2022, respectively. The increase in net interest margin and net interest income over the comparable periods was primarily the result of increased yields on our interest-earning assets due to significant increases in market interest rates during 2022 and 2023. Rising market rates have also led to an increase in the average cost of our deposits, though the increase in the average rate paid on our deposit accounts did not completely offset the increase in interest income over the comparable periods.

Provision for Credit Losses. The total provision for credit losses on loans and unfunded commitments was zero for the six months ended June 30, 2023, compared to a reversal of $260,000 for the same period in 2022. The reversal during the 2022 period primarily reflected the release of reserve builds recorded during 2020 for the estimated effects of the COVID-19 pandemic on credit quality.

Non-interest Income. Non-interest income totaled $611,000 for the six months ended June 30, 2023, up $35,000, or 6.1%, compared to $576,000 for the six months ended June 30, 2022. Income from bank-owned life insurance ("BOLI") increased by $77,000, or 64.7%, to $196,000 for the six months ended June 30, 2023, compared to the same period in 2022, largely due to an aggregate of $10.0 million in additional BOLI policies purchased in March and April of 2022.

Non-interest income for the six months ended June 30, 2022 included income of $171,000 from a BEA Program grant and losses on the disposal of fixed assets of $77,000. Of the losses on disposed assets, $55,000 was attributable to branch signage that was replaced due to our rebranding.

Non-interest Expense. Non-interest expense totaled $4.4 million for the six months ended June 30, 2023, down $209,000, or 4.6%, compared to the six months ended June 30, 2022. Total non-interest expense for the six months ended June 30, 2022 included $187,000 of rebranding-related expenses.

Salaries and employee benefits expense totaled $2.4 million for the six months ended June 30, 2023, down $98,000, or 4.0%, compared to the same period in 2022 primarily due to a lower employee count and a reduction in bonus expense in the 2023 period. These cost savings were partially offset by stock compensation expense in 2023. Stock compensation expense related to awards granted in September 2022 and included in salaries and employee benefits expense totaled $163,000 for the six months ended June 30, 2023, compared to zero for the six months ended June 30, 2022.

Directors' fees for the six months ended June 30, 2023 included $121,000 of stock compensation expense, compared to zero for the six months ended June 30, 2022. Total directors' fees were $229,000 for the six months ended June 30, 2023, up $119,000 compared to the same period in 2022.

Professional fees totaled $246,000 for the six months ended June 30, 2023, down $69,000, or 21.9%, from the same period in 2022 primarily due to a decrease in consulting and legal expenses. Professional fees of $26,000 were incurred for assistance with the BEA Program grant application during the 2022 period.

Foreclosed assets expense totaled $65,000 for the six months ended June 30, 2023, up $68,000 from the same period in 2022. The Company recorded a write-down of $62,000 on real estate held as foreclosed assets during the three months ended June 30, 2023. The real estate had a carrying value of $320,000 at December 31, 2022.

Advertising and marketing expense totaled $52,000 for the six months ended June 30, 2023, down $99,000 from the comparable period in 2022. Advertising and marketing expense for the six months ended June 30, 2022 included rebranding-related expenses of $121,000.

Franchise and shares tax expense totaled $52,000 for the six months ended June 30, 2023, a decrease of $64,000, or 55.2%, compared to the same period in 2022. Management's estimate of Louisiana shares tax due for 2023 is based on the actual shares tax paid for 2022. Shares tax due for 2022 was received during the fourth quarter of 2022 and the amount was less than our initial estimate recorded in the first three quarters of 2022.

Income Tax Expense. The Company reported an income tax benefit of $8,000 and $62,000 for the six months ended June 30, 2023 and 2022, respectively. The decline in income tax benefit over the comparable six-month periods was primarily due to the increase in taxable earnings.

Liquidity and Capital Resources

The Company maintains levels of liquid assets deemed adequate by management. We adjust our liquidity levels to fund deposit outflows, repay our borrowings, and to fund loan commitments. We also adjust liquidity, as appropriate, to meet asset and liability management objectives.

Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, and proceeds from maturities of securities. We also have the ability to borrow from the FHLB. At June 30, 2023, we had outstanding advances from the FHLB with a carrying value of $9.3 million, and had the capacity to borrow an additional $47.9 million from the FHLB and an additional $17.8 million on a line of credit with our primary correspondent bank at such date. The Company also has a $20 million custodial letter of credit outstanding from the FHLB as of June 30, 2023, which is included in the calculation of our available capacity with the FHLB. The Company can allocate portions of this letter of credit to collateralize certain deposit balances in excess of the FDIC's insurance limit as an alternative to pledging investment securities for the same purpose.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by operating activities was $538,000 for the six months ended June 30, 2023. Net cash provided by investing activities, which consists primarily of net changes in loans receivable, investment securities and other assets was $4.3 million for the six months ended June 30, 2023. Net cash provided by financing activities, consisting of the net change in deposits and purchases of common stock, was $1.5 million for the six months ended June 30, 2023.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position frequently and anticipate that we will have sufficient funds to meet our current funding commitments. Based on our deposit retention experience and current pricing strategy, we anticipate that the majority of maturing time deposits will be retained. We also anticipate continued use of FHLB advances.

The Bank exceeded all regulatory capital requirements and was categorized as well-capitalized at June 30, 2023 and December 31, 2022. Management is not aware of any conditions or events since the most recent notification that would change our category. The following table presents actual and required capital.

	Actual		To be Well Capitalized under the Prompt Corrective Action Provision	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**
As of June 30, 2023				
Common Equity Tier 1 Capital	$ 78,650	56.02 %	$ 9,126	>6.5 %
Tier 1 Risk-Based Capital	78,650	56.02	11,232	>8.0
Total Risk-Based Capital	80,412	57.27	14,040	>10.0
Tier 1 Leverage Capital	78,650	30.64	12,836	>5.0
As of December 31, 2022				
Common Equity Tier 1 Capital	$ 78,527	56.17 %	$ 9,087	>6.5 %
Tier 1 Risk-Based Capital	78,527	56.17	11,184	>8.0
Total Risk-Based Capital	80,275	57.42	13,980	>10.0
Tier 1 Leverage Capital	78,527	30.37	12,929	>5.0

At June 30, 2023, we had $6.7 million of outstanding commitments to originate loans and $5.9 million of remaining funds to be disbursed on construction loans in process. Our total unused lines of credit, unused overdraft privilege amounts and letters of credit totaled $13.3 million at June 30, 2023. Certificates of deposit that are scheduled to mature in less than one year from June 30, 2023, totaled $41.9 million. Management expects that a majority of the maturing certificates of deposit will be retained. However, if a substantial portion of these deposits is not retained, we may utilize FHLB advances or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

The following table summarizes our outstanding commitments to originate loans and to advance additional amounts pursuant to outstanding letters of credit, lines of credit and undisbursed construction loans at June 30, 2023.

		Amount of Commitment Expiration — Per Period			
(Dollars in thousands)	**Total Amounts Committed at June 30, 2023**	**To 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**After 5 Years**
Commitments to originate loans	$ 6,651	$ 6,651	$ -	$ -	$ -
Undisbursed portion of construction loans in process	5,871	608	5,263	-	-
Unused lines of credit	12,119	6,688	4,652	-	779
Unused overdraft privilege amounts	1,135	-	-	-	1,135
Letters of credit	2	2	-	-	-
Total commitments	$ 25,778	$ 13,949	$ 9,915	$ -	$ 1,914

On January 1, 2023 and at adoption of ASC 326, the Company recorded an allowance for credit losses on unfunded lending commitments of $216,000. Refer to Note 2 for more information on the adoption of ASC 326. At June 30, 2023, the allowance for credit losses on unfunded commitments totaled $218,000.

The following table summarizes our contractual cash obligations at June 30, 2023.

		Payments Due By Period			
(Dollars in thousands)	**Total at June 30, 2023**	**To 1 Year**	**1 - 3 Years**	**3 - 5 Years**	**After 5 Years**
Certificates of deposit	$ 50,007	$ 41,889	$ 7,116	$ 1,002	$ -
FHLB advances	10,000	-	3,000	3,000	4,000
Total term debt	$ 60,007	$ 41,889	$ 10,116	$ 4,002	$ 4,000

Recent Accounting Pronouncements

For a discussion of the impact of recent accounting pronouncements, see Note 2 of the notes to our financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 4. CONTROLS AND PROCEDURES

An evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934 (the “Act”)) as of June 30, 2023, was carried out under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and several other members of our senior management. Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures in effect as of June 30, 2023, were effective. In addition, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Act) that occurred during the quarter ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

We do not expect that our disclosure controls and procedures and internal control over financial reporting will prevent all errors and all fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure are met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls may be circumvented by the individual acts of some persons, by collusion of two or more people, or by override of the control. The design of any control procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We are not involved in any pending legal proceedings as a plaintiff or defendant other than routine legal proceedings occurring in the ordinary course of business, and at June 30, 2023, we were not involved in any legal proceedings, the outcome of which would be material to our financial condition or results of operations.

ITEM 1A. RISK FACTORS

Not applicable.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The Company's purchases of its common stock made during the three months ended June 30, 2023 consisted of share repurchases under the Company's approved plans and are set forth in the following table.

For the Month Ended	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under Plans or Programs
April 30, 2023	33,612	$ 11.26	33,612	252,000
May 31, 2023	69,606	10.05	69,606	182,394
June 30, 2023	25,852	10.73	25,852	156,542
Total	129,070	$ 10.50	129,070	

The January 2023 Repurchase Plan was announced on January 26, 2023, and authorized the Company to repurchase up to 265,000 shares, or approximately 5% of the Company's common stock. The Company completed repurchases under the January 2023 Repurchase Plan in April 2023. On April 27, 2023, the Company announced the approval of its second repurchase plan (the "April 2023 Repurchase Plan"). Under the April 2023 Repurchase Plan, the Company may purchase up to 252,000 shares, or approximately 5% of the Company's outstanding shares of common stock. At June 30, 2023, 156,542 shares were available for repurchase under the April 2023 Repurchase Plan.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Nothing to report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Nothing to report.

ITEM 6. EXHIBITS

31.1	Rule 13a-14(a) Certifications (Chief Executive Officer)
31.2	Rule 13a-14(a) Certifications (Chief Financial Officer)
32.0	Section 1350 Certifications
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definitions Linkbase Document
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CATALYST BANCORP, INC.

Date: August 11, 2023	By: /s/ Joseph B. Zanco Joseph B. Zanco President and Chief Executive Officer *(Duly Authorized Officer)*
Date: August 11, 2023	By: /s/ Jacques L. J. Bourque Jacques L. J. Bourque Chief Financial Officer *(Principal Financial and Accounting Officer)*

EXHIBIT 31.1

RULE 13A-14(A) CERTIFICATION

I, Joseph B. Zanco, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Catalyst Bancorp, Inc. (the “Company”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the Company’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and

5. The Company’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the Company’s auditors and the audit committee of the Company’s Board of Directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: August 11, 2023

By: /s/ Joseph B. Zanco
Joseph B. Zanco
President and Chief Executive Officer

EXHIBIT 31.2

RULE 13A-14(A) CERTIFICATION

I, Jacques L. J. Bourque, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Catalyst Bancorp, Inc. (the "Company");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4. The Company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5. The Company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the Company's auditors and the audit committee of the Company's Board of Directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date: August 11, 2023

By: /s/ Jacques L. J. Bourque
Jacques L. J. Bourque
Chief Financial Officer

EXHIBIT 32.0

SECTION 1350 CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 each of the undersigned hereby certifies in his or her capacity as an officer of Catalyst Bancorp, Inc. (the “Company”) that the Quarterly Report of the Company on Form 10-Q for the period ended June 30, 2023, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly represents, in all material respects, the financial statements included in such report.

Date: August 11, 2023	/s/ Joseph B. Zanco Joseph B. Zanco President and Chief Executive Officer
Date: August 11, 2023	/s/ Jacques L. J. Bourque Jacques L. J. Bourque Chief Financial Officer