REFINITIV

DELTA REPORT

10-Q

CLST - CATALYST BANCORP, INC.

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1021
CHANGES	242
DELETIONS	439
ADDITIONS	340

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 **September 30, 2023March 31, 2024**

☐ 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 4,769,155 4,533,000 shares of Registrant's common stock, par value of $0.01 per share, issued and outstanding as of November 6, 2023 May 8, 2024.

Table of Contents

CATALYST BANCORP, INC.

FORM 10-Q

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(Dollars in thousands)	(Unaudited) September 30, 2023	December 31, 2022	(Unaudited) March 31, 2024	December 31, 2023
ASSETS				
Non-interest-bearing cash	$ 3,497	$ 5,092	$ 3,118	$ 3,654
Interest-bearing cash and due from banks	9,769	8,380	72,893	15,357
Total cash and cash equivalents	13,266	13,472	76,011	19,011
Investment securities:				
Securities available-for-sale, at fair value	71,808	79,602	25,534	70,540
Securities held-to-maturity (fair values of $10,573 and $10,724, respectively)	13,464	13,475		
Securities held-to-maturity (fair values of $11,127 and $11,227, respectively)			13,457	13,461
Loans receivable, net of unearned income	135,672	133,607	143,491	144,920
Allowance for loan losses	(2,036)	(1,807)	(2,068)	(2,124)
Loans receivable, net	133,636	131,800	141,423	142,796
Accrued interest receivable	806	673	733	906
Foreclosed assets	37	320	237	60
Premises and equipment, net	6,160	6,303	5,995	6,072
Stock in correspondent banks, at cost	1,858	1,808	1,898	1,878
Bank-owned life insurance	13,917	13,617	14,139	14,026
Other assets	2,956	2,254	2,622	2,182
TOTAL ASSETS	$ 257,908	$ 263,324	$ 282,049	$ 270,932
LIABILITIES				
Deposits				
Non-interest-bearing	$ 33,222	$ 33,657	$ 28,836	$ 28,183
Interest-bearing	131,998	131,437	140,801	137,439
Total deposits	165,220	165,094	169,637	165,622
Advances from Federal Home Loan Bank	9,333	9,198		
Borrowings			29,423	19,378
Other liabilities	1,147	558	1,628	1,277
TOTAL LIABILITIES	175,700	174,850	200,688	186,277
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; 4,848,290 and 5,290,000 issued and outstanding at September 30, 2023 and December 31, 2022, respectively	48	53		
Common stock, $0.01 par value; 30,000,000 shares authorized; 4,558,329 and 4,761,326 issued and outstanding at March 31, 2024 and December 31, 2023, respectively			46	48
Additional paid-in capital	45,855	51,062	42,711	45,020
Unallocated common stock held by benefit plans	(6,274)	(6,307)	(6,169)	(6,221)
Retained earnings	52,687	52,740	48,368	53,045
Accumulated other comprehensive income (loss)	(10,108)	(9,074)	(3,595)	(7,237)
TOTAL SHAREHOLDERS' EQUITY	82,208	88,474	81,361	84,655
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 257,908	$ 263,324	$ 282,049	$ 270,932

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

Table of Contents

CATALYST BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands)	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
INTEREST INCOME						
Loans receivable, including fees	$ 1,852	$ 1,466	$ 5,172	$4,584	$ 2,214	$1,629
Investment securities	403	381	1,243	1,062	325	427
Other	214	185	643	262	616	211
Total interest income	2,469	2,032	7,058	5,908	3,155	2,267
INTEREST EXPENSE						
Deposits	428	93	1,012	272	754	233
Advances from Federal Home Loan Bank	69	69	205	205		
Borrowings					293	68
Total interest expense	497	162	1,217	477	1,047	301
Net interest income	1,972	1,870	5,841	5,431	2,108	1,966
Provision for (reversal of) credit losses	-	(115)	-	(375)		
Net interest income after provision for (reversal of) credit losses	1,972	1,985	5,841	5,806		
Provision for credit losses					95	-
Net interest income after provision for credit losses					2,013	1,966
NON-INTEREST INCOME						
Service charges on deposit accounts	190	192	573	542	197	183
Bank-owned life insurance					113	97
Gain (loss) on sales of investment securities					(5,507)	-
Gain (loss) on disposals and sales of fixed assets	-	-	-	(77)	11	-
Bank-owned life insurance	104	97	300	216		
Federal community development grant	-	-	-	171		
Other	12	7	44	20	23	14
Total non-interest income	306	296	917	872		
Total non-interest income (loss)					(5,163)	294
NON-INTEREST EXPENSE						
Salaries and employee benefits	1,141	1,168	3,522	3,647	1,260	1,203
Occupancy and equipment	198	203	609	640	196	213
Data processing and communication	228	216	675	666	794	227
Professional fees	100	157	346	472	107	129
Directors' fees	116	75	345	185	115	115
ATM and debit card	68	76	187	184	69	58
Foreclosed assets, net	2	3	67	-	8	2
Advertising and marketing	25	36	77	187	38	30
Franchise and shares tax	19	15	71	131	16	27
Regulatory fees and assessments	33	35	99	104	23	24

Insurance	26	34	80	100	26	29
Printing, supplies and postage	28	37	102	117	33	31
Other	97	78	277	285	106	97
Total non-interest expense	2,081	2,133	6,457	6,718	2,791	2,185
Income (loss) before income tax expense (benefit)	197	148	301	(40)	(5,941)	75
Income tax expense (benefit)	27	13	19	(49)	(1,264)	2
NET INCOME	$ 170	$ 135	$ 282	$ 9		
NET INCOME (LOSS)					$ (4,677)	$ 73
Earnings per share - basic	$ 0.03	$ 0.03	$ 0.06	$ 0.01		
Earnings per share - diluted	0.03	0.03	0.06	0.01		
Earnings (loss) per share - basic					$ (1.14)	$ 0.02
Earnings (loss) per share - diluted					(1.14)	0.02

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

Table of Contents

CATALYST BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended September 30,		**Nine Months Ended September 30,**		**Three Months Ended March 31,**	
(Dollars in thousands)	**2023**	**2022**	**2023**	**2022**	**2024**	**2023**
Net income	$ 170	$ 135	$ 282	$ 9		
Net income (loss)					$ (4,677)	$ 73
Net change in unrealized gains (losses) on available-for-sale securities	(1,852)	(4,229)	(1,309)	(11,776)	(897)	1,362
Reclassification adjustment for losses included in net income					5,507	-
Income tax effect	389	888	275	2,473	(968)	(286)
Total other comprehensive income (loss)	(1,463)	(3,341)	(1,034)	(9,303)		
Total other comprehensive income					3,642	1,076
Total comprehensive income (loss)	$ (1,293)	$ (3,206)	$ (752)	$ (9,294)	$ (1,035)	$ 1,149

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

Table of Contents

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	Common Stock	Additional Paid-in Capital	Unallocated Common Stock Held by Benefit Plans	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, JUNE 30, 2022	$ 53	$ 50,838	$ (4,073)	$ 52,434	$ (6,645)	$ 92,607						
Net income	-	-	-	135	-	135						
Other comprehensive income (loss)	-	-	-	-	(3,341)	(3,341)						
ESOP shares released for allocation	-	17	53	-	-	70						
Stock compensation expense	-	47	-	-	-	47						
BALANCE, SEPTEMBER 30, 2022	$ 53	$ 50,902	$ (4,020)	$ 52,569	$ (9,986)	$ 89,518						
BALANCE, JUNE 30, 2023	$ 49	$ 47,032	$ (6,616)	$ 52,517	$ (8,645)	$ 84,337						
Net income	-	-	-	170	-	170						
Other comprehensive income (loss)	-	-	-	-	(1,463)	(1,463)						
ESOP shares released for allocation	-	10	53	-	-	63						
2022 Recognition and Retention Plan shares released for allocation	-	(289)	289	-	-	-						
Stock compensation expense	-	102	-	-	-	102						
Repurchase of common stock	(1)	(1,000)	-	-	-	(1,001)						
BALANCE, SEPTEMBER 30, 2023	$ 48	$ 45,855	$ (6,274)	$ 52,687	$ (10,108)	$ 82,208						
BALANCE, DECEMBER 31, 2021	$ 53	$ 50,802	$ (4,179)	$ 52,560	$ (683)	$ 98,553						
Net income	-	-	-	9	-	9						
Other comprehensive income (loss)	-	-	-	-	(9,303)	(9,303)						
ESOP shares released for allocation	-	53	159	-	-	212						
Stock compensation expense	-	47	-	-	-	47						
BALANCE, SEPTEMBER 30, 2022	$ 53	$ 50,902	$ (4,020)	$ 52,569	$ (9,986)	$ 89,518						
BALANCE, DECEMBER 31, 2022	$ 53	$ 51,062	$ (6,307)	$ 52,740	$ (9,074)	$ 88,474	$ 53	$ 51,062	$ (6,307)	$52,778	$ (9,074)	$88,512
Impact of adoption of ASC 326	-	-	-	(335)	-	(335)	-	-	-	(335)	-	(335)
Net income	-	-	-	282	-	282	-	-	-	73	-	73
Other comprehensive income (loss)	-	-	-	-	(1,034)	(1,034)						
Other comprehensive income							-	-	-	-	1,076	1,076

Stock purchased to fund the 2022 Recognition and Retention Plan	-	-	(415)	-	-	(415)	-	-	(410)	-	-	(410)
ESOP shares released for allocation	-	27	159	-	-	186	-	14	53	-	-	67
2022 Recognition and Retention Plan shares released for allocation	-	(289)	289	-	-	-						
Stock compensation expense	-	386	-	-	-	386	-	141	-	-	-	141
Repurchase of common stock	(5)	(5,331)	-	-	-	(5,336)	(2)	(2,958)	-	-	-	(2,960)
BALANCE, SEPTEMBER 30, 2023	$ 48	$ 45,855	$ (6,274)	$ 52,687	$ (10,108)	$ 82,208						
BALANCE, MARCH 31, 2023							$ 51	$ 48,259	$ (6,664)	$52,516	$ (7,998)	$86,164
BALANCE, DECEMBER 31, 2023							$ 48	$ 45,020	$ (6,221)	$53,045	$ (7,237)	$84,655
Net income (loss)							-	-	-	(4,677)	-	(4,677)
Other comprehensive income							-	-	-	-	3,642	3,642
ESOP shares released for allocation							-	10	52	-	-	62
Stock compensation expense							-	139	-	-	-	139
Repurchase of common stock							(2)	(2,458)	-	-	-	(2,460)
BALANCE, MARCH 31, 2024							$ 46	$ 42,711	$ (6,169)	$48,368	$ (3,595)	$81,361

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

Table of Contents

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

	Nine Months Ended September 30,	
(Dollars in thousands)	**2023**	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 282	$ 9
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Investment securities amortization, net	236	370
Federal Home Loan Bank stock dividends	(49)	(6)
Amortization of prepayment penalties on debt restructuring	135	135
Provision for (reversal of) credit losses	-	(375)
Net loss (gain) on disposals and sales of premises and equipment	-	77

Increase in cash surrender value of bank-owned life insurance	(300)	(216)
Stock-based compensation	572	259
Depreciation of premises and equipment	301	343
Net write-downs and losses (gains) on the sale of foreclosed assets	62	(9)
Deferred income tax expense (benefit)	(74)	54
(Increase) decrease in other assets	(395)	(111)
Increase (decrease) in other liabilities	308	(154)
Net cash provided by (used in) operating activities	1,078	376
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in available-for-sale securities:		
Proceeds from maturities, calls, and paydowns	6,259	8,547
Purchases	-	(10,900)
Net decrease (increase) in loans	(2,019)	54
Proceeds from sale of foreclosed assets	259	39
Purchases of premises and equipment	(158)	(235)
Purchase of bank-owned life insurance	-	(10,000)
Net cash provided by (used in) investing activities	4,341	(12,495)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in deposits	126	7,432
Purchase of stock to fund the 2022 Recognition and Retention Plan	(415)	-
Repurchase of common stock	(5,336)	-
Net cash provided by (used in) financing activities	(5,625)	7,432
NET CHANGE IN CASH AND CASH EQUIVALENTS	(206)	(4,687)
CASH AND CASH EQUIVALENTS, beginning of period	13,472	40,884
CASH AND CASH EQUIVALENTS, end of period	$ 13,266	$ 36,197
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Acquisition of real estate in settlement of loans	$ 37	$ 10
SUPPLEMENTAL SCHEDULE OF INTEREST AND TAXES PAID		
Cash paid for interest	$ 916	$ 345
Cash paid for income taxes	-	243

	Three Months Ended March 31,	
(Dollars in thousands)	**2024**	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (4,677)	$ 73
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Investment securities amortization, net	56	77
Federal Home Loan Bank stock dividends	(21)	(14)
Amortization of prepayment penalties on debt restructuring	45	45
Provision for credit losses	95	-
Increase in cash surrender value of bank-owned life insurance	(113)	(97)
Loss on sales of investment securities	5,507	-
Gain on disposals and sales of premises and equipment	(11)	-
Stock-based compensation	201	208
Depreciation of premises and equipment	101	101
Deferred income tax expense (benefit)	(1,264)	(58)
(Increase) decrease in other assets	29	(424)
Increase (decrease) in other liabilities	299	(27)
Net cash provided by (used in) operating activities	247	(116)
CASH FLOWS FROM INVESTING ACTIVITIES		
Activity in available-for-sale securities:		
Proceeds from maturities, calls, and paydowns	1,533	1,953
Proceeds from sales	42,525	-
Net decrease in loans	1,153	970

Purchases of premises and equipment	(24)	-
Proceeds from sale of premises and equipment	11	-
Net cash provided by investing activities	45,198	2,923
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	4,015	14,618
Net advances from the Federal Reserve Bank of Atlanta	10,000	-
Purchase of stock to fund the 2022 Recognition and Retention Plan	-	(410)
Repurchase of common stock	(2,460)	(2,960)
Net cash provided by financing activities	11,555	11,248
NET CHANGE IN CASH AND CASH EQUIVALENTS	57,000	14,055
CASH AND CASH EQUIVALENTS, beginning of period	19,011	13,472
CASH AND CASH EQUIVALENTS, end of period	$ 76,011	$ 27,527
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Acquisition of real estate in settlement of loans	$ 177	$ -
SUPPLEMENTAL SCHEDULE OF INTEREST AND TAXES PAID		
Cash paid for interest	$ 660	$ 221
Cash paid for income taxes	90	-

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

Table of Contents

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 nine months ended September 30, 2023 March 31, 2024 and 2022 2023 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 December 31, 2023.

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.

Table of Contents

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 December 31, 2023. Our accounting policies for allowance for credit losses, investment securities, and income taxes comprise those that management believes involve the most critical estimates and aid in fully understanding and evaluating our reported financial results.

As of January 1, 2023 During the three months ended March 31, 2024, 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 measurement of the ASU have been codified by Company's deferred income tax assets and liabilities was identified as a critical accounting estimate. Deferred income tax assets and liabilities are determined based on the Financial Accounting Standards Board ("FASB") tax effects of the temporary differences between the book and tax bases of the various assets and liabilities and gives current recognition to changes in Topic 326 tax rates and laws. At March 31, 2024, the Company's net deferred tax asset totaled $1.8 million and is included in other assets on the statement of financial condition. According to Subtopic 740-10 of the Accounting Standards Codification ("ASC 326" 740-10"). The new standard changed, the impairment model for most financial measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are measured at amortized cost, including off-balance sheet credit exposures, from an incurred loss model not expected to an expected loss model. Determining be realized. At March 31, 2024, 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 Company has not recorded a valuation allowance for credit losses its deferred tax assets. Realizing our deferred tax assets principally depends upon our achieving projected future taxable income. We may change our judgments regarding future profitability due to future market conditions and related provision other factors. We may adjust our deferred tax asset balances if our judgments change, which may impact total income tax 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 or critical accounting estimates previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023. 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.

Table of Contents

NOTE 2. RECENT ACCOUNTING PRONOUNCEMENTS

Accounting Standards Updates Issued, but Not 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.

2023-09. 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.

Table of Contents

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 of 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.

Table of Contents

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, December 2023, the FASB issued ASU 2022-02, Financial Instruments - Credit Losses (ASC 326), Troubled Debt Restructurings ("TDRs") and Vintage 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. The amendments in this ASU respond add specific requirements for income tax disclosures to feedback received by the FASB during the post-implementation review of the amendments included improve transparency and decision usefulness. The guidance in ASU 2016-13. The amendments 2023-09 requires that public business entities disclose specific categories in ASU 2022-02 eliminate the accounting guidance income tax rate reconciliation and provide additional qualitative information 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 reconciling items that meet a borrower is experiencing financial difficulty. Under quantitative threshold. In addition, the amendments in ASU 2022-02, an entity must apply 2023-09 require that all entities disclose the guidance under ASC 310-20 amount of income taxes paid disaggregated by federal, state, and foreign taxes and disaggregated by individual jurisdictions. The ASU also includes other disclosure amendments related to determine whether a modification results in a new loan or a continuation the disaggregation of an existing loan rather than applying the guidance for TDRs. income tax expense between federal, state and foreign taxes. The amendments in ASU 2022-02 were effective at adoption of Company expects to adopt the amendments in ASU 2016-13. The implementation of ASU 2022-02 did not materially impact the Company's financial statements or disclosures.

2023-09 for periods beginning after December 31, 2024.

Table of Contents

NOTE 3. EARNINGS (LOSS) PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
(In thousands, except per share data)	**2023**	**2022**	**2023**	**2022**	**2024**	**2023**
Numerator						
Net income available to common shareholders	$ 170	$ 135	$ 282	$ 9		
Net income (loss) available to common shareholders					$(4,677)	$ 73
Denominator						
Weighted average common shares outstanding	4,901	5,290	5,033	5,290	4,651	5,214
Weighted average unallocated common stock held by benefit plans	(588)	(405)	(597)	(410)	(562)	(601)
Weighted average shares - basic	4,313	4,885	4,436	4,880	4,089	4,613
Effect of dilutive stock-based awards:						
Stock options	-	-	-	-	-	-
Restricted stock	11	-	6	-	-	5
Weighted average shares - assuming dilution	4,324	4,885	4,442	4,880	4,089	4,618
Basic earnings per common share	$ 0.03	$ 0.03	$ 0.06	$ 0.01		
Diluted earnings per common share	0.03	0.03	0.06	0.01		
Basic earnings (loss) per common share					$ (1.14)	$ 0.02
Diluted earnings (loss) per common share					(1.14)	0.02

Diluted earnings per share was computed using the treasury stock method. The weighted average of potentially dilutive common shares attributable to outstanding stock options that were anti-dilutive totaled 280,620 294,830 and 290,379 295,000 for the three and nine months ended September 30, 2023, March 31, 2024 and 2023, respectively, 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 1,286 for the three months ended March 31, 2024. There were no potentially dilutive common shares attributable to restricted stock that were anti-dilutive for the three months ended September 30, 2023 March 31, 2023. For the nine months ended September 30, 2023, the weighted average of potentially dilutive common shares attributable to restricted stock that were anti-dilutive totaled 39,779 and were excluded from the calculation of diluted earnings per share.

During the three and nine months ended September 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.

Table of Contents

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:

(Dollars in thousands)	September 30, 2023 Amortized Cost	September 30, 2023 Gross Unrealized Gains	September 30, 2023 Gross Unrealized Losses	September 30, 2023 Fair Value	March 31, 2024 Amortized Cost	March 31, 2024 Gross Unrealized Gains	March 31, 2024 Gross Unrealized Losses	March 31, 2024 Fair Value
Securities available-for-sale								
Mortgage-backed securities	$ 67,604	$ -	$ (11,181)	$ 56,423	$ 26,676	$ 4	$ (4,343)	$22,337
U.S. Government and agency obligations	10,985	-	(949)	10,036	1,000	-	(27)	973
Municipal obligations	6,014	-	(665)	5,349	2,409	6	(191)	2,224
Total available-for-sale	$ 84,603	$ -	$ (12,795)	$ 71,808	$ 30,085	$ 10	$ (4,561)	$25,534
Securities held-to-maturity								
U.S. Government and agency obligations	$ 13,004	$ -	$ (2,846)	$ 10,158	$ 13,002	$ -	$ (2,303)	$10,699
Municipal obligations	460	-	(45)	415	455	-	(27)	428
Total held-to-maturity	$ 13,464	$ -	$ (2,891)	$ 10,573	$ 13,457	$ -	$ (2,330)	$11,127

(Dollars in thousands)	December 31, 2022 Amortized Cost	December 31, 2022 Gross Unrealized Gains	December 31, 2022 Gross Unrealized Losses	December 31, 2022 Fair Value	December 31, 2023 Amortized Cost	December 31, 2023 Gross Unrealized Gains	December 31, 2023 Gross Unrealized Losses	December 31, 2023 Fair Value
Securities available-for-sale								
Mortgage-backed securities	$ 74,044	$ 15	$ (9,892)	$ 64,167	$ 65,704	$ 14	$ (8,206)	$57,512
U.S. Government and agency obligations	10,979	-	(1,062)	9,917	7,999	-	(611)	7,388
Municipal obligations	6,065	4	(551)	5,518	5,998	7	(365)	5,640
Total available-for-sale	$ 91,088	$ 19	$ (11,505)	$ 79,602	$ 79,701	$ 21	$ (9,182)	$70,540
Securities held-to-maturity								
U.S. Government and agency obligations	$ 13,006	$ -	$ (2,718)	$ 10,288	$ 13,003	$ -	$ (2,210)	$10,793
Municipal obligations	469	-	(33)	436	458	-	(24)	434

Total held-to-maturity	$ 13,475	$ -	$ (2,751)	$ 10,724	$ 13,461	$ -	$ (2,234)	$11,227

There were no securities transferred between classifications during the nine three months ended September 30, 2023 March 31, 2024 or 2022. 2023. During the three months ended March 31, 2024, the Company sold 50 available-for-sale investment securities for a total loss of $5.5 million. Proceeds from the sales totaled $42.6 million, inclusive of accrued interest.

Accrued interest receivable on the Company's investment securities totaled $243,000 $131,000 and $257,000 $241,000 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Investment At March 31, 2024 and December 31, 2023, investment securities with a carrying amount of approximately $43.6 million totaling $3.9 million and $20.4 $44.6 million, respectively, were pledged to secure public deposits as required or permitted by law at September 30, 2023 and December 31, 2022. At September 30, 2023 law. During the three months ended March 31, 2024, the Company used a custodial letter of credit granted by the Federal Home Loan Bank of Dallas to collateralize public fund deposits as we executed the investment securities with a carrying value sales. At March 31, 2024, $34.0 million of $1.0 million the custodial letter of credit was pledged as collateral for pubic deposits.

Investment securities totaling $19.1 million and $11.1 million were pledged to the Federal Reserve Bank as collateral for borrowings. borrowings at March 31, 2024 and December 31, 2023, respectively.

The following is a summary of maturities of securities available-for-sale and held-to-maturity at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023:

	September 30, 2023				March 31, 2024			
	Available-for-Sale		Held-to-Maturity		Available-for-Sale		Held-to-Maturity	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts maturing in:								
One year or less	$ 1,000	$ 993	$ -	$ -	$ 1,700	$ 1,656	$ -	$ -
After one through five years	12,984	12,154	2,336	2,014	2,041	2,012	2,455	2,206
After five through ten years	16,883	14,951	7,124	5,561	1,161	1,160	7,000	5,724
After ten years	53,736	43,710	4,004	2,998	25,183	20,706	4,002	3,197
Total	$ 84,603	$ 71,808	$ 13,464	$ 10,573	$ 30,085	$ 25,534	$ 13,457	$ 11,127

	December 31, 2022				December 31, 2023			
	Available-for-Sale		Held-to-Maturity		Available-for-Sale		Held-to-Maturity	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts maturing in:								
One year or less	$ 1,000	$ 962	$ -	$ -	$ 1,700	$ 1,643	$ -	$ -
After one through five years	11,496	10,634	2,343	2,031	10,676	10,226	2,334	2,095
After five through ten years	17,139	15,699	7,125	5,611	14,909	13,673	7,124	5,899
After ten years	61,453	52,307	4,007	3,082	52,416	44,998	4,003	3,233
Total	$ 91,088	$ 79,602	$ 13,475	$ 10,724	$ 79,701	$ 70,540	$ 13,461	$ 11,227

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.

Table of Contents

Information pertaining to securities with gross unrealized losses at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

(Dollars in thousands)	September 30, 2023						March 31, 2024					
	Less than 12 Months		12 Months or Greater		Total		Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available-for-sale												
Mortgage-backed securities	$ 1,534	$ (47)	$54,889	$ (11,134)	$56,423	$ (11,181)	$ 530	$ (6)	$20,820	$ (4,337)	$21,350	$ (4,343)
U.S. Government and agency obligations	-	-	10,036	(949)	10,036	(949)	-	-	973	(27)	973	(27)
Municipal obligations	1,597	(45)	3,752	(620)	5,349	(665)	-	-	1,594	(191)	1,594	(191)
Total available-for-sale	$ 3,131	$ (92)	$68,677	$ (12,703)	$71,808	$ (12,795)	$ 530	$ (6)	$23,387	$ (4,555)	$23,917	$ (4,561)
Securities held-to-maturity												
U.S. Government and agency obligations	$ -	$ -	$10,158	$ (2,846)	$10,158	$ (2,846)	$ -	$ -	$10,699	$ (2,303)	$10,699	$ (2,303)
Municipal obligations	-	-	415	(45)	415	(45)	-	-	428	(27)	428	(27)
Total held-to-maturity	$ -	$ -	$10,573	$ (2,891)	$10,573	$ (2,891)	$ -	$ -	$11,127	$ (2,330)	$11,127	$ (2,330)
Total	$ 3,131	$ (92)	$79,250	$ (15,594)	$82,381	$ (15,686)	$ 530	$ (6)	$34,514	$ (6,885)	$35,044	$ (6,891)

(Dollars in thousands)	December 31, 2022						December 31, 2023					
	Less than 12 Months		12 Months or Greater		Total		Less than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	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)	$ 554	$ (1)	$ 55,959	$ (8,205)	$ 56,513	$ (8,206)
U.S. Government and agency obligations	-	-	9,917	(1,062)	9,917	(1,062)	-	-	7,388	(611)	7,388	(611)
Municipal obligations	602	(16)	3,885	(535)	4,487	(551)	-	-	3,992	(365)	3,992	(365)
Total available-for-sale	$ 10,361	$ (562)	$ 67,204	$ (10,943)	$ 77,565	$ (11,505)	$ 554	$ (1)	$ 67,339	$ (9,181)	$ 67,893	$ (9,182)
Securities held-to-maturity												
U.S. Government and agency obligations	$ -	$ -	$ 10,288	$ (2,718)	$ 10,288	$ (2,718)	$ -	$ -	$ 10,793	$ (2,210)	$ 10,793	$ (2,210)
Municipal obligations	120	(6)	316	(27)	436	(33)	-	-	434	(24)	434	(24)
Total held-to-maturity	$ 120	$ (6)	$ 10,604	$ (2,745)	$ 10,724	$ (2,751)	$ -	$ -	$ 11,227	$ (2,234)	$ 11,227	$ (2,234)
Total	$ 10,481	$ (568)	$ 77,808	$ (13,688)	$ 88,289	$ (14,256)	$ 554	$ (1)	$ 78,566	$ (11,415)	$ 79,120	$ (11,416)

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company held 98 43 and 96 92 securities, respectively, 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 did not established establish an allowance for credit losses for its available-for-sale or held-to-maturity securities at September 30, 2023 March 31, 2024 or December 31, 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 September 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.

Table of Contents

NOTE 5. LOANS RECEIVABLE

Loans receivable at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are summarized as follows:

(Dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	March 31, 2023
Real estate loans				
One- to four-family residential	$ 83,973	$ 87,508	$ 81,686	$ 83,623
Commercial real estate	19,113	19,437	21,130	21,478
Construction and land	6,622	6,172	19,369	13,857
Multi-family residential	3,424	3,200	3,061	3,373
Total real estate loans	113,132	116,317	125,246	122,331
Other loans				
Commercial and industrial	19,634	13,843	15,711	19,984
Consumer	2,906	3,447	2,534	2,605
Total other loans	22,540	17,290	18,245	22,589
Total loans	135,672	133,607	143,491	144,920
Less: Allowance for loan losses	(2,036)	(1,807)	(2,068)	(2,124)
Net loans	$ 133,636	$ 131,800	$141,423	$142,796

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, real estate loans totaling $77.9 million $79.9 million and $64.1 million $81.2 million, respectively, were pledged as collateral to the Federal Home Loan Bank of Dallas for borrowings under a blanket lien agreement. Refer to Note 7 for more information on borrowed funds.

Accrued interest receivable on the Company's loans totaled $562,000 $595,000 and $411,000 $659,000 at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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 credit losses for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023.

	For the Nine Months Ended September 30, 2023						For the Three Months Ended March 31, 2024				
(Dollars in thousands)	Beginning Balance	ASC 326 Adoption Impact(1)	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance	Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for credit losses											
One- to four-family residential	$ 1,224	$ 158	$ (299)	$ -	$ 98	$ 1,181	$ 1,240	$ 8	$ (101)	$ 21	$ 1,168
Commercial real estate	248	(53)	(5)	-	-	190	213	10	(14)	-	209
Construction and land	74	40	48	-	-	162	283	91	-	-	374
Multi-family residential	40	5	(2)	-	-	43	50	(6)	-	-	44
Commercial and industrial	175	51	73	-	1	300	302	(65)	-	-	237
Consumer	46	8	2	(26)	11	41	36	4	(8)	4	36
Unallocated	-	-	119	-	-	119					
Total for loans	$ 1,807	$ 209	$ (64)	$ (26)	$ 110	$ 2,036	$ 2,124	$ 42	$ (123)	$ 25	$ 2,068
Unfunded lending commitments(2)	-	216	64	-	-	280					
Unfunded lending commitments(1)							257	53	-	-	310
Total	$ 1,807	$ 425	$ -	$ (26)	$ 110	$ 2,316	$ 2,381	$ 95	$ (123)	$ 25	$ 2,378

(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.

Table of Contents

(Dollars in thousands)		For the Nine Months Ended September 30, 2022 Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance	For the Three Months Ended March 31, 2023 Beginning Balance	ASC 326 Adoption Impact	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for loan losses												
Allowance for credit losses												
One- to four-family residential	One- to four-family residential	$ 1,573	$ (232)	$ (154)	$ 70	$ 1,257	$ 1,224	$ 158	$ 5	$ -	$ 56	$ 1,443
Commercial real estate	Commercial real estate	370	(101)	-	-	269	248	(53)	5	-	-	200
Construction and land	Construction and land	55	(10)	-	-	45	74	40	3	-	-	117
Multi-family residential	Multi-family residential	73	(33)	-	-	40	40	5	(4)	-	-	41
Commercial and industrial	Commercial and industrial	137	4	(21)	19	139	175	51	(4)	-	-	222
Consumer	Consumer	68	(3)	(16)	5	54	46	8	(5)	(7)	5	47
Total for loans							$ 1,807	$ 209	$ -	$ (7)	$ 61	$ 2,070
Unfunded lending commitments							-	216	-	-	-	216
Total	Total	$ 2,276	$ (375)	$ (191)	$ 94	$ 1,804	$ 1,807	$ 425	$ -	$ (7)	$ 61	$ 2,286

The following tables outline the allowance for loan losses and the balance of loans by method of loss evaluation at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

(Dollars in thousands)	September 30, 2023 Individually Evaluated	Collectively Evaluated	Total	December 31, 2022 Individually Evaluated	Collectively Evaluated	Total	March 31, 2024 Individually Evaluated	Collectively Evaluated	Total	December 31, 2023 Individually Evaluated	Collectively Evaluated	Total
Allowance for loan losses												
One- to four-family residential	$ 127	$ 1,054	$ 1,181	$ 216	$ 1,008	$ 1,224	$ 77	$ 1,091	$ 1,168	$ 127	$ 1,113	$ 1,240

Commercial real estate	-	190	190	-	248	248	-	209	209	-	213	213
Construction and land	49	113	162	-	74	74	43	331	374	46	237	283
Multi-family residential	-	43	43	-	40	40	-	44	44	-	50	50
Commercial and industrial	-	300	300	-	175	175	-	237	237	-	302	302
Consumer	-	41	41	-	46	46	-	36	36	-	36	36
Unallocated	-	119	119	-	-	-						
Total	$ 176	$ 1,860	$ 2,036	$ 216	$ 1,591	$ 1,807	$ 120	$ 1,948	$ 2,068	$ 173	$ 1,951	$ 2,124
Loans												
One- to four-family residential	$ 957	$ 83,016	$ 83,973	$ 2,712	$ 84,796	$ 87,508	$ 582	$ 81,104	$ 81,686	$ 989	$ 82,634	$ 83,623
Commercial real estate	50	19,063	19,113	51	19,386	19,437	-	21,130	21,130	50	21,428	21,478
Construction and land	135	6,487	6,622	33	6,139	6,172	129	19,240	19,369	132	13,725	13,857
Multi-family residential	-	3,424	3,424	-	3,200	3,200	-	3,061	3,061	-	3,373	3,373
Commercial and industrial	-	19,634	19,634	-	13,843	13,843	-	15,711	15,711	-	19,984	19,984
Consumer	-	2,906	2,906	-	3,447	3,447	-	2,534	2,534	-	2,605	2,605
Total	$ 1,142	$ 134,530	$135,672	$ 2,796	$ 130,811	$133,607	$ 711	$ 142,780	$143,491	$ 1,171	$ 143,749	$144,920

At September 30, 2023March 31, 2024 and December 31, 2023, all loans individually evaluated for credit losses totaling $1.1 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.

Table of Contents

A summary of current, past due and nonaccrual loans as of September 30, 2023March 31, 2024 and December 31, 2022December 31, 2023 follows:

(Dollars in thousands)	As of September 30, 2023							As of March 31, 2024						
	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	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 L
One- to four-family residential	$ 1,473	$ 127	$ 1,038	$2,638	$ 80,505	$ 830	$ 83,973	$ 2,146	$ 29	$ 816	$2,991	$ 78,085	$ 610	$ 81,
Commercial real estate	110	-	50	160	18,953	-	19,113	333	-	-	333	20,797	-	21,

Construction and land	-	-	-	-	6,579	43	6,622	-	-	-	-	19,342	27	19,
Multi-family residential	-	-	-	-	3,424	-	3,424	-	-	-	-	3,061	-	3,
Commercial and industrial	113	-	-	113	19,521	-	19,634	104	-	-	104	15,607	-	15,
Consumer	14	-	-	14	2,892	-	2,906	10	-	-	10	2,524	-	2,
Total	$ 1,710	$ 127	$ 1,088	$2,925	$131,874	$ 873	$ 135,672	$ 2,593	$ 29	$ 816	$3,438	$139,416	$ 637	$ 143,

	As of December 31, 2022							As of December 31, 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	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 L
One- to four-family residential	$ 2,077	$ 191	$ 716	$2,984	$ 83,848	$ 676	$ 87,508	$ 2,391	$ 24	$ 1,103	$3,518	$ 79,333	$ 772	$ 83,
Commercial real estate	166	-	51	217	19,220	-	19,437	126	-	50	176	21,302	-	21,
Construction and land	156	-	18	174	5,965	33	6,172	-	-	-	-	13,815	42	13,
Multi-family residential	-	-	-	-	3,200	-	3,200	-	-	-	-	3,373	-	3,
Commercial and industrial	-	-	-	-	13,843	-	13,843	46	-	-	46	19,938	-	19,
Consumer	6	-	-	6	3,441	-	3,447	12	-	-	12	2,593	-	2,
Total	$ 2,405	$ 191	$ 785	$3,381	$129,517	$ 709	$ 133,607	$ 2,575	$ 24	$ 1,153	$3,752	$140,354	$ 814	$ 144,

A summary of total nonaccrual loans as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 follows:

	September 30, 2023			December 31, 2022	March 31, 2024			December 31, 2023		
(Dollars in thousands)	With Allowance for Credit Loss	Without Allowance for Credit Loss	Total	Total	With Allowance for Credit Loss	Without Allowance for Credit Loss	Total	With Allowance for Credit Loss	Without Allowance for Credit Loss	Total
Nonaccrual loans										
One- to four-family residential	$ 1,673	$ 195	$ 1,868	$ 1,392	$ 1,375	$ 51	$1,426	$ 1,564	$ 311	$1,875
Commercial real estate	-	50	50	51	-	-	-	-	50	50
Construction and land	43	-	43	51	27	-	27	42	-	42
Multi-family residential	-	-	-	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-	-	-	-
Total	$ 1,716	$ 245	$ 1,961	$ 1,494	$ 1,402	$ 51	$1,453	$ 1,606	$ 361	$1,967

The Company was not committed to lend any additional funds on nonaccrual loans at September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023. 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 September 30, 2023 March 31, 2024, one loan secured by residential real estate for which formal foreclosure proceedings were in process totaled $37,000. At December 31, 2023, loans secured by residential and commercial real estate for which formal foreclosure proceedings were in process totaled $476,000 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 $345,000 and $50,000, respectively.

Table of Contents

Occasionally loans are modified to assist borrowers experiencing financial difficulty. We consider modifications such as term extensions, principal forgiveness, payment delays or alternate payment schedules, and alternate interest rate terms. At March 31, 2024 and December 31, 2023, loans with modifications for borrowers experiencing financial difficulty totaled $696,000 and $683,000, respectively.

During the nine three months ended September 30, 2023 and March 31, 2024, the year Company granted one loan modification to a borrower experiencing financial difficulty that resulted in a more than minor change in the timing or amount of contractual cash flows. The maturity date was extended by three years for a residential mortgage loan with a balance of $20,000. During the three months ended December 31, 2022 March 31, 2023, the Company did not grant any loan modifications to borrowers experiencing financial difficulty.

Information on impaired loans as difficulty that resulted in a more than minor change in the timing or amount 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

contractual cash flows. The table below presents the average balances Company was not committed to lend any additional funds to borrowers with modified terms and interest income for impaired loans for the three and nine months ended September 30, 2022 experiencing financial difficulty at March 31, 2024 or December 31, 2023.

	Three Months Ended September 30, 2022				Nine Months Ended September 30, 2022			
(Dollars in thousands)	Average Recorded Investment		Interest Income Recognized		Average Recorded Investment		Interest Income Recognized	
One- to four-family residential	$	2,655	$	16	$	2,718	$	49
Commercial real estate		50		-		51		-
Construction and land		34		-		35		-
Multi-family residential		-		-		-		-
Commercial and industrial		-		-		-		-
Consumer		12		-		13		-
Total	$	2,751	$	16	$	2,817	$	49

Table of Contents

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.

Table of Contents

The following table presents the Company's loan portfolio by credit quality classification and origination year as of March 31, 2024. 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	
(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Line-of-credit Arrangements	Term Loans	Total
One- to four-family residential									
Pass	$ 67	$ 2,944	$ 12,866	$ 3,244	$ 2,889	$ 55,309	$ 1,592	$ 219	$ 79,130
Special Mention	-	-	-	-	61	137	-	-	198
Substandard	-	21	-	10	40	2,287	-	-	2,358
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 67	$ 2,965	$ 12,866	$ 3,254	$ 2,990	$ 57,733	$ 1,592	$ 219	$ 81,686
Commercial real estate									
Pass	$ 298	$ 4,631	$ 2,216	$ 2,072	$ 3,708	$ 7,802	$ 60	$ -	$ 20,787
Special Mention	-	-	107	-	-	-	-	-	107
Substandard	236	-	-	-	-	-	-	-	236
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 534	$ 4,631	$ 2,323	$ 2,072	$ 3,708	$ 7,802	$ 60	$ -	$ 21,130
Construction and land									
Pass	$ -	$ 54	$ 106	$ 54	$ 78	$ 419	$ 18,502	$ -	$ 19,213
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	129	-	27	-	-	156
Doubtful	-	-	-	-	-	-	-	-	-

	2023	2022	2021	2020	2019	Prior	Line-of-credit Arrangements	Line-of-credit Arrangements Converted to Term Loans	Total
Total	$ -	$ 54	$ 106	$ 183	$ 78	$ 446	$ 18,502	$ -	$ 19,369
Multi-family residential									
Pass	$ -	$ 378	$ -	$ 470	$ -	$ 2,213	$ -	$ -	$ 3,061
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ -	$ 378	$ -	$ 470	$ -	$ 2,213	$ -	$ -	$ 3,061
Commercial and industrial									
Pass	$ 552	$ 5,444	$ 1,849	$ 689	$ 292	$ 343	$ 6,542	$ -	$ 15,711
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 552	$ 5,444	$ 1,849	$ 689	$ 292	$ 343	$ 6,542	$ -	$ 15,711
Consumer									
Pass	$ 373	$ 874	$ 391	$ 458	$ 125	$ 313	$ -	$ -	$ 2,534
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 373	$ 874	$ 391	$ 458	$ 125	$ 313	$ -	$ -	$ 2,534
Total									
Pass	$ 1,290	$ 14,325	$ 17,428	$ 6,987	$ 7,092	$ 66,399	$ 26,696	$ 219	$ 140,436
Special Mention	-	-	107	-	61	137	-	-	305
Substandard	236	21	-	139	40	2,314	-	-	2,750
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 1,526	$ 14,346	$ 17,535	$ 7,126	$ 7,193	$ 68,850	$ 26,696	$ 219	$ 143,491

Table of Contents

The following table presents the Company's loan portfolio by credit quality classification and origination year as of September 30, 2023 December 31, 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	Line-of-credit Arrangements Converted to	
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Arrangements	Term Loans	Total
One- to four-family residential									
Pass	$ 1,695	$11,175	$3,308	$2,994	$3,230	$55,100	$ 1,603	$ 2,031	$ 81,136
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	24	-	12	126	13	2,662	-	-	2,837
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 1,719	$11,175	$3,320	$3,120	$3,243	$57,762	$ 1,603	$ 2,031	$ 83,973
Commercial real estate									
Pass	$ 1,790	$ 2,067	$2,049	$4,396	$3,470	$ 4,445	$ 33	$ 355	$ 18,605
Special Mention	-	110	106	-	-	-	-	-	216
Substandard	-	-	-	-	-	292	-	-	292
Doubtful	-	-	-	-	-	-	-	-	-

	Term Loans by Origination Year						Line-of-credit	Line-of-credit Arrangements Converted to	
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Arrangements	Term Loans	Total
One- to four-family residential									
Pass	$ 2,733	$10,979	$3,271	$2,949	$3,048	$53,462	$ 1,449	$ 2,904	$ 80,795
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	24	-	11	122	131	2,540	-	-	2,828
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 2,757	$10,979	$3,282	$3,071	$3,179	$56,002	$ 1,449	$ 2,904	$ 83,623
Commercial real estate									
Pass	$ 4,476	$ 1,974	$2,008	$4,308	$3,423	$ 4,168	$ 90	$ 527	$ 20,974
Special Mention	-	108	104	-	-	-	-	-	212
Substandard	242	-	-	-	-	50	-	-	292
Doubtful	-	-	-	-	-	-	-	-	-

Total	$ 1,790	$ 2,177	$2,155	$4,396	$3,470	$ 4,737	$ 33	$ 355	$ 19,113	$ 4,718	$ 2,082	$2,112	$4,308	$3,423	$ 4,218	$ 90	$ 527	$ 21,478
Construction and land																		
Pass	$ 57	$ 188	$ 57	$ 70	$ 46	$ 498	$ 5,528	$ -	$ 6,444	$ 56	$ 182	$ 56	$ 67	$ 24	$ 426	$ 12,872	$ -	$ 13,683
Special Mention	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Substandard	-	135	-	14	-	29	-	-	178	-	132	-	13	-	29	-	-	174
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	$ 57	$ 323	$ 57	$ 84	$ 46	$ 527	$ 5,528	$ -	$ 6,622	$ 56	$ 314	$ 56	$ 80	$ 24	$ 455	$ 12,872	$ -	$ 13,857
Multi-family residential																		
Pass	$ 382	$ -	$ 470	$ -	$ 282	$ 2,290	$ -	$ -	$ 3,424	$ 380	$ -	$ 470	$ -	$ 271	$ 2,252	$ -	$ -	$ 3,373
Special Mention	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	$ 382	$ -	$ 470	$ -	$ 282	$ 2,290	$ -	$ -	$ 3,424	$ 380	$ -	$ 470	$ -	$ 271	$ 2,252	$ -	$ -	$ 3,373
Commercial and industrial																		
Pass	$ 5,989	$ 2,490	$ 853	$ 326	$ 303	$ 70	$ 9,603	$ -	$ 19,634	$ 5,717	$ 2,097	$ 767	$ 300	$ 292	$ 50	$ 10,761	$ -	$ 19,984
Special Mention	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	$ 5,989	$ 2,490	$ 853	$ 326	$ 303	$ 70	$ 9,603	$ -	$ 19,634	$ 5,717	$ 2,097	$ 767	$ 300	$ 292	$ 50	$ 10,761	$ -	$ 19,984
Consumer																		
Pass	$ 914	$ 559	$ 700	$ 311	$ 199	$ 223	$ -	$ -	$ 2,906	$ 1,004	$ 451	$ 527	$ 270	$ 171	$ 182	$ -	$ -	$ 2,605
Special Mention	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	$ 914	$ 559	$ 700	$ 311	$ 199	$ 223	$ -	$ -	$ 2,906	$ 1,004	$ 451	$ 527	$ 270	$ 171	$ 182	$ -	$ -	$ 2,605
Total																		
Pass	$10,827	$16,479	$7,437	$8,097	$7,530	$62,626	$ 16,767	$ 2,386	$132,149	$14,366	$15,683	$7,099	$7,894	$7,229	$60,540	$ 25,172	$ 3,431	$141,414
Special Mention	-	110	106	-	-	-	-	-	216	-	108	104	-	-	-	-	-	212
Substandard	24	135	12	140	13	2,983	-	-	3,307	266	132	11	135	131	2,619	-	-	3,294
Doubtful	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	$10,851	$16,724	$7,555	$8,237	$7,543	$65,609	$ 16,767	$ 2,386	$135,672	$14,632	$15,923	$7,214	$8,029	$7,360	$63,159	$ 25,172	$ 3,431	$144,920

Table of Contents

The following table presents gross charge-offs and recoveries for the nine three months ended September 30, 2023 March 31, 2024 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							Loan Origination Year						
(Dollars in thousands)	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Total**	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Total**
Charge-offs														
One- to four-family residential	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$101	$101
Commercial real estate	-	-	-	-	-	-	-	-	-	-	-	-	14	14
Construction and land	-	-	-	-	-	-	-							
Multi-family residential	-	-	-	-	-	-	-							
Commercial and industrial	-	-	-	-	-	-	-							
Consumer	4	5	9	1	2	5	26	3	1	1	1	-	2	8
Total	$ 4	$ 5	$ 9	$ 1	$ 2	$ 5	$ 26	$ 3	$ 1	$ 1	$ 1	$ -	$117	$123

Recoveries														
One- to four-family residential	$ -	$ -	$ -	$ -	$ -	$ 98	$ 98	$ -	$ -	$ -	$ -	$ -	$ 21	$ 21
Commercial real estate	-	-	-	-	-	-	-							
Construction and land	-	-	-	-	-	-	-							
Multi-family residential	-	-	-	-	-	-	-							
Commercial and industrial	-	-	-	-	-	1	1							
Consumer	-	-	2	1	-	8	11	-	1	-	1	-	2	4
Total	$ -	$ -	$ 2	$ 1	$ -	$ 107	$ 110	$ -	$ 1	$ -	$ 1	$ -	$ 23	$ 25

The following table presents gross charge-offs and recoveries for the Company's loan portfolio three months ended March 31, 2023 by credit quality classification as origination year of December 31, 2022. the related loans. The Company uses the latter of origination or renewal date to classify loans into vintages.

	December 31, 2022					Loan Origination Year						
(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total	2023	2022	2021	2020	2019	Prior	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							
Charge-offs												
Consumer	3,447	-	-	-	3,447	-	2	3	-	-	2	7
Total	$ 129,865	$ 462	$ 3,280	$ -	$ 133,607	$ -	$ 2	$ 3	$ -	$ -	$ 2	$ 7
Recoveries												
One- to four-family residential						$ -	$ -	$ -	$ -	$ -	$ 56	$ 56
Consumer						-	-	1	1	-	3	5
Total						$ -	$ -	$ 1	$ 1	$ -	$ 59	$ 61

Table of Contents

NOTE 6. DEPOSITS

Deposits at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are summarized as follows:

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
(Dollars in thousands)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Non-interest-bearing demand deposits	$ 33,222	20.1 %	$ 33,657	20.4 %	$ 28,836	17.0 %	$ 28,183	17.0 %
Interest-bearing demand deposits	38,881	23.5	36,991	22.4	35,374	20.9	36,867	22.3
Money market	15,473	9.4	15,734	9.5	14,712	8.7	15,126	9.1
Savings	27,237	16.5	26,209	15.9	33,675	19.9	31,518	19.0
Certificates of deposit	50,407	30.5	52,503	31.8	57,040	33.5	53,928	32.6
Total deposits	$ 165,220	100.0 %	$ 165,094	100.0 %	$169,637	100.0 %	$165,622	100.0 %

The estimated amount of our total uninsured deposits (that is, deposits in excess of the FDIC's insurance limit) was $45.2 million $41.7 million and $43.4 million $44.6 million, respectively, at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Certificates of deposit and other time deposits issued in denominations that exceed FDIC insurance limit of $250,000 or more totaled $7.7 million and $8.9 million at September 30, 2023 and December 31, 2022, respectively, and are included in interest-bearing deposits in the statements of financial condition.

At September 30, 2023 March 31, 2024 scheduled maturities of certificates of deposits were as follows:

(Dollars in thousands)	Amount	Amount
2023	$ 10,527	
2024	34,662	$37,692
2025	3,616	17,544
2026	1,002	959
2027	451	510
2028	149	286
2029		49
Total	$ 50,407	$57,040

Table of Contents

NOTE 7. BORROWED FUNDS

Borrowed funds at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are summarized as follows:

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
(Dollars in thousands)	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount
Advances from Federal Home Loan Bank	0.65 %	$ 3,000	0.65 %	$ 3,000				
Advance from Federal Reserve Bank of Atlanta					4.76 %	$20,000	4.83 %	$ 10,000
Advances from Federal Home Loan Bank of Dallas					0.65 %	$ 3,000	0.65 %	$ 3,000
	0.96	3,000	0.96	3,000	0.96	3,000	0.96	3,000
	1.12	4,000	1.12	4,000	1.12	4,000	1.12	4,000
		10,000		10,000		10,000		10,000
Debt modification discount		(667)		(802)				
Debt modification discount on FHLB Advances						(577)		(622)
		$ 9,333		$ 9,198		9,423		9,378
Total borrowings						$29,423		$ 19,378

During the fourth quarter of 2023, the Bank began borrowing from the Federal Reserve Bank of Atlanta through its Bank Term Funding Program ("BTFP"). In December of 2020, the Bank restructured $10.0 million of its long-term borrowings from the FHLB. The debt was restructured to longer maturities at current interest rates. A prepayment penalty for the restructuring of $1.2 million was treated as a discount on the debt. The deferred prepayment penalty is amortized into interest expense using the interest method over the life of the restructured borrowings.

Interest payments on outstanding borrowings are due at maturity for the advance from the Federal Reserve Bank of Atlanta and are due monthly and for FHLB advances. A schedule of maturities for borrowings outstanding at March 31, 2024 are as follows:

(Dollars in thousands)	Amount	Amount
Amounts maturing in:		
2024	$ -	
2025	3,000	$23,000
2026	-	-
2027	3,000	3,000
2028	4,000	4,000
2029		-
Total	$ 10,000	$30,000

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had $48.0 million $31.8 million and $34.2 million $48.5 million, respectively, in available borrowing capacity with the Federal Home Loan Bank ("FHLB"). Borrowings from the FHLB are secured though a blanket floating lien on real estate loans. At September 30, 2023 and December 31, 2022, Refer to Note 5 for more detail on loans totaling $77.9 million and $64.1 million, respectively, were pledged to the FHLB. The Company has a $40.0 million custodial letter of credit outstanding from the FHLB under as of March 31, 2024, which is included in the blanket lien. 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. At March 31, 2024, the Company used $34.0 million of the FHLB custodial letter of credit to collateralize public fund deposits.

At March 31, 2024, the Company had no available borrowing capacity with the Federal Reserve Bank of Atlanta. At December 31, 2023, the Company's available borrowing capacity with the Federal Reserve Bank of Atlanta was $2.2 million. Borrowings from the Federal Reserve are secured by pledging investment securities. Refer to Note 4 for more detail on pledged investment securities.

Other available funding sources include includes an Unsecured Federal Funds Master Purchase Agreement with First National Bankers Bank for $17.8 million. At March 31, 2024 and borrowings from the Federal Reserve Bank's discount window and Bank Term Funding Program. At September 30, 2023 and December 31, 2022 December 31, 2023, these this credit facilities were facility was unused.

At September 30, 2023, investment securities with a carrying value of $1.0 million were pledged to the Federal Reserve Bank as collateral for borrowings and investment securities with a total carrying value of $30.3 million were available for pledging to the Federal Reserve Bank. In aggregate, the par value of securities pledged and available for pledging to the Federal Reserve Bank totaled $35.7 million at September 30, 2023.

Table of Contents

NOTE 8. 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.

Table of Contents

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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Bank met all of the capital adequacy requirements to which it is subject.

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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		Actual		To be Well Capitalized under the Prompt Corrective Action Provision	
(Dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of September 30, 2023								
As of March 31, 2024								
Common Equity Tier 1 Capital	$ 78,925	54.97 %	$ 9,332	>6.5 %	$75,218	52.09 %	$ 9,386	>6.5 %
Tier 1 Risk-Based Capital	78,925	54.97	11,486	>8.0	75,218	52.09	11,552	>8.0
Total Risk-Based Capital	80,726	56.23	14,357	>10.0	77,030	53.34	14,441	>10.0
Tier 1 Leverage Capital	78,925	31.08	12,697	>5.0	75,218	26.84	14,013	>5.0
As of December 31, 2022								
As of December 31, 2023								
Common Equity Tier 1 Capital	$ 78,527	56.17 %	$ 9,087	>6.5 %	$79,468	52.34 %	$ 9,870	>6.5 %
Tier 1 Risk-Based Capital	78,527	56.17	11,184	>8.0	79,468	52.34	12,147	>8.0
Total Risk-Based Capital	80,275	57.42	13,980	>10.0	81,371	53.59	15,184	>10.0
Tier 1 Leverage Capital	78,527	30.37	12,929	>5.0	79,468	31.67	12,546	>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 September 30, 2023, the Company repurchased 81,252 202,997 shares of its common stock at an average cost per share of $12.33. During $12.12 during the nine three months ended September 30, 2023 March 31, 2024 under its November 2023 Repurchase Plan. At March 31, 2024, the Company repurchased 441,710 had common shares outstanding of its common stock at an average cost per share 4,558,329 and 25,329 of $12.08. At September 30, 2023, 75,290 those shares were available for repurchase under the April November 2023 Repurchase Plan. The Company completed the November 2023 Repurchase Plan in April 2024.

On May 2, 2024, the Company announced that its Board of Directors approved the Company's fourth share repurchase plan (the "May 2024 Repurchase Plan"). Under the May 2024 Repurchase Plan, the Company may purchase up to 227,000 shares, or approximately 5%, of the Company's outstanding shares of common stock.

Table of Contents

NOTE 9. 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.

Table of Contents

Fair values of assets and liabilities measured on a recurring basis at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 follows:

	Fair Value Measurements at Reporting Date Using				Fair Value Measurements at Reporting Date Using			
(Dollars in thousands)	**Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
September 30, 2023								
March 31, 2024								
Available-for-sale securities	$ 71,808	$ -	$ 71,808	$ -	$ 25,534	$ -	$ 25,534	$ -
December 31, 2022								
December 31, 2023								
Available-for-sale securities	$ 79,602	$ -	$ 79,602	$ -	$ 70,540	$ -	$ 70,540	$ -

Fair values of assets and liabilities measured on a nonrecurring basis at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 follows:

	Fair Value Measurements at Reporting Date Using				Fair Value Measurements at Reporting Date Using			
(Dollars in thousands)	**Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
September 30, 2023								
March 31, 2024								
Loans individually evaluated for credit losses	$ 457	$ -	$ -	$ 457	$ 273	$ -	$ -	$ 273
Foreclosed assets	37	-	-	37	237	-	-	237
Total	$ 494	$ -	$ -	$ 494	$ 510	$ -	$ -	$ 510
December 31, 2022								
December 31, 2023								
Loans individually evaluated for credit losses	$ 898	$ -	$ -	$ 898	$ 374	$ -	$ -	$ 374
Foreclosed assets	320	-	-	320	60	-	-	60
Total	$ 1,218	$ -	$ -	$ 1,218	$ 434	$ -	$ -	$ 434

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, individually evaluated loans with a recorded investment of $633,000 $394,000 and $1.1 million, $547,000, 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 nine months ended September 30, 2023, the Company incurred a total loss on the sale of foreclosed assets of $62,000. During the three March 31, 2024 and nine months ended September 30, 2022, 2023, 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.

Table of Contents

NOTE 10. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company follows the guidance of FASB ASC 825, Financial Instruments, and FASB ASC 820, Fair Value Measurement. Measurements. 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 – The fair value of loans are valued generally determined by discounting scheduled cash flows using the methodology developed for Economic Value of Equity pricing, discount rates determined with a build-up for reference to current market rates at which similar loans based on the U.S. Treasury yield curve, a credit risk spread and an overhead coverage rate. would be made. Loans receivable are classified within Level 3 of the fair value hierarchy.

Loans individually evaluated for credit losses - The fair value of loans individually evaluated for credit losses is measured by the fair value of the collateral if the loan is collateral dependent. Fair value of the collateral is determined by appraisals or by independent valuation. Loans individually evaluated for credit losses 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 by discounting scheduled cash flows using market pricing data the rates currently offered for new CDs deposits of similar structure and remaining maturity. maturities. Certificates of deposit are classified within Level 2 of the fair value hierarchy.

Federal Home Loan Bank borrowings Borrowings - Data – The fair value is taken from estimated by discounting the Company's FHLB Customer Profile report. All borrowings are priced future contractual cash flows using current advance pricing data from the FHLB's website for new borrowings of market rates at which debt with similar structure and remaining maturity. FHLB borrowings terms could be obtained. Borrowings are classified within Level 2 of the fair value hierarchy.

Table of Contents

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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 are as follows:

	September 30, 2023					March 31, 2024				
(Dollars in thousands)	**Carrying Amount**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Carrying Amount**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets:										
Cash and cash equivalents	$ 13,266	$ 13,266	$ 13,266	$ -	$ -	$ 76,011	$ 76,011	$76,011	$ -	$ -
Investment securities:										
Available-for-sale	71,808	71,808	-	71,808	-	25,534	25,534	-	25,534	-
Held-to-maturity	13,464	10,573	-	10,573	-	13,457	11,127	-	11,127	-
Loans receivable, net	133,636	122,993	-	-	122,993	141,423	135,986	-	-	135,986
Bank-owned life insurance	13,917	13,917	-	13,917	-	14,139	14,139	-	14,139	-

Financial Liabilities:										
Deposits	165,220	164,081	-	164,081	-	169,637	168,812	-	168,812	-
Borrowed funds	9,333	8,489	-	8,489	-	29,423	28,778	-	28,778	-

	December 31, 2022					December 31, 2023				
(Dollars in thousands)	**Carrying Amount**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**	**Carrying Amount**	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
Financial Assets:										
Cash and cash equivalents	$ 13,472	$ 13,472	$ 13,472	$ -	$ -	$ 19,011	$ 19,011	$19,011	$ -	$ -
Investment securities:										
Available-for-sale	79,602	79,602	-	79,602	-	70,540	70,540	-	70,540	-
Held-to-maturity	13,475	10,724	-	10,724	-	13,461	11,227	-	11,227	-
Loans receivable, net	131,800	121,208	-	-	121,208	142,796	132,742	-	-	132,742
Bank-owned life insurance	13,617	13,617	-	13,617	-	14,026	14,026	-	14,026	-
Financial Liabilities:										
Deposits	165,094	163,797	-	163,797	-	165,622	164,710	-	164,710	-
Borrowed funds	9,198	8,484	-	8,484	-	19,378	18,807	-	18,807	-

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.

29 26

Table of Contents

NOTE 11. 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 September 30, 2023 March 31, 2024, 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 September 30, 2023, the allowance for credit losses for unfunded lending commitments totaled $280,000. Total unfunded lending commitments amounted to $33.5 million and $22.8 million at September 30, 2023 and December 31, 2022, respectively.

Table of Contents

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 September 30, 2023 March 31, 2024 and for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 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 December 31, 2023.

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 COVID-19, 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 credit 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;

Table of Contents

- 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;

Table of Contents

- 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.

Table of Contents

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 stockform 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, Federal Reserve Bank of Atlanta, 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 In 2021, we 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 September 30, 2023, total assets were $257.9 million, including total loansThe following is an overview of $135.7 million and total investment securities of $85.3 million, total deposits were $165.2 million and total shareholders' equity was $82.2 million. The Company reported net income of $170,000financial results for the three months ended September 30, 2023, and $282,000 for the nine months ended September 30, 2023. For the same three and nine-month periods in 2022, the Company reported net income of $135,000 and $9,000, 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 $28,000 and $270,000 for the three and nine months ended September 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. The Company will receive and recognize as income a $437,000 BEA Program grant during the fourth quarter of 2023. Consulting fees associated with obtaining the grant total $66,000 and will be expensed in the same period. March 31, 2024:

- Total assets of $282.0 million at March 31, 2024, up $11.1 million or 4.1% from December 31, 2023
- Loans of $143.5 million, or 50.9% of total assets, at March 31, 2024, down $1.4 million or 1.0% from December 31, 2023
- Non-performing assets of $1.7 million at March 31, 2024, down $332,000 or 16.2% from December 31, 2023
- Investment securities of $39.0 million, or 13.8% of total assets, at March 31, 2024, down $45.0 million or 53.6% from December 31, 2023
- Deposits of $169.6 million at March 31, 2024, up $4.0 million or 2.4% from December 31, 2023
- Borrowings of $29.4 million at March 31, 2024, up $10.0 million or 51.8% from December 31, 2023
- Total shareholders' equity of $81.4 million, or 28.8% of total assets, at March 31, 2024, down $3.3 million or 3.9% from December 31, 2023
- Net interest income of $2.1 million, up $142,000 or 7.2%, and net interest margin of 3.15%, up 5 basis points ("bps") compared to the first three months of 2023
- Loss on the sales of investment securities of $5.5 million
- Non-interest expense of $2.8 million, up $606,000 or 27.7% compared to the first three months of 2023, primarily due to expenses related to the Company's upgrade to a new core processing system.
- Net loss of $4.7 million

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 credit 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.

Table of Contents

Critical Accounting Policies and Estimates

In reviewing Critical accounting policies are defined as those that are reflective of significant judgments and understanding financial information for uncertainties and could reflect materially different results under different assumptions and conditions. Methodologies the Company you are encouraged to read and understand the significant uses when applying critical accounting policies used in preparing our financial statements. These policies and developing critical estimates are described in Note 1 of the notes to our consolidated financial statements included in the Company's its Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2022 December 31, 2023. Any changes to our significant Our accounting policies are described in Note 1 to the unaudited, consolidated financial statements included in Item 1 of this Form 10-Q. Our accounting for allowance for credit losses, investment securities, 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 policiestaxes comprise those that management believes areinvolve the most critical toestimates and 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

During the period or in future periods.

Allowance for Credit Losses. We have identifiedthree months ended March 31, 2024, the evaluationmeasurement of the allowance for credit lossesCompany's deferred income tax assets and liabilities was identified as a critical accounting policy where amountsestimate. Deferred income tax assets and liabilities are sensitivedetermined based on the tax effects of the temporary differences between the book and tax bases of the various assets and liabilities and gives current recognition to material variation. On January 1, 2023changes in tax rates and laws. At March 31, 2024, 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 thatCompany's net deferred tax asset totaled $1.8 million and 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 liabilitiesassets on the statement of financial condition. TheAccording to Subtopic 740-10 of the Accounting Standards Codification ("ASC 740-10"), the measurement of deferred tax assets is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realized. At March 31, 2024, the Company has not recorded a valuation 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 $2.0 million, or 1.50% of total loans, at September 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 lossesits deferred tax assets. Realizing our deferred tax assets principally depends upon our achieving projected future taxable income. We may change our judgments regarding future profitability 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 economicmarket 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 estimatesother factors. We 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 allowanceadjust our deferred tax asset balances if our judgments change, which 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 earningstotal income tax expense in future periods.

TableThere were no other material changes from the significant accounting policies or critical accounting estimates previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023. 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 Contents

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 atmanagement, necessary for a 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 2statement of the fair value hierarchy. At September 30, 2023 and December

31, 2022, net unrealized losses on available-for-sale securities totaled $12.8 million and $11.5 million, respectively. Unrealized losses on our available-for-sale securities relate principally to the increases in market rates Company's financial condition, results 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 September 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 operations, comprehensive income, as unrealized holding gains changes in equity and losses, net cash flows for the interim periods presented. These adjustments are of tax. Under former GAAP, we assessed our investment securities for other-than-temporary impairment a normal recurring nature 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 include appropriate 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 declines 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, and 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.

provisions.

Table of Contents

Comparison of Financial Condition at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023

Total Assets. Total assets decreased $5.4 million increased $11.1 million, or 2.1% 4.1%, to $257.9 million $282.0 million at September 30, 2023 March 31, 2024 from $263.3 million $270.9 million at December 31, 2022 December 31, 2023. The decrease increase was primarily due to additional borrowings under the amortization of our investment securities portfolio. The Company has not purchased investment securities since the fourth quarter of 2022. Bank Term Funding Program ("BTFP").

Loans. Total loans increased by $2.1 million, or 1.5%, to $135.7 million at September 30, 2023, compared to $133.6 million at December 31, 2022. During the nine months ended September 30, 2023, loan growth was largely driven by commercial and industrial loans, partially offset by net pay-downs in one- to four-family residential real estate loans.

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. Approximately 64% of our real estate loans have adjustable rates and, of our total real estate loans, approximately $54.7 million, or 48%, are scheduled to re-price or mature during the next 12 months.

Our non-real estate loans primarily consist of commercial and industrial loans. This segment of the portfolio largely consists of loans to local businesses involved in industrial manufacturing and equipment, communications, and professional services. Approximately 34% of our commercial and industrial loans have adjustable rates and, of total commercial and industrial loans, approximately $9.1 million, or 47%, 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.

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023

(Dollars in thousands)	Amount	%	Amount	%	Change		Amount	%	Amount	%	Change	
Real estate loans												
One- to four-family residential	$ 83,973	61.9 %	$ 87,508	65.5 %	$ (3,535)	(4.0)%	$ 81,686	56.9 %	$ 83,623	57.7 %	$(1,937)	(2.3)%
Commercial real estate	19,113	14.1	19,437	14.5	(324)	(1.7)	21,130	14.7	21,478	14.8	(348)	(1.6)
Construction and land	6,622	4.9	6,172	4.6	450	7.3	19,369	13.5	13,857	9.6	5,512	39.8
Multi-family residential	3,424	2.5	3,200	2.4	224	7.0	3,061	2.1	3,373	2.3	(312)	(9.2)
Total real estate loans	113,132	83.4	116,317	87.0	(3,185)	(2.7)	125,246	87.2	122,331	84.4	2,915	2.4
Other loans												
Commercial and industrial	19,634	14.5	13,843	10.4	5,791	41.8	15,711	10.9	19,984	13.8	(4,273)	(21.4)
Consumer	2,906	2.1	3,447	2.6	(541)	(15.7)	2,534	1.9	2,605	1.8	(71)	(2.7)
Total other loans	22,540	16.6	17,290	13.0	5,250	30.4	18,245	12.8	22,589	15.6	(4,344)	(19.2)
Total loans	$ 135,672	100.0 %	$ 133,607	100.0 %	$ 2,065	1.5	$143,491	100.0 %	$144,920	100.0 %	$(1,429)	(1.0)

During the three months ended March 31, 2024, strong construction loan growth was offset primarily by net declines in our commercial and industrial and residential loan portfolios. Construction loan growth was largely driven by multi-family residential development and additional fundings on several existing construction loans.

The following table summarizes the composition of our construction and land loan balances and commitments, including the related undisbursed amounts for construction projects in process as of March 31, 2024.

(Dollars in thousands)	Loan Balance	Undisbursed	Total Commitment
Commercial construction and land loans			
Multi-family residential	$ 4,782	$ 3,218	$ 8,000
Retail	711	4,769	5,480
Health service facilities	2,749	2,663	5,412
Hospitality	2,716	700	3,416
Residential subdivision development	813	9	822
Commercial land	297	-	297
Other commercial construction and development	3,790	289	4,079
Total commercial construction and land	$ 15,858	$ 11,648	$ 27,506
Consumer construction and land loans			
Residential construction	2,851	1,241	4,092
Consumer land	660	-	660
Total consumer construction and land	3,511	1,241	4,752
Total construction and land	$ 19,369	$ 12,889	$ 32,258

Based on total commitment and contractual maturity date, the weighted average term to maturity of our construction and land loan portfolio is approximately 11 months as of March 31, 2024.

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 March 31, 2024, the allowance for loan losses totaled $2.0 million $2.1 million, or 1.51% 1.44% of total loans, compared to $1.8 million, or 1.35% 1.47% of total loans at December 31, 2022 December 31, 2023. At September 30, 2023, the allowance for loan losses totaled $2.0 million, or 1.50% of total loans, and the The allowance for credit losses on unfunded commitments totaled $280,000, $310,000, up $64,000 $53,000 from the date of adoption of ASC 326. December 31, 2023. The total provision for credit losses, on loans and inclusive of the provision for unfunded commitments, was zero for the first nine months quarter of 2023.

2024 totaled $95,000 and was largely attributable to growth in total construction loan commitments.

Table of Contents

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

(Dollars in thousands)	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Year Ended December 31, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Year Ended December 31, 2023
Allowance for loan losses:						
Balance, beginning of period	$ 1,807	$ 2,276	$ 2,276	$ 2,124	$ 1,807	$ 1,807
Impact of adoption of ASC 326	209	-	-	-	209	209
Provision for (reversal of) loan losses	(64)	(375)	(375)			
Provision for loan losses				42	-	87
Net loan recoveries (charge-offs):						
One- to four-family residential	98	(84)	(69)	(80)	56	42
Commercial real estate	-	-	-	(14)	-	-
Construction and land	-	-	-	-	-	-
Multi-family residential	-	-	-	-	-	-
Commercial and industrial	1	(2)	1	-	-	1
Consumer	(15)	(11)	(26)	(4)	(2)	(22)
Total net recoveries (charge-offs)	84	(97)	(94)	(98)	54	21
Balance, end of period	$ 2,036	$ 1,804	$ 1,807	$ 2,068	$ 2,070	$ 2,124
Allowance for credit losses on unfunded lending commitments:						
Balance, beginning of period	$ -	$ -	$ -	$ 257	$ -	$ -
Impact of adoption of ASC 326	216	-	-	-	216	216
Provision for (reversal of) credit losses on unfunded lending commitments	64	-	-			
Provision for credit losses on unfunded lending commitments				53	-	41
Balance, end of period	$ 280	$ -	$ -	$ 310	$ 216	$ 257
Total allowance for credit losses, end of period	$ 2,316	$ 1,804	$ 1,807	$ 2,378	$ 2,286	$ 2,381
Total provision for (reversal of) credit losses	-	(375)	(375)	95	-	128
Total loans at end of period	$ 135,672	$ 131,942	$ 133,607	$ 143,491	$ 132,690	$ 144,920
Total non-accrual loans at end of period	1,961	1,221	1,494	1,453	1,618	1,967
Total non-performing loans at end of period	2,088	1,600	1,685	1,482	1,687	1,991
Total average loans	134,013	132,301	132,503	144,428	133,781	135,713

Allowance for loan losses as a percent of:						
Total loans	1.50 %	1.37 %	1.35 %	1.44 %	1.56 %	1.47 %
Non-accrual loans	103.82	147.75	120.95	142.33	127.94	107.98
Non-performing loans	97.51	112.75	107.24	139.54	122.70	106.68
Net annualized recoveries (charge-offs) as a percent of average loans by portfolio:						
One- to four-family residential	0.15 %	(0.13)%	(0.08)%	(0.39)%	0.26 %	0.05 %
Commercial real estate	-	-	-	(0.27)	-	-
Construction and land	-	-	-	-	-	-
Multi-family residential	-	-	-	-	-	-
Commercial and industrial	0.01	(0.03)	0.01	-	-	0.01
Consumer	(0.63)	(0.36)	(0.66)	(0.63)	(0.24)	(0.71)
Total loans	0.08	(0.10)	(0.07)	(0.27)	0.16	0.02

Table of Contents

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 foreclosed assets at the dates indicated. The increase in non-performing loans over the periods presented below was largely attributable to an increase in past due one- to four-family residential mortgage loans.

(Dollars in thousands)	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Non-accruing loans				
One- to four-family residential	$ 1,868	$ 1,392	$ 1,426	$ 1,875
Commercial real estate	50	51	-	50
Construction and land	43	51	27	42
Multi-family residential	-	-	-	-
Commercial and industrial	-	-	-	-
Consumer	-	-	-	-
Total non-accruing loans	1,961	1,494	1,453	1,967
Accruing loans 90 days or more past due				
One- to four-family residential	127	191	29	24
Commercial real estate	-	-	-	-
Construction and land	-	-	-	-
Multi-family residential	-	-	-	-
Commercial and industrial	-	-	-	-
Consumer	-	-	-	-
Total accruing loans 90 days or more past due	127	191	29	24
Total non-performing loans	2,088	1,685	1,482	1,991
Foreclosed assets	37	320	237	60
Total non-performing assets	$ 2,125	$ 2,005	$ 1,719	$ 2,051
Total loans	$ 135,672	$ 133,607	$143,491	$ 144,920
Total assets	257,908	263,324	282,049	270,932

Total non-accruing loans as a percentage of total loans	1.45 %	1.12 %	1.01 %	1.36 %
Total non-performing loans as a percentage of total loans	1.54	1.26	1.03	1.37
Total non-performing loans as a percentage of total assets	0.81	0.64	0.53	0.73
Total non-performing assets as a percentage of total assets	0.82	0.76	0.61	0.76

Non-performing loans totaling $275,000 as of December 31, 2023 were paid-off or returned to accrual status during the three months ended March 31, 2024.

Table of Contents

Investment Securities*.* Total investment securities available-for-sale and held-to-maturity, amounted to $85.3 million were $39.0 million at September 30, 2023 March 31, 2024, down $7.8 million $45.0 million, or 8.4% 53.6%, compared to $93.1 million in investment securities $84.0 million at December 31, 2022 December 31, 2023. Net unrealized losses on securities available-for-sale totaled $12.8 million $4.6 million at September 30, 2023 March 31, 2024, compared to $11.5 million $9.2 million at December 31, 2022 December 31, 2023. Unrealized losses on available-for-sale securities relate principally to increases in market interest rates for similar securities. At September 30, 2023, 86.3% of total investment securities, based on amortized cost, or $84.6 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 nine months ended September 30, 2023, investment security maturities, calls and principal repayments totaled $6.3 million.

The Company has not purchased investment securities since the fourth quarter of 2022. We have also not During the three months ended March 31, 2024, the Company sold or reclassified 50 available-for-sale investment securities since for a total pre-tax loss of $5.5 million. Proceeds from the Federal Reserve Board began raising interest rates in March 2022. sales totaled $42.6 million, inclusive of accrued interest.

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 September 30, 2023 March 31, 2024.

	Contractual Maturity as of September 30, 2023					Contractual Maturity as of March 31, 2024				
(Dollars in thousands)	One Year or Less	After One Through Five Years	After Five Through Ten Years	Over Ten Years	Total	One Year or Less	After One Through Five Years	After Five Through Ten Years	Over Ten Years	Total
Total investment securities										
Mortgage-backed securities	$ -	$ 3,513	$ 12,005	$ 52,086	$ 67,604	$ -	$2,041	$ 537	$24,098	$26,676
U.S. Government and agency obligations	1,000	9,985	9,000	4,004	23,989	1,000	2,000	7,000	4,002	14,002
Municipal obligations	-	1,822	3,002	1,650	6,474	700	455	624	1,085	2,864
Total	$ 1,000	$ 15,320	$ 24,007	$ 57,740	$ 98,067	$1,700	$4,496	$8,161	$29,185	$43,542
Weighted average yield										
Mortgage-backed securities	- %	2.92 %	1.85 %	1.62 %	1.73 %	- %	4.18 %	4.52 %	1.83 %	2.06 %
U.S. Government and agency obligations	0.50	1.08	1.26	2.37	1.34	0.92	1.00	1.31	2.37	1.54
Municipal obligations	-	1.11	2.56	1.41	1.86	0.80	1.12	4.90	1.41	1.97
Total weighted average yield	0.50	1.50	1.72	1.67	1.64	0.87	2.45	1.79	1.88	1.89

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 $41.7 million and $18.7 million, respectively, were pledged to secure public fund deposits in excess of the FDIC's insurance limit at September 30, 2023 and December 31, 2022.

Table of Contents

Deposits. Total deposits were $165.2 million at September 30, 2023, up $126,000, or 0.1%, compared to December 31, 2022. The following table presents total deposits by account type for the dates indicated.

	September 30, 2023			December 31, 2022				
(Dollars in thousands)	**Amount**		**%**	**Amount**		**%**	**Change**	
Non-interest-bearing demand deposits	$	33,222	20.1 %	$	33,657	20.4 %	$ (435)	(1.3)%
Interest-bearing demand deposits		38,881	23.5		36,991	22.4	1,890	5.1
Money market		15,473	9.4		15,734	9.5	(261)	(1.7)
Savings		27,237	16.5		26,209	15.9	1,028	3.9
Certificates of deposit		50,407	30.5		52,503	31.8	(2,096)	(4.0)
Total deposits	$	165,220	100.0 %	$	165,094	100.0 %	$ 126	0.1

	March 31, 2024			December 31, 2023				
(Dollars in thousands)	**Amount**		**%**	**Amount**		**%**	**Change**	
Non-interest-bearing demand deposits	$	28,836	17.0 %	$	28,183	17.0 %	$ 653	2.3 %
Interest-bearing demand deposits		35,374	20.9		36,867	22.3	(1,493)	(4.0)
Money market		14,712	8.7		15,126	9.1	(414)	(2.7)
Savings		33,675	19.9		31,518	19.0	2,157	6.8
Certificates of deposit		57,040	33.5		53,928	32.6	3,112	5.8
Total deposits	$	169,637	100.0 %	$	165,622	100.0 %	$ 4,015	2.4

The increase in interest-bearing demand ratio of the Company's total loans to total deposits was 84.6% and decline in certificates 87.5% as of deposit were mainly due to changes in the balance of our public fund deposits. Overall, our March 31, 2024 and December 31, 2023, respectively.

Total public fund deposits consist primarily amounted to $22.7 million, or 13% of non-interest bearing total deposits, at March 31, 2024, compared to $23.3 million, or 14% of total deposits, at December 31, 2023. At March 31, 2024, approximately 78% of our total public fund deposits consisted of non-interest-bearing and interest-bearing demand deposits from municipalities within our market. Our public fund deposits totaled $26.4 million, or 16.0% of total deposits, at September 30, 2023, compared to $21.0 million, or 12.7% of total deposits, at December 31, 2022. The increase in savings deposits was primarily driven by commercial deposits.

Our total uninsured deposits (that is deposits in excess of the FDIC's insurance limit), inclusive of public funds, were approximately $45.2 million $41.7 million at September 30, 2023 March 31, 2024 and $43.4 million $44.6 million at December 31, 2022 December 31, 2023. Total uninsured non-public fund funds deposits were approximately $23.9 million and $26.9 million $26.3 million at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively. The At March 31, 2024, the full amount of our public fund deposits in excess of the FDIC's insurance limit are were secured by pledging either pledged investment securities. securities of $23.0 million or $34.0 million of a custodial letter of credit granted by the Federal Home Loan Bank of Dallas.

Borrowings. Our Total borrowings which consist at March 31, 2024 were $29.4 million, up $10.0 million from December 31, 2023. During the three months ended March 31, 2024, the Bank increased its borrowings from the Federal Reserve Bank of Atlanta through the BTFP. At March 31, 2024, the Bank had one $20.0 million BTFP advance outstanding with a contractual interest rate of 4.76% and a maturity date of January 15, 2025.

Other borrowings outstanding consisted of FHLB advances amounted to $9.3 milliontotaling $9.4 million at March 31, 2024 and $9.2 million at September 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.December 31, 2023. Deferred prepayment penalties on our FHLB advances totaled $667,000$577,000 and $802,000$622,000 at September 30, 2023March 31, 2024 and December 31, 2022December 31, 2023, respectively.

Shareholders' Equity. Shareholders' equity totaled $82.2 million$81.4 million, or 31.9%28.8% of total assets, at September 30, 2023March 31, 2024, down $6.3 million$3.3 million, or 7.1%3.9%, from $88.5 million$84.7 million, or 33.6%31.2% of total assets, at December 31, 2022December 31, 2023. During the first ninethree months of 2023,2024, shareholders' equity decreased by $5.3 million$2.5 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 nine months ended September 30, 2023, the Company repurchased 441,710202,997 shares of its common stock at an average cost per share of $12.08.$12.12 during the three months ended March 31, 2024 under its November 2023 Repurchase Plan. At September 30, 2023March 31, 2024, 75,290the Company had common shares outstanding of 4,558,329 and 25,329 of those shares were available for repurchase under the AprilNovember 2023 Repurchase Plan. The Company completed the November 2023 Repurchase Plan in April 2024.

On May 2, 2024, The Company announced that its Board of Directors approved the Company's fourth share repurchase plan (the "May 2024 Repurchase Plan"). Under the May 2024 Repurchase Plan, the Company may purchase up to 227,000 shares, or approximately 5%, of the Company's outstanding shares of common stock.

Table of Contents

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 September 30,						Three Months Ended March 31,					
	2023			2022			2024			2023		
(Dollars in thousands)	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest-earning assets:												
Loans receivable(1)	$ 134,851	$ 1,852	5.45 %	$ 131,827	$ 1,466	4.41 %	$144,428	$ 2,214	6.17 %	$133,781	$ 1,629	4.94 %
Investment securities(TE)(2)	99,373	403	1.64	104,403	381	1.48	76,432	325	1.72	103,739	427	1.66
Other interest-earning assets	16,915	214	5.02	34,547	185	2.12	48,779	616	5.08	19,820	211	4.33
Total interest-earning assets(TE)	251,139	2,469	3.91	270,777	2,032	2.99	269,639	3,155	4.71	257,340	2,267	3.57
Non-interest-earning assets	13,918			17,467			16,792			14,636		
Total assets	$ 265,057			$ 288,244			$286,431			$271,976		
Interest-bearing liabilities:												
NOW, money market and savings accounts	83,051	154	0.73	91,738	29	0.13						

Demand deposits, money market and savings accounts							89,109	317	1.43	90,972	81	0.36
Certificates of deposit	50,526	274	2.15	59,833	64	0.43	57,092	437	3.08	51,528	152	1.20
Total interest-bearing deposits	133,577	428	1.27	151,571	93	0.24	146,201	754	2.07	142,500	233	0.66
FHLB advances	9,306	69	2.93	9,126	69	2.99						
Borrowings							27,991	293	4.21	9,216	68	2.96
Total interest-bearing liabilities	142,883	497	1.38	160,697	162	0.40	174,192	1,047	2.42	151,716	301	0.80
Non-interest-bearing liabilities	38,153			34,591			29,844			32,872		
Total liabilities	181,036			195,288			204,036			184,588		
Shareholders' equity	84,021			92,956			82,395			87,388		
Total liabilities and shareholders' equity	$ 265,057			$ 288,244			$ 286,431			$ 271,976		
Net interest-earning assets	$ 108,256			$ 110,080			$ 95,447			$ 105,624		
Net interest income; average interest rate spread(TE)		$ 1,972	2.53 %		$ 1,870	2.59 %		$ 2,108	2.29 %		$ 1,966	2.77 %
Net interest margin(TE)(3)			3.13			2.75			3.15			3.10
Average interest-earning assets to average interest-bearing liabilities			175.77			168.50			154.79			169.62

(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%.

Table of Contents

	Nine Months Ended September 30,					
	2023			2022		
(Dollars in thousands)	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest-earning assets:						
Loans receivable(1)	$ 134,013	$ 5,172	5.16 %	$ 132,301	$ 4,584	4.63 %
Investment securities(TE)(2)	101,564	1,243	1.65	104,061	1,062	1.37
Other interest-earning assets	18,369	643	4.68	34,735	262	1.01
Total interest-earning assets(TE)	253,946	7,058	3.72	271,097	5,908	2.92
Non-interest-earning assets	14,393			16,150		
Total assets	$ 268,339			$ 287,247		

Interest-bearing liabilities:						
NOW, money market and savings accounts	85,966	376	0.59 %	86,459	77	0.12 %
Certificates of deposit	51,076	636	1.66	63,547	195	0.41
Total interest-bearing deposits	137,042	1,012	0.99	150,006	272	0.24
FHLB advances	9,262	205	2.95	9,080	205	3.00
Total interest-bearing liabilities	146,304	1,217	1.11	159,086	477	0.40
Non-interest-bearing liabilities	36,450			33,565		
Total liabilities	182,754			192,651		
Shareholders' equity	85,585			94,596		
Total liabilities and shareholders' equity	$ 268,339			$ 287,247		
Net interest-earning assets	$ 107,642			$ 112,011		
Net interest income; average interest rate spread(TE)		$ 5,841	2.61 %		$ 5,431	2.52 %
Net interest margin(TE)(3)			3.08			2.68
Average interest-earning assets to average interest-bearing liabilities			173.57			170.41

(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%.

Table of Contents

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 September 30, 2023 vs 2022			Nine Months Ended September 30, 2023 vs 2022			Three Months Ended March 31, 2024 vs 2023		
	Increase (Decrease) Due to		Total Increase	Increase (Decrease) Due to		Total Increase	Increase (Decrease) Due to		Total Increase
(Dollars in thousands)	**Rate**	**Volume**	**(Decrease)**	**Rate**	**Volume**	**(Decrease)**	**Rate**	**Volume**	**(Decrease)**
Interest income:									
Loans receivable	$ 351	$ 35	$ 386	$ 528	$ 60	$ 588	$ 448	$ 137	$ 585
Investment securities	41	(19)	22	207	(26)	181	36	(138)	(102)
Other interest-earning assets	161	(132)	29	557	(176)	381	43	362	405
Total interest income	553	(116)	437	1,292	(142)	1,150	527	361	888
Interest expense:									
NOW, money market and savings accounts	128	(3)	125	299	-	299			
Demand deposits, money market and savings accounts							237	(1)	236
Certificates of deposit	221	(11)	210	486	(45)	441	267	18	285
Total deposits	349	(14)	335	785	(45)	740	504	17	521
FHLB advances and other borrowings	(1)	1	-	(4)	4	-			

Borrowings							110	115	225
Total interest expense	348	(13)	335	781	(41)	740	614	132	746
Increase (decrease) in net interest income	$ 205	$ (103)	$ 102	$ 511	$ (101)	$ 410	$ (87)	$ 229	$ 142

Table of Contents

Comparison of Results of Operations for the Three Months Ended September 30, 2023 March 31, 2024 and 2022. 2023.

General. For the three months ended September 30, 2023 and 2022, March 31, 2024, the Company reported a net loss of $4.7 million, compared to net income of $170,000 and $135,000, respectively. $73,000 for the three months ended March 31, 2023. Net interest income was up $102,000, $142,000, or 5.5% 7.2%, for the three months ended September 30, 2023 March 31, 2024, compared to the same period in 2022. 2023. The provision for credit losses totaled zero $95,000 for the three months ended September 30, 2023 March 31, 2024, compared to a reversal of loan losses of $115,000 no provision for the same period in 2022. 2023. Non-interest income was down $5.5 million for the three months ended March 31, 2024, compared to the same period in 2023, primarily due to losses on the sales of investment securities. Total non-interest expense for the three months ended September 30, 2023 March 31, 2024 was down $52,000, up $606,000, or 2.4% 27.7%, from the same period in 2022. 2023 primarily due to expenses related to the Company's upgrade to a new core processing system.

Interest Income. Total interest income increased $437,000, $888,000, or 21.5% 39.2%, to $2.5 million $3.2 million for the three months ended September 30, 2023, compared to the three months ended September 30, 2022. Interest income on loans, investment securities, and other interest-earning assets were up by $386,000, $22,000, and $29,000, respectively.

The average loan yield was 5.45% for the three months ended September 30, 2023, up from 4.41% for the three months ended September 30, 2022. Average loans were $134.9 million for the three months ended September 30, 2023, up $3.0 million, or 2.3% March 31, 2024, compared to the same period in 2022. 2023. Interest income on loans and other interest-earning assets were up $585,000 and $405,000, respectively. These increases were partially offset by a decrease in interest income on investment securities of $102,000.

The average loan yield was 6.17% for the three months ended March 31, 2024, up from 4.94% for the same period in 2023. Average loans were $144.4 million for the three months ended March 31, 2024, up $10.6 million, or 8.0%, compared to the same period in 2023. At September 30, 2023 March 31, 2024, approximately 59% 52% of our total loans have adjustable rates and approximately 48% 49% of total loans are scheduled to re-price or mature during the next 12 months.

The increase decrease in interest income on investment securities was primarily due to an increase the decrease in the average rate earned on our balance of total investment securities portfolio. due to the sales executed during the three months ended March 31, 2024. The average rate earned on our investment securities portfolio was 1.64% 1.72% for the three months ended September 30, 2023 March 31, 2024, up 16 six basis points compared to 1.48% for the same period in 2022. 2023.

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

Interest Expense. Total interest expense increased $335,000, $746,000, or 206.8% 247.8%, to $497,000 $1.0 million for the three months ended September 30, 2023 March 31, 2024, compared to $162,000 $301,000 for the three months ended September 30, 2022. same period in 2023. Interest expense on deposits was $428,000 $754,000 during the three months ended September 30, 2023 March 31, 2024, up $335,000, $521,000, or 360.2% 223.6%, from $93,000 for compared to the three months ended September 30, 2022. same period in 2023. The average rate paid on interest-bearing deposits was 1.27% for 2.07% during the three months ended September 30, 2023 March 31, 2024, up 103 141 basis points from 0.24% for compared to the same period in 2023. Interest expense on borrowings increased by $225,000 during the three months September 30, 2022. ended March 31, 2024 compared to the same period in 2023 due to interest expense on BTFP advances.

Net Interest Income. Net interest income was $2.0 million $2.1 million for the three months ended September 30, 2023 March 31, 2024, up $102,000, $142,000, or 5.5% 7.2%, from the three months ended September 30, 2022. compared to 2023. Our interest rate spread was 2.53% 2.29% and

2.59% 2.77% for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively. Our net interest margin was 3.13% 3.15% and 2.75% 3.10% for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, 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 partially offset by the average rising 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. interest-bearing liabilities.

Provision for Credit Losses. The total provision for credit losses on loans and unfunded commitments was zero $95,000 for the three months ended September 30, 2023 March 31, 2024, compared to a reversal of $115,000 no provision for the same period in 2022. The reversal during 2023. In 2024, the 2022 period primarily reflected the release of reserve builds recorded during 2020 provision 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 losses was largely attributable to risks related to declining government stimulus availability, rising market interest rates, property insurance costs growth in Louisiana, and inflation. total construction loan commitments.

Table of Contents

Non-interest Income*.* Non-interest income totaled $306,000 for the three months ended September 30, 2023, up $10,000, or 3.4%, March 31, 2024 was down $5.5 million compared to $296,000 $294,000 for the three months ended September 30, 2022, primarily due an increase same period in 2023. Non-interest income for 2024 includes the $5.5 million loss on bank-owned life insurance and other non-interest income. the sales of investment securities discussed previously.

Non-interest Expense. Non-interest expense totaled $2.1 million $2.8 million for the three months ended September 30, 2023 March 31, 2024, down $52,000, up $606,000, or 2.4% 27.7%, compared to the three months ended September 30, 2022 March 31, 2023.

Salaries During the three months ended March 31, 2024, the Company upgraded to a new core processing system and employee benefits incurred $560,000 of data conversion and other associated expenses. Most of these costs are included in data processing and communication expense, totaled $1.1 million which was up $567,000 for the three months ended September 30, 2023, down $27,000, or 2.3%, March 31, 2024 compared to the same period in 2022 primarily 2023. The Company estimates annual savings of greater than $200,000 due to a lower employee count in the 2023 period.

Data upgrade to our new core processing and communication expense totaled $228,000 for the three months ended September 30, 2023, up $12,000, or 5.6%, compared to the same period in 2022 primarily due to an increase in the cost of lending software as a result of increased loan volume in 2023.

Professional fees totaled $100,000 for the three months ended September 30, 2023, down $57,000, or 36.3%, from the same period in 2022 primarily due to a decrease in legal and consulting expense. During the three months ended September 30, 2022, the Company incurred additional professional fees for assistance with the initial grants under our 2022 Stock Option Plan and 2022 Recognition and Retention Plan.

Directors' fees totaled $116,000 for the three months ended September 30, 2023, up $41,000 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.system.

Income Tax Expense. The Company reported an income tax expense benefit of $27,000 and $13,000 $1.3 million for the three months ended September 30, 2023 and 2022, respectively. March 31, 2024 compared to income tax expense of $2,000 for the three months ended March 31, 2023. The increase change in income tax expense taxes over the comparable prior period was largely due to an increase the loss on sales of investment securities in taxable income in 2023. 2024.

Table of Contents

Comparison of Results of Operations for the Nine Months Ended September 30, 2023 and 2022.

General. For the nine months ended September 30, 2023, the Company reported net income of $282,000, compared to $9,000 for the nine months ended September 30, 2022. Net interest income was up $410,000, or 7.5%, for the nine months ended September 30, 2023, compared to the same period in 2022. The provision for credit losses totaled zero for the nine months ended September 30, 2023, compared to a reversal of loan losses of $375,000 for the nine months ended September 30, 2022. During the nine months ended September 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 $270,000 for the nine months ended September 30, 2022. Total non-interest expense for the nine months ended September 30, 2023 was down $261,000, or 3.9%, compared to the same period in 2022.

Interest Income. Total interest income increased $1.1 million, or 19.5%, to $7.1 million for the nine months ended September 30, 2023, compared to the nine months ended September 30, 2022. Interest income on loans, investment securities, and other interest-earning assets were up by $588,000, $181,000, and $381,000, respectively.

The average loan yield was 5.16% for the nine months ended September 30, 2023, up from 4.63% for the nine months ended September 30, 2022. Average loans were $134.0 million for the nine months ended September 30, 2023, up $1.7 million, or 1.3%, compared to the same period in 2022. Interest income on loans for the nine months ended September 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 nine months ended September 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 $740,000, or 155.1%, to $1.2 million for the nine months ended September 30, 2023, compared to $477,000 for the nine months ended September 30, 2022. Interest expense on deposits was $1.0 million during the nine months ended September 30, 2023, up $740,000, or 272.1%, from $272,000 for the nine months ended September 30, 2022. The average rate paid on interest-bearing deposits was 0.99% for the nine months ended September 30, 2023, up 75 basis points from 0.24% for the nine months September 30, 2022.

Net Interest Income. Net interest income was $5.8 million for the nine months ended September 30, 2023, up $410,000, or 7.5%, from the nine months ended September 30, 2022. Our interest rate spread was 2.61% and 2.52% for the nine months ended September 30, 2023 and 2022, respectively. Our net interest margin was 3.08% and 2.68% for the nine months ended September 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 nine months ended September 30, 2023, compared to a reversal of $375,000 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 $917,000 for the nine months ended September 30, 2023, up $45,000, or 5.2%, compared to $872,000 for the nine months ended September 30, 2022. Income from bank-owned life insurance ("BOLI") increased by $84,000, or 38.9%, to $300,000 for the nine months ended September 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 nine months ended September 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.

Table of Contents

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. The Company will receive and recognize as income a $437,000 BEA Program grant during the fourth quarter of 2023.

Non-interest Expense. Non-interest expense totaled $6.5 million for the nine months ended September 30, 2023, down $261,000, or 3.9%, compared to the nine months ended September 30, 2022. Total non-interest expense for the nine months ended September 30, 2022 included $215,000 of rebranding-related expenses.

Salaries and employee benefits expense totaled $3.5 million for the nine months ended September 30, 2023, down $125,000, or 3.4%, compared to the same period in 2022 primarily due to a lower employee count, a decline in ESOP expense 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 $202,000 for the nine months ended September 30, 2023, compared to $27,000 for the nine months ended September 30, 2022.

Directors' fees for the nine months ended September 30, 2023 included $184,000 of stock compensation expense, compared to $20,000 for the nine months ended September 30, 2022. Total directors' fees were $345,000 for the nine months ended September 30, 2023, up $160,000 compared to the same period in 2022.

Professional fees totaled $346,000 for the nine months ended September 30, 2023, down $126,000, or 26.7%, from the same period in 2022 primarily due to a decrease in consulting and legal expenses. The Company incurred professional fees in 2022 for assistance with the initial grants under our 2022 Stock Option Plan and 2022 Recognition and Retention Plan. Also, professional fees of $26,000 were incurred for assistance with the BEA Program grant application during the 2022 period. Professional fees associated with obtaining our 2023 BEA grant total $66,000 and will be expensed in the fourth quarter of 2023.

Foreclosed assets expense totaled $67,000 for the nine months ended September 30, 2023, compared to zero for the same period in 2022. The Company realized a loss of $62,000 on the sale of real estate held as foreclosed assets during the nine months ended September 30, 2023. The real estate had a carrying value of $320,000 at December 31, 2022.

Advertising and marketing expense totaled $77,000 for the nine months ended September 30, 2023, down $110,000 from the comparable period in 2022. Advertising and marketing expense for the nine months ended September 30, 2022 included rebranding-related expenses of $124,000.

Franchise and shares tax expense totaled $71,000 for the nine months ended September 30, 2023, a decrease of $60,000, or 45.8%, 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 income tax expense of $19,000 for the nine months ended September 30, 2023 and an income tax benefit of $49,000 for the nine months ended September 30, 2022. The change in income taxes over the comparable nine-month periods was primarily due to the increase in taxable earnings during 2023.

Table of Contents

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, Federal Reserve Bank of Atlanta, and our primary correspondent bank.

At September 30, 2023March 31, 2024, our borrowed funds consisted of outstandinga $20 million BTFP advance and FHLB advances from the FHLB with a carrying value of $9.3 million$9.4 million. We hadThe table below summarizes our unused and available capacity to borrow $48.0 million from the FHLB and $17.8 million from our primary correspondent bank at such date. In addition, securities held by the Bank with a total par valueliquidity sources as of $35.7 million and fair value of $30.2 million were available to pledge as collateral for borrowings from the Federal Reserve at September 30, 2023March 31, 2024.

(Dollars in thousands)	3/31/2024
Advances from the Federal Home Loan Bank of Dallas	$ 31,786
Line of credit with primary correspondent bank	17,800
Unpledged available-for-sale investment securities, at fair value	11,663
Total unused and available liquidity	$ 61,249

The Company also has a $20.0 million$40.0 million custodial letter of credit outstanding from the FHLB as of September 30, 2023March 31, 2024, 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. During the three months ended March 31, 2024, the Company used $34.0 million of this letter of credit to collateralize public fund deposits as we executed the investment securities sales discussed previously.

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. NetThe most significant uses and sources of cash provided by operating activities was $1.1 millionflows during the three months ended March 31, 2024 included: $44.1 million in proceeds from maturities, paydowns, and sales of investment securities, $10.0 million in proceeds from BTFP advances, $4.0 million of inflows from growth in total deposits and $2.5 million in outflows for the nine months ended September 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 nine months ended September 30, 2023. Net cash used in financing activities, consistingrepurchase of the net change in deposits and purchases ofCompany's common stock, was $5.6 million for the nine months ended September 30, 2023. stock.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position daily 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 our secondary funding sources.

The Bank exceeded all regulatory capital requirements and was categorized as well-capitalized at September 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 September 30, 2023				
Common Equity Tier 1 Capital	$ 78,925	54.97 %	$ 9,332	>6.5 %
Tier 1 Risk-Based Capital	78,925	54.97	11,486	>8.0
Total Risk-Based Capital	80,726	56.23	14,357	>10.0
Tier 1 Leverage Capital	78,925	31.08	12,697	>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

Table of Contents

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 September 30, 2023 March 31, 2024.

(Dollars in thousands)	Total Amounts Committed at September 30, 2023	Amount of Commitment Expiration — Per Period To 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years	Total Amounts Committed at March 31, 2024	Amount of Commitment Expiration — Per Period To 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years
Commitments to originate loans	$ 11,421	$ 11,421	$ -	$ -	$ -	$ 3,711	$ 3,711	$ -	$ -	$ -
Undisbursed portion of construction loans in process	6,227	1,978	4,249	-	-	12,072	9,527	2,545	-	-
Unused lines of credit	14,705	12,397	1,733	-	575	22,884	19,008	2,657	-	1,219
Unused overdraft privilege amounts	1,132	-	-	-	1,132	1,126	-	-	-	1,126
Letters of credit	2	2	-	-	-	2	2	-	-	-
Total commitments	$ 33,487	$ 25,798	$ 5,982	$ -	$ 1,707	$ 39,795	$ 32,248	$ 5,202	$ -	$ 2,345

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 September 30, 2023, the allowance for credit losses on unfunded commitments totaled $280,000.

The following table summarizes our contractual cash obligations at September 30, 2023 March 31, 2024.

(Dollars in thousands)	Total at September 30, 2023	Payments Due By Period To 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years	Total at March 31, 2024	Payments Due By Period To 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years
Certificates of deposit	$ 50,407	$ 42,152	$ 7,328	$ 927	$ -	$57,040	$ 50,225	$ 6,145	$ 670	$ -
FHLB advances	10,000	-	3,000	3,000	4,000					
Borrowings						30,000	20,000	3,000	7,000	-
Total term debt	$ 60,407	$ 42,152	$ 10,328	$ 3,927	$ 4,000	$87,040	$ 70,225	$ 9,145	$ 7,670	$ -

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 borrowings from our secondary funding sources or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

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 September 30, 2023 March 31, 2024, 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 September 30, 2023 March 31, 2024, 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 September 30, 2023 March 31, 2024, 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.

Table of Contents

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 September 30, 2023 March 31, 2024, 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 September 30, 2023 March 31, 2024 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	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
July 31, 2023	13,528	$ 12.15	13,528	143,014				
August 31, 2023	16,634	12.07	16,634	126,380				
September 30, 2023	51,090	12.19	51,090	75,290				
January 31, 2024					111,282	$ 11.96	111,282	117,044
February 29, 2024					67,055	11.98	67,055	49,989
March 31, 2024					24,660	11.81	24,660	25,329
Total	81,252	$ 12.16	81,252		202,997	$ 11.95	202,997	

The January November 2023 Repurchase Plan was announced on January 26, 2023 November 21, 2023, and authorized the Company to repurchase up to 265,000 240,000 shares, or approximately 5% of the Company's common stock. At March 31, 2024, 25,329 shares were available for repurchase under the November 2023 Repurchase Plan. The Company completed repurchases under the January November 2023 Repurchase Plan in April 2023. 2024.

On April 27, 2023 May 2, 2024, the The Company announced that its Board of Directors approved the approval of its second Company's fourth share repurchase plan (the "April 2023 "May 2024 Repurchase Plan"). Under the April 2023 May 2024 Repurchase Plan, the Company may purchase up to 252,000 227,000 shares, or approximately 5%, of the Company's outstanding shares of common stock. At September 30, 2023, 75,290 shares were available for repurchase under the April 2023 Repurchase Plan. As of November 6, 2023, the Company completed repurchases 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.

Table of Contents

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)

Table of Contents

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: November 9, 2023 May 15, 2024	By: /s/ Joseph B. Zanco Joseph B. Zanco President and Chief Executive Officer *(Duly Authorized Officer)*
Date: November 9, 2023 May 15, 2024	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: November 9, 2023 May 15, 2024

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: November 9, 2023 May 15, 2024

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 September 30, 2023 March 31, 2024, 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: November 9, 2023 May 15, 2024

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

Date: November 9, 2023 May 15, 2024

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

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.