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DELTA REPORT

10-Q

CATALYST BANCORP, INC.

10-Q - MARCH 31, 2023 COMPARED TO 10-Q - SEPTEMBER 30, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	1209
CHANGES	244
DELETIONS	486
ADDITIONS	479

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, 2022** **March 31, 2023**

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

Commission file number: **001-40893**

CATALYST BANCORP, INC.

(Exact name of registrant as specified in its charter)

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

235 N. Court Street, Opelousas, Louisiana 70570

(Address of principal executive offices; Zip Code)

(337) 948-3033

(Registrant’s telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

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

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

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

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

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

There were 5,290,000 4,967,797 shares of Registrant's common stock, par value of $0.01 per share, issued and outstanding as of November 4, 2022 May 10, 2023.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(Dollars in thousands)	(Unaudited) September 30, 2022	December 31, 2021	(Unaudited) March 31, 2023	December 31, 2022
ASSETS				
Non-interest-bearing cash	$ 4,558	$ 4,933	$ 3,531	$ 5,092
Interest-bearing cash and due from banks	31,639	35,951	23,996	8,380
Total cash and cash equivalents	36,197	40,884	27,527	13,472
Investment securities:				
Securities available-for-sale, at fair value	78,563	88,339	78,937	79,602
Securities held-to-maturity (fair values of $10,794 and $13,152, respectively)	13,480	13,498		
Securities held-to-maturity (fair values of $11,119 and $10,724, respectively)			13,471	13,475
Loans receivable, net of unearned income	131,701	131,842	132,690	133,607
Allowance for loan losses	(1,804)	(2,276)	(2,070)	(1,807)
Loans receivable, net	129,897	129,566	130,620	131,800
Accrued interest receivable	566	579	675	673
Foreclosed assets	320	340	320	320
Premises and equipment, net	6,392	6,577	6,202	6,303
Stock in correspondent banks, at cost	1,799	1,793	1,823	1,808
Bank-owned life insurance	13,519	3,303	13,714	13,617
Other assets	2,681	470	2,539	2,254
TOTAL ASSETS	$ 283,414	$ 285,349	$ 275,828	$ 263,324
LIABILITIES				
Deposits				
Non-interest-bearing	$ 31,988	$ 30,299	$ 35,483	$ 33,657
Interest-bearing	152,239	146,496	144,229	131,437
Total deposits	184,227	176,795	179,712	165,094
Advances from Federal Home Loan Bank	9,153	9,018	9,243	9,198
Other liabilities	706	1,190	747	558
TOTAL LIABILITIES	194,086	187,003	189,702	174,850
SHAREHOLDERS' EQUITY				
Preferred stock, $0.01 par value - 5,000,000 shares authorized; none issued	-	-	-	-
Common stock, $0.01 par value - 30,000,000 shares authorized; 5,290,000 issued and outstanding	53	53		
Common stock, $0.01 par value; 30,000,000 shares authorized; 5,058,612 and 5,290,000 issued and outstanding at March 31, 2023 and December 31, 2022, respectively			51	53
Additional paid-in capital	50,902	50,802	48,259	51,062
Unallocated common stock held by Employee Stock Ownership Plan ("ESOP")	(4,020)	(4,179)		
Unallocated common stock held by benefit plans			(6,664)	(6,307)
Retained earnings	52,379	52,353	52,478	52,740

Accumulated other comprehensive income (loss)	(9,986)	(683)	(7,998)	(9,074)
TOTAL SHAREHOLDERS' EQUITY	89,328	98,346	86,126	88,474
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 283,414	$ 285,349	$ 275,828	$ 263,324

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

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

(Dollars in thousands)	**Three Months Ended September 30, 2022**	**Three Months Ended September 30, 2021**	**Nine Months Ended September 30, 2022**	**Nine Months Ended September 30, 2021**	**Three Months Ended March 31, 2023**	**Three Months Ended March 31, 2022**
INTEREST INCOME						
Loans receivable, including fees	$ 1,466	$ 1,671	$ 4,584	$5,344	$1,629	$1,563
Investment securities	381	172	1,062	434	427	329
Other	185	13	262	37	211	19
Total interest income	2,032	1,856	5,908	5,815	2,267	1,911
INTEREST EXPENSE						
Deposits	93	124	272	414	233	92
Advances from Federal Home Loan Bank	69	68	205	204	68	68
Total interest expense	162	192	477	618	301	160
Net interest income	1,870	1,664	5,431	5,197	1,966	1,751
Provision for (reversal of) loan losses	(115)	-	(375)	(286)		
Net interest income after provision for (reversal of) loan losses	1,985	1,664	5,806	5,483		
Provision for (reversal of) credit losses					-	(71)
Net interest income after provision for (reversal of) credit losses					1,966	1,822
NON-INTEREST INCOME						
Service charges on deposit accounts	192	165	542	448	183	168
Gain (loss) on disposals and sales of fixed assets	-	-	(77)	25		
Bank-owned life insurance	97	22	216	67	97	21
Federal community development grant	-	1,826	171	1,826		
Other	7	12	20	36	14	8
Total non-interest income	296	2,025	872	2,402	294	197
NON-INTEREST EXPENSE						
Salaries and employee benefits	1,168	1,084	3,647	3,331	1,203	1,261
Occupancy and equipment	203	200	640	554	213	210
Data processing and communication	216	201	666	556	227	208
Professional fees	157	88	472	255	129	140
Directors' fees	75	70	185	211	115	55
ATM and debit card	76	48	184	137	58	49
Foreclosed assets, net	(2)	39	(21)	74	2	(4)
Advertising and marketing	36	14	187	35	30	42

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	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Franchise and shares tax	15	-	131	-	27	58
Regulatory fees and assessments	35	32	104	95	24	36
Insurance	34	14	100	35	29	32
Printing, supplies and postage	37	27	117	82	31	29
Other	78	67	285	211	97	85
Total non-interest expense	2,128	1,884	6,697	5,576	2,185	2,201
Income (loss) before income tax expense (benefit)	153	1,805	(19)	2,309	75	(182)
Income tax expense (benefit)	14	372	(45)	465	2	(41)
NET INCOME	$ 139	$ 1,433	$ 26	$1,844		
NET INCOME (LOSS)					$ 73	$ (141)
Earnings per share - basic	$ 0.03	$ N/A	$ 0.01	$ N/A		
Earnings per share - diluted	$ 0.03	$ N/A	$ 0.01	$ N/A		
Earnings (loss) per share - basic					$ 0.02	$ (0.03)
Earnings (loss) per share - diluted					$ 0.02	$ N/A

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

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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)	**2022**	**2021**	**2022**	**2021**	**2023**	**2022**
Net income	$ 139	$ 1,433	$ 26	$1,844		
Net income (loss)					$ 73	$ (141)
Net change in unrealized gains (losses) on available-for-sale securities	(4,229)	(209)	(11,776)	(477)	1,362	(4,842)
Income tax effect	888	44	2,473	100	(286)	1,017
Total other comprehensive income (loss)	(3,341)	(165)	(9,303)	(377)	1,076	(3,825)
Total comprehensive income (loss)	$ (3,202)	$ 1,268	$ (9,277)	$1,467	$1,149	$(3,966)

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

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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 ESOP	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, 2021	$ -	$ -	$ -	$ 50,837	$ (105)	$ 50,732						
Net income	-	-	-	1,433	-	1,433						
Other comprehensive income (loss)	-	-	-	-	(165)	(165)						
BALANCE, SEPTEMBER 30, 2021	$ -	$ -	$ -	$ 52,270	$ (270)	$ 52,000						
BALANCE, JUNE 30, 2022	$ 53	$ 50,838	$ (4,073)	$ 52,240	$ (6,645)	$ 92,413						
Net income	-	-	-	139	-	139						
BALANCE, DECEMBER 31, 2021							$ 53	$ 50,802	$ (4,179)	$ 52,560	$ (683)	$98,553
Net income (loss)							-	-	-	(141)	-	(141)
Other comprehensive income (loss)	-	-	-	-	(3,341)	(3,341)	-	-	-	-	(3,825)	(3,825)
ESOP shares released for allocation	-	17	53	-	-	70	-	19	53	-	-	72
Stock compensation expense	-	47	-	-	-	47						
BALANCE, SEPTEMBER 30, 2022	$ 53	$ 50,902	$ (4,020)	$ 52,379	$ (9,986)	$ 89,328						
BALANCE, MARCH 31, 2022							$ 53	$ 50,821	$ (4,126)	$ 52,419	$ (4,508)	$94,659
BALANCE, DECEMBER 31, 2020	$ -	$ -	$ -	$ 50,426	$ 107	$ 50,533						
Net income	-	-	-	1,844	-	1,844						
BALANCE, DECEMBER 31, 2022							$ 53	$ 51,062	$ (6,307)	$ 52,740	$ (9,074)	$88,474
Impact of adoption of ASC 326							-	-	-	(335)	-	(335)
Net income (loss)							-	-	-	73	-	73
Other comprehensive income (loss)	-	-	-	-	(377)	(377)	-	-	-	-	1,076	1,076
BALANCE, SEPTEMBER 30, 2021	$ -	$ -	$ -	$ 52,270	$ (270)	$ 52,000						

BALANCE, DECEMBER 31, 2021	$ 53	$ 50,802	$ (4,179)	$ 52,353	$ (683)	$ 98,346						
Net income	-	-	-	26	-	26						
Other comprehensive income (loss)	-	-	-	-	(9,303)	(9,303)						
Stock purchased to fund the 2022 Recognition and Retention Plan							-	-	(410)	-	-	(410)
ESOP shares released for allocation	-	53	159	-	-	212	-	14	53	-	-	67
Stock compensation expense	-	47	-	-	-	47	-	141	-	-	-	141
BALANCE, SEPTEMBER 30, 2022	$ 53	$ 50,902	$ (4,020)	$ 52,379	$ (9,986)	$ 89,328						
Repurchase of common stock							(2)	(2,958)	-	-	-	(2,960)
BALANCE, MARCH 31, 2023							$ 51	$ 48,259	$ (6,664)	$ 52,478	$ (7,998)	$86,126

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

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

	Nine Months Ended September 30,		Three Months Ended March 31,	
(Dollars in thousands)	**2022**	**2021**	**2023**	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$ 26	$ 1,844		
Adjustments to reconcile net income to net cash provided by operating activities:				
Net income (loss)			$ 73	$ (141)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Investment securities amortization, net	370	295	77	139
Federal Home Loan Bank stock dividends	(6)	(4)	(14)	(1)
Amortization of prepayment penalties on debt restructuring	135	135	45	45
Provision for (reversal of) loan losses	(375)	(286)		
Net loss (gain) on disposals and sales of premises and equipment	77	(25)		
Provision for (reversal of) credit losses			-	(71)
Increase in cash surrender value of bank-owned life insurance	(216)	(67)	(97)	(21)

Stock-based compensation	259	-	208	72
Depreciation of premises and equipment	343	308	101	121
Net writedowns and losses (gains) on the sale of foreclosed assets	(29)	59		
Net write-downs and losses (gains) on the sale of foreclosed assets			-	(8)
Deferred income tax expense (benefit)	58	(24)	(58)	8
(Increase) decrease in other assets	(112)	(263)	(424)	(68)
Increase (decrease) in other liabilities	(154)	535	(27)	(198)
Net cash provided by operating activities	376	2,507		
Net cash provided by (used in) operating activities			(116)	(123)
CASH FLOWS FROM INVESTING ACTIVITIES				
Activity in available-for-sale securities:				
Proceeds from maturities, calls, and paydowns	8,547	5,967	1,953	3,056
Purchases	(10,900)	(35,672)	-	(4,340)
Activity in held-to-maturity securities:				
Proceeds from maturities and calls	-	4,000		
Net (increase) decrease in loans	54	14,791	970	(180)
Proceeds from sale of foreclosed assets	39	156	-	29
Purchases of premises and equipment	(235)	(1,477)	-	(19)
Proceeds from sale of premises and equipment	-	25		
Purchase of bank-owned life insurance	(10,000)	-	-	(5,500)
Net cash used in investing activities	(12,495)	(12,210)		
Net cash provided by (used in) investing activities			2,923	(6,954)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net increase in deposits	7,432	84,862		
Net cash provided by financing activities	7,432	84,862		
Net increase (decrease) in deposits			14,618	6,289
Purchase of stock to fund the 2022 Recognition and Retention Plan			(410)	-
Repurchase of common stock			(2,960)	-
Net cash provided by (used in) financing activities			11,248	6,289
NET CHANGE IN CASH AND CASH EQUIVALENTS	(4,687)	75,159	14,055	(788)
CASH AND CASH EQUIVALENTS, beginning of period	40,884	25,245	13,472	40,884
CASH AND CASH EQUIVALENTS, end of period	$ 36,197	$ 100,404	$ 27,527	$ 40,096
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES				
Loans originated to facilitate the sale of real estate owned	$ -	$ 82		
Acquisition of real estate in settlement of loans	$ 10	$ 215		
SUPPLEMENTAL SCHEDULE OF INTEREST AND TAXES PAID				
Cash paid for interest	$ 345	$ 502	$ 221	$ 113
Cash paid for income taxes	$ 243	$ 82	-	-

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

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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. 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, 2022 March 31, 2023 and 2021 2022 are not necessarily indicative of the results which may be expected for the entire fiscal year. These statements should be read in conjunction with the audited consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2021 December 31, 2022.

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

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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, 2021 December 31, 2022.

On March 23, 2022, the Board As of Directors adopted the 2022 Stock Option Plan and the 2022 Recognition and Retention Plan and Trust Agreement ("2022 Recognition and Retention Plan"), which were approved by shareholders at our annual meeting on May 17, 2022. Under the terms of both plans, officers, employees and directors selected by the Compensation Committee of the Board of Directors are eligible to receive benefits. A total of 529,000 shares of common stock, or 10% of the shares sold in the conversion offering, have been reserved for the future issuance pursuant to the 2022 Stock Option Plan. Options to acquire shares of common stock will be awarded with an exercise price no less than the fair market value of the common stock on the grant date. Under the terms of the 2022 Recognition and Retention Plan, the Company will contribute sufficient funds to the Recognition and Retention Plan Trust so that the Trust can purchase 211,600 shares of common stock, or 4.0% of the shares sold in the conversion offering. During the fourth quarter of 2022, the 2022 Recognition and Retention Plan commenced purchasing shares in the open market to the extent available.

On September 1, 2022 January 1, 2023, the Company granted adopted the guidance in Accounting Standards Update ("ASU") No. 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments. The main provisions of the ASU have been codified by the Financial Accounting Standards Board ("FASB") in Topic 326 of the Accounting Standards Codification ("ASC 326"). The new standard changed the impairment model for most financial assets that are measured at amortized cost, including off-balance sheet credit exposures, from an incurred loss model to an expected loss model. Determining the appropriateness of the allowance requires judgement by management about the effect of matters that are inherently uncertain. Changes in factors and forecasts used in evaluating the overall loan portfolio may result in significant changes in the allowance for credit losses and related provision expense in future periods. The allowance level is influenced by loan volumes, loan asset quality ratings, delinquency status, historical credit loss experience, loan performance characteristics, forecasted information and other conditions influencing loss expectations. Changes to the assumptions in the model in future periods could have a total of 295,340 awards under the 2022 Stock Option Plan and 119,336 awards under the 2022 Recognition and Retention Plan. In accordance with ASC 718, Compensation – Stock Compensation, the Company measures stock compensation expense based material impact on the fair market value 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 instrument as of

the grant date and is recognized over the service period, which is usually the vesting period. All awards issued on September 1, 2022 were issued with a five year vesting period. financial statements.

There were no other material changes from the significant accounting policies previously disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 December 31, 2022. In preparing the financial statements, the Company is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the Company's financial condition, results of operations, comprehensive income, changes in equity and cash flows for the interim periods presented. These adjustments are of a normal recurring nature and include appropriate estimated provisions.

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.

NOTE 2. COMPLETION OF STOCK OFFERING

The Company completed its initial public offering ("IPO") of stock in connection with the Bank's conversion from the mutual to the stock form of organization on October 12, 2021. Information for periods prior to the completion of the Conversion are for the Bank only.

The Company issued a total of 5,290,000 shares of its common stock, par value $0.01 per share, for an aggregate of $52.9 million in total offering proceeds, including shares issued to the Company's employee stock ownership plan ("ESOP"). The Company made a loan to the ESOP in the amount of $4.2 million, which the ESOP used to purchase 423,200 shares. The Company's common stock trades on the Nasdaq Capital Market under the symbol "CLST".

The costs of issuing the common stock were deferred and deducted from the sales proceeds of the IPO at December 31, 2021. Conversion costs totaled $2.1 million at December 31, 2021. The net proceeds of the IPO of $50.8 million are reflected in the Company's shareholders' equity.

NOTE 3. 2. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016,**Accounting Standards Adopted in 2023**

ASU No. 2016-13. On January 1, 2023, the FASB issued Company adopted the guidance under ASU No. 2016-13, Financial Instruments – Credit Losses, (ASC 326), Measurement of Credit Losses on Financial Instruments. The amendments introduce 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, including loans, held-to-maturity securities and certain off-balance sheet financial instruments. The CECL should consider historical information, current information, and reasonable and supportable forecasts, including estimates main provisions of prepayments, over the contractual term. An entity must use judgment in determining ASU have been codified by the relevant information and estimation methods that are appropriate in its circumstances. Financial instruments with similar risk characteristics may be grouped together when estimating the CECL. The allowance for credit losses for purchased FASB under ASC 326. ASC 326 requires financial assets with a more-than-insignificant amount of credit deterioration since origination that are measured at on an amortized cost basis, is determined in a similar manner including loans and held-to-maturity debt securities, to other financial assets measured be presented at amortized cost basis; however, the initial estimate an amount net of expected credit loss would be recognized through an allowance for credit losses, with an offset to which reflects expected losses for the purchase price at acquisition. Only subsequent changes in 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 are recorded as a credit loss expense for these assets. The ASU also amends the current available-for-sale security impairment model for debt securities whereby did not reflect an estimate of credit losses for the full life of financial assets.

In addition, ASC 326 requires expected credit related to losses for available-for-sale debt securities should to be recorded through an allowance for credit losses. 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 amendments will allowance approach allows estimated expected credit losses to be adjusted from period-to-period, as opposed to a permanent write-down.

The Company applied through a the guidance under ASC 326 using the modified retrospective approach resulting which resulted in a cumulative-effect an adjustment to beginning retained earnings as of the beginning of the first reporting period in which the guidance is effective. On October 18, 2019, FASB approved an effective date delay applicable to smaller reporting companies and non-public business entities until January for 2023. The Company has elected information for reporting periods beginning on and after January 1, 2023 are presented under ASC 326, while prior periods continue to delay implementation of the standard until January 2023. be reported in accordance with previously applicable GAAP. The Company has completed the implementation of a vendor provided software application and is currently conducting parallel testing of several CECL estimation methodologies. The Company expects the adoption of the ASU to increase the allowance for loan losses. The extent of following table illustrates the impact upon adoption is not known and will depend on the characteristics of the Company's loan portfolio and economic conditions on that date as well as forecasted conditions thereafter. ASC Topic 326.

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

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

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

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

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

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

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

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

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

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

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

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

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

ASU No. 2022-02. In March 2022, the FASB issued ASU 2022-02, Financial Instruments - Credit Losses (ASC 326), Troubled Debt Restructurings ("TDRs") and Vintage Disclosures. The amendments in this ASU respond to feedback received by the FASB during the post-implementation review of the amendments included in ASU 2016-13. The amendments in ASU 2022-02 eliminate the accounting guidance for TDRs by creditors in ASC 310-40, Receivables – Troubled Debt Restructurings by Creditors and enhance disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. Stakeholders have observed that the additional designation of a loan modification as a TDR and the related accounting under current GAAP are unnecessarily complex and do not provide decision-useful information after the adoption of ASU 2016-13 since credit losses from TDRs are incorporated under the CECL model. Under the amendments in ASU 2022-02, an entity must apply the guidance under ASC 310-20 to determine whether a modification results in a new loan or a continuation of an existing loan rather than applying the guidance for TDRs. For public business entities, the amendments in ASU 2022-02 also require an entity to disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of ASC 326-20. The amendments in ASU 2022-02 are effective at the time of adoption of the amendments in ASU 2016-13. The Company is currently evaluating the provisions of the amendment; however, we do not expect that the adoption implementation of ASU 2022-02 will have a material effect on did not materially impact the Company's consolidated financial statements. statements or disclosures.

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NOTE 4. 3. EARNINGS PER SHARE

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

(In thousands, except per share data)	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Numerator				
Net income available to common shareholders	$ 139	$ 26		
Net income (loss) available to common shareholders			$ 73	$ (141)
Denominator				
Weighted average common shares outstanding	5,290	5,290	5,214	5,290
Weighted average unallocated ESOP shares	(405)	(410)		
Weighted average shares	4,885	4,880		
Effect of dilutive shares:				
Weighted average unallocated common stock held by benefit plans			(601)	(415)
Weighted average shares - basic			4,613	4,875
Effect of dilutive stock-based awards:				

Stock options			-	-
Restricted stock	-	-	5	-
Stock options	-	-		
Weighted average shares - assuming dilution	4,885	4,880	4,618	4,875
Basic earnings per common share	$ 0.03	$ 0.01		
Basic earnings (loss) per common share			$ 0.02	$ (0.03)
Diluted earnings per common share	$ 0.03	$ 0.01	0.02	N/A

The weighted average of potentially dilutive common shares attributable to outstanding stock options that were anti-dilutive totaled 295,000 for the three months ended March 31, 2023 and were excluded from the calculation of diluted earnings per share. There were no potentially dilutive common shares related to restricted stock awards that were anti-dilutive during the three months ended March 31, 2023 and excluded from the calculation of diluted earnings per share.

During the three and nine months ended September 30, 2022 March 31, 2022, the number of 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 was immaterial. At and during the three and nine months ended September 30, 2021, the Company did not have any common shares outstanding. The Company completed its IPO of stock in connection with the Bank's Conversion from the mutual to the stock form of organization on October 12, 2021. share.

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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:

	March 31, 2023			
(Dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities available-for-sale				
Mortgage-backed securities	$ 72,032	$ 24	$ (8,818)	$ 63,238
U.S. Government and agency obligations	10,981	-	(905)	10,076
Municipal obligations	6,048	12	(437)	5,623
Total available-for-sale	$ 89,061	$ 36	$ (10,160)	$ 78,937
Securities held-to-maturity				
U.S. Government and agency obligations	$ 13,005	$ -	$ (2,327)	$ 10,678
Municipal obligations	466	-	(25)	441
Total held-to-maturity	$ 13,471	$ -	$ (2,352)	$ 11,119

	December 31, 2022			
(Dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities available-for-sale				
Mortgage-backed securities	$ 74,044	$ 15	$ (9,892)	$ 64,167
U.S. Government and agency obligations	10,979	-	(1,062)	9,917

Municipal obligations		6,065		4		(551)		5,518
Total available-for-sale	$	91,088	$	19	$	(11,505)	$	79,602
Securities held-to-maturity								
U.S. Government and agency obligations	$	13,006	$	-	$	(2,718)	$	10,288
Municipal obligations		469		-		(33)		436
Total held-to-maturity	$	13,475	$	-	$	(2,751)	$	10,724

There were no securities transferred between classifications during the three months ended March 31, 2023 or 2022.

Accrued interest receivable on the Company's investment securities totaled $251,000 and $257,000 at March 31, 2023 and December 31, 2022, respectively.

Investment securities with a carrying amount of approximately $32.8 million and $20.4 million, respectively, were pledged to secure deposits as required or permitted by law at March 31, 2023 and December 31, 2022.

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

	March 31, 2023							
	Available-for-Sale				**Held-to-Maturity**			
(Dollars in thousands)	**Amortized Cost**		**Fair Value**		**Amortized Cost**		**Fair Value**	
Amounts maturing in:								
One year or less	$	1,000	$	972	$	-	$	-
After one through five years		12,452		11,748		2,341		2,076
After five through ten years		15,651		14,415		7,125		5,831
After ten years		59,958		51,802		4,005		3,212
Total	$	89,061	$	78,937	$	13,471	$	11,119

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

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

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NOTE 5. INVESTMENT SECURITIES

Investment Information pertaining to securities with gross unrealized losses at March 31, 2023 and December 31, 2022 aggregated by investment category and length of time that individual securities have been classified according to management's intent. The amortized cost of securities and their approximate fair values are as in a continuous loss position, follows:

	September 30, 2022			
(Dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities available-for-sale				
Mortgage-backed securities	$ 74,762	$ -	$ (10,834)	$ 63,928
U.S. Government and agency obligations	10,977	-	(1,098)	9,879
Municipal obligations	5,464	-	(708)	4,756
Total available-for-sale	$ 91,203	$ -	$ (12,640)	$ 78,563
Securities held-to-maturity				
U.S. Government and agency obligations	$ 13,009	$ -	$ (2,640)	$ 10,369
Municipal obligations	471	-	(46)	425
Total held-to-maturity	$ 13,480	$ -	$ (2,686)	$ 10,794

	December 31, 2021				March 31, 2023					
					Less than 12 Months		12 Months or Greater		Total	
(Dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Securities available-for-sale										
Mortgage-backed securities	$ 75,374	$ 87	$ (798)	$ 74,663	$ 5,789	$ (150)	$ 56,435	$ (8,668)	$62,224	$ (8,818)
U.S. Government and agency obligations	9,347	1	(111)	9,237	-	-	10,076	(905)	10,076	(905)
Municipal obligations	4,482	-	(43)	4,439	-	-	3,967	(437)	3,967	(437)
Total available-for-sale	$ 89,203	$ 88	$ (952)	$ 88,339	$ 5,789	$ (150)	$ 70,478	$ (10,010)	$76,267	$ (10,160)
Securities held-to-maturity										
U.S. Government and agency obligations	$ 13,019	$ 23	$ (375)	$ 12,667	$ -	$ -	$ 10,678	$ (2,327)	$10,678	$ (2,327)
Municipal obligations	479	6	-	485	-	-	441	(25)	441	(25)
Total held-to-maturity	$ 13,498	$ 29	$ (375)	$ 13,152	$ -	$ -	$ 11,119	$ (2,352)	$11,119	$ (2,352)
Total					$ 5,789	$ (150)	$ 81,597	$ (12,362)	$87,386	$ (12,512)

There were no securities transferred between classifications during

	December 31, 2022					
	Less than 12 Months		12 Months or Greater		Total	
(Dollars in thousands)	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Securities available-for-sale						

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

At March 31, 2023, the nine months ended September 30, 2022 or 2021.

Investment Company held 95 securities with an unrealized loss, compared to 96 securities with an unrealized loss at December 31, 2022. The securities with unrealized losses consisted of government-sponsored mortgage-backed securities and debt obligations guaranteed by federal, state and local government entities. These unrealized losses relate principally to noncredit related factors, including changes in current interest rates for similar types of securities. Based on management's evaluation of the securities portfolio, the Company has not established an allowance for credit losses for its available-for-sale or held-to-maturity securities at March 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 carrying amount period sufficient to allow for any anticipated recovery in fair value. At March 31, 2023, management does not have the intent to sell any of approximately $14.2 million the Company's securities in an unrealized loss position and $10.2 million, respectively, 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 pledged deemed to secure deposits as required or permitted by law at September 30, 2022 and December 31, 2021. be other-than temporary. See Note 2 for more information on the adoption of ASC 326.

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The following is a summary of maturities of securities held-to-maturity NOTE 5. LOANS RECEIVABLE

Loans receivable at March 31, 2023 and available-for-sale at September 30, 2022 and December 31, 2021: December 31, 2022 are summarized as follows:

	September 30, 2022			
	Available-for-Sale		Held-to-Maturity	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Amounts maturing in:				
One year or less	$ -	$ -	$ -	$ -
After one through five years	12,392	11,455	1,345	1,172
After five through ten years	15,562	13,910	8,125	6,460
After ten years	63,249	53,198	4,010	3,162
Total	$ 91,203	$ 78,563	$ 13,480	$ 10,794

	December 31, 2021			
	Available-for-Sale		Held-to-Maturity	
(Dollars in thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**

Amounts maturing in:				
One year or less	$ -	$ -	$ -	$ -
After one through five years	8,431	8,396	-	-
After five through ten years	12,695	12,604	9,479	9,157
After ten years	68,077	67,339	4,019	3,995
Total	$ 89,203	$ 88,339	$ 13,498	$ 13,152

(Dollars in thousands)	March 31, 2023	December 31, 2022
Real estate loans		
One- to four-family residential	$ 86,464	$ 87,508
Commercial real estate	19,303	19,437
Construction and land	6,536	6,172
Multi-family residential	3,146	3,200
Total real estate loans	115,449	116,317
Other loans		
Commercial and industrial	14,109	13,843
Consumer	3,132	3,447
Total other loans	17,241	17,290
Total loans	132,690	133,607
Less: Allowance for loan losses	(2,070)	(1,807)
Net loans	$ 130,620	$ 131,800

Securities are classified according to their contractual maturities without consideration of principal amortization, potential prepayments, or call options. The expected maturities may differ Accrued interest receivable on the Company's loans totaled $418,000 and $411,000 at March 31, 2023 and December 31, 2022, respectively. Accrued interest receivable is excluded from contractual maturities because the Company's estimate of the exercise of call options allowance for credit losses.

The following tables outline the changes in the allowance for loan losses for the three months ended March 31, 2023 and potential paydowns. Accordingly, actual maturities may differ from contractual maturities. 2022.

(Dollars in thousands)	For the Three Months Ended March 31, 2023 Beginning Balance	ASC 326 Adoption Impact(1)	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for loan losses						
One- to four-family residential	$ 1,224	$ 158	$ 5	$ -	$ 56	$ 1,443
Commercial real estate	248	(53)	5	-	-	200
Construction and land	74	40	3	-	-	117
Multi-family residential	40	5	(4)	-	-	41
Commercial and industrial	175	51	(4)	-	-	222
Consumer	46	8	(5)	(7)	5	47
Total	$ 1,807	$ 209	$ -	$ (7)	$ 61	$ 2,070

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

(Dollars in thousands)	For the Three Months Ended March 31, 2022 Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for loan losses					
One- to four-family residential	$ 1,573	$ (53)	$ (55)	$ 30	$ 1,495

Commercial real estate	370	(37)	-	-	333
Construction and land	55	4	-	-	59
Multi-family residential	73	(22)	-	-	51
Commercial and industrial	137	41	(2)	-	176
Consumer	68	(4)	(6)	1	59
Total	$ 2,276	$ (71)	$ (63)	$ 31	$ 2,173

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Information pertaining to securities with gross unrealized losses at September 30, 2022 and December 31, 2021 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	September 30, 2022					
	Less than 12 Months		12 Months or Greater		Total	
(Dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available-for-sale						
Mortgage-backed securities	$ 32,451	$ (4,669)	$ 31,477	$ (6,165)	$ 63,928	$ (10,834)
U.S. Government and agency obligations	6,707	(521)	3,172	(577)	9,879	(1,098)
Municipal obligations	2,408	(146)	2,348	(562)	4,756	(708)
Total available-for-sale	$ 41,566	$ (5,336)	$ 36,997	$ (7,304)	$ 78,563	$ (12,640)
Securities held-to-maturity						
U.S. Government and agency obligations	$ 2,443	$ (566)	$ 7,926	$ (2,074)	$ 10,369	$ (2,640)
Municipal obligations	425	(46)	-	-	425	(46)
Total held-to-maturity	$ 2,868	$ (612)	$ 7,926	$ (2,074)	$ 10,794	$ (2,686)
Total	$ 44,434	$ (5,948)	$ 44,923	$ (9,378)	$ 89,357	$ (15,326)

	December 31, 2021					
	Less than 12 Months		12 Months or Greater		Total	
(Dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Securities available-for-sale						
Mortgage-backed securities	$ 68,412	$ (746)	$ 1,889	$ (52)	$ 70,301	$ (798)
U.S. Government and agency obligations	5,697	(24)	1,913	(87)	7,610	(111)
Municipal obligations	3,283	(24)	1,156	(19)	4,439	(43)
Total available-for-sale	$ 77,392	$ (794)	$ 4,958	$ (158)	$ 82,350	$ (952)
Securities held-to-maturity						
U.S. Government and agency obligations	$ 1,940	$ (61)	$ 7,685	$ (314)	$ 9,625	$ (375)
Municipal obligations	-	-	-	-	-	-
Total held-to-maturity	$ 1,940	$ (61)	$ 7,685	$ (314)	$ 9,625	$ (375)
Total	$ 79,332	$ (855)	$ 12,643	$ (472)	$ 91,975	$ (1,327)

Management evaluates securities for other-than-temporary impairment at least quarterly, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which that fair value has been 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 of time sufficient to allow for any anticipated recovery in fair value.

At September 30, 2022, the Company held 95 securities with an unrealized loss, compared to 67 securities with an unrealized loss at December 31, 2021. The securities in unrealized loss positions consisted of government-sponsored mortgage-backed securities and debt obligations guaranteed by federal, state and local government entities. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government, its agencies, or other governments, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the intent and ability to hold securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

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NOTE 6. LOANS RECEIVABLE

Loans receivable at September 30, 2022 and December 31, 2021 are summarized as follows:

(Dollars in thousands)	September 30, 2022	December 31, 2021
Real estate loans		
One- to four-family residential	$ 88,327	$ 87,303
Commercial real estate	21,073	23,112
Construction and land	4,450	4,079
Multi-family residential	3,252	4,589
Total real estate loans	117,102	119,083
Other loans		
Commercial and industrial	11,087	8,374
Consumer	3,512	4,385
Total other loans	14,599	12,759
Total loans	131,701	131,842
Less: Allowance for loan losses	(1,804)	(2,276)
Net loans	$ 129,897	$ 129,566

The following tables outline the changes in the allowance for loan losses by collateral type for the nine months ended September 30, 2022 and 2021.

	For the Nine Months Ended September 30, 2022				
(Dollars in thousands)	Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for loan losses					
One- to four-family residential	$ 1,573	$ (232)	$ (154)	$ 70	$ 1,257
Commercial real estate	370	(101)	-	-	269
Construction and land	55	(10)	-	-	45
Multi-family residential	73	(33)	-	-	40
Commercial and industrial	137	4	(21)	19	139

Consumer	68	(3)	(16)	5	54
Total	$ 2,276	$ (375)	$ (191)	$ 94	$ 1,804

	For the Nine Months Ended September 30, 2021				
(Dollars in thousands)	Beginning Balance	Provision (Reversal)	Charge-offs	Recoveries	Ending Balance
Allowance for loan losses					
One- to four-family residential	$ 1,910	$ (220)	$ (123)	$ 51	$ 1,618
Commercial real estate	744	(32)	-	-	712
Construction and land	82	(32)	-	-	50
Multi-family residential	68	-	-	-	68
Commercial and industrial	101	(8)	-	-	93
Consumer	78	2	(27)	9	62
Unallocated	39	4	-	-	43
Total	$ 3,022	$ (286)	$ (150)	$ 60	$ 2,646

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The following tables outline the allowance for loan losses for loans individually and collectively evaluated for impairment, and the balance of loans individually by method of loss evaluation at March 31, 2023 and collectively evaluated for impairment at September 30, 2022 and December 31, 2021 December 31, 2022.

	September 30, 2022			December 31, 2021			March 31, 2023			December 31, 2022		
(Dollars in thousands)	Individually Evaluated	Collectively Evaluated	Total	Individually Evaluated	Collectively Evaluated	Total	Individually Evaluated	Collectively Evaluated	Total	Individually Evaluated	Collectively Evaluated	T
Allowance for loan losses												
One- to four-family residential	$ 251	$ 1,006	$ 1,257	$ 319	$ 1,254	$ 1,573	$ 210	$ 1,233	$ 1,443	$ 216	$ 1,008	$
Commercial real estate	-	269	269	-	370	370	-	200	200	-	248	
Construction and land	-	45	45	-	55	55	-	117	117	-	74	
Multi-family residential	-	40	40	-	73	73	-	41	41	-	40	
Commercial and industrial	-	139	139	17	120	137	-	222	222	-	175	
Consumer	6	48	54	-	68	68	-	47	47	-	46	
Total	$ 257	$ 1,547	$ 1,804	$ 336	$ 1,940	$ 2,276	$ 210	$ 1,860	$ 2,070	$ 216	$ 1,591	$
Loans												

One- to four-family residential	$ 2,631	$ 85,696	$ 88,327	$ 2,266	$ 85,037	$ 87,303	$ 1,423	$ 85,041	$ 86,464	$ 2,712	$ 84,796	$ 8
Commercial real estate	51	21,022	21,073	-	23,112	23,112	50	19,253	19,303	51	19,386	1
Construction and land	34	4,416	4,450	37	4,042	4,079	-	6,536	6,536	33	6,139	
Multi-family residential	-	3,252	3,252	-	4,589	4,589	-	3,146	3,146	-	3,200	
Commercial and industrial	-	11,087	11,087	18	8,356	8,374	-	14,109	14,109	-	13,843	1
Consumer	11	3,501	3,512	-	4,385	4,385	-	3,132	3,132	-	3,447	
Total	$ 2,727	$ 128,974	$131,701	$ 2,321	$ 129,521	$131,842	$ 1,473	$ 131,217	$132,690	$ 2,796	$ 130,811	$13

At March 31, 2023 all loans individually evaluated for credit losses, totaling $1.5 million, were considered collateral-dependent financial assets under ASC 326. Loans are considered collateral-dependent and individually evaluated when, based on management's assessment as of the reporting date, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. Collateral-dependent loans primarily consist of residential real estate loans secured by one- to four-family residential properties located in our market.

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

	As of March 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
One- to four-family residential	$ 1,267	$ 69	$ 550	$ 1,886	$ 83,611	$ 967	$ 86,464
Commercial real estate	21	-	50	71	19,232	-	19,303
Construction and land	-	-	17	17	6,487	32	6,536
Multi-family residential	-	-	-	-	3,146	-	3,146
Commercial and industrial	325	-	-	325	13,784	-	14,109
Consumer	8	-	2	10	3,122	-	3,132
Total	$ 1,621	$ 69	$ 619	$ 2,309	$ 129,382	$ 999	$ 132,690

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	As of December 31, 2022						
(Dollars in thousands)	Past Due 30-89 Days and Accruing	Past Due Over 90 Days and Accruing	Past Due Over 30 Days and Non-accruing	Total Past Due	Current and Accruing	Current and Non-accruing	Total Loans
One- to four-family residential	$ 2,077	$ 191	$ 716	$ 2,984	$ 83,848	$ 676	$ 87,508
Commercial real estate	166	-	51	217	19,220	-	19,437
Construction and land	156	-	18	174	5,965	33	6,172

Multi-family residential	-	-	-	-	3,200	-	3,200
Commercial and industrial	-	-	-	-	13,843	-	13,843
Consumer	6	-	-	6	3,441	-	3,447
Total	$ 2,405	$ 191	$ 785	$ 3,381	$ 129,517	$ 709	$ 133,607

A summary of current, past due and total nonaccrual loans as of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022 follows:

	As of September 30, 2022						
(Dollars in thousands)	Past Due 30-89 Days and Accruing	Past Due Over 90 Days and Accruing	Past Due Over 30 Days and Non-accruing	Total Past Due	Current and Accruing	Current and Non-accruing	Total Loans
One- to four-family residential	$ 1,981	$ 287	$ 699	$ 2,967	$ 84,935	$ 425	$ 88,327
Commercial real estate	65	92	50	207	20,866	-	21,073
Construction and land	44	-	-	44	4,370	36	4,450
Multi-family residential	-	-	-	-	3,252	-	3,252
Commercial and industrial	-	-	-	-	11,087	-	11,087
Consumer	11	-	11	22	3,490	-	3,512
Total	$ 2,101	$ 379	$ 760	$ 3,240	$ 128,000	$ 461	$ 131,701

	As of December 31, 2021						
(Dollars in thousands)	Past Due 30-89 Days and Accruing	Past Due Over 90 Days and Accruing	Past Due Over 30 Days and Non-accruing	Total Past Due	Current and Accruing	Current and Non-accruing	Total Loans
One- to four-family residential	$ 2,116	$ -	$ 411	$ 2,527	$ 84,396	$ 380	$ 87,303
Commercial real estate	133	-	-	133	22,979	-	23,112
Construction and land	62	-	31	93	3,949	37	4,079
Multi-family residential	-	-	-	-	4,589	-	4,589
Commercial and industrial	-	-	17	17	8,356	1	8,374
Consumer	32	1	13	46	4,339	-	4,385
Total	$ 2,343	$ 1	$ 472	$ 2,816	$ 128,608	$ 418	$ 131,842

	March 31, 2023			December 31, 2022
(Dollars in thousands)	With Allowance for Credit Loss	Without Allowance for Credit Loss	Total	Total
Nonaccrual loans				
One- to four-family residential	$ 1,293	$ 224	$ 1,517	$ 1,392
Commercial real estate	-	50	50	51
Construction and land	49	-	49	51
Multi-family residential	-	-	-	-
Commercial and industrial	-	-	-	-
Consumer	2	-	2	-
Total	$ 1,344	$ 274	$ 1,618	$ 1,494

The Company was not committed to lend any additional funds on nonaccrual loans at September 30, 2022 March 31, 2023 or December 31, 2021 December 31, 2022. The Company does not recognize interest income while loans are on nonaccrual status. All payments received while on nonaccrual status are applied against the principal balance of nonaccrual loans.

At September 30, 2022 and December 31, 2021 March 31, 2023, loans secured by residential and commercial real estate for which formal foreclosure proceedings were in process totaled $84,000 $288,000 and $47,000, $50,000, respectively. At December 31, 2022, loans secured by residential and commercial real estate for which formal foreclosure proceedings were in process totaled $331,000 and $50,000, respectively.

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

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A Troubled Debt Restructuring ("TDR") is considered such if the lender, for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider. During the nine months ended September 30, 2022, no loans were modified in a manner deemed to constitute a TDR. Information pertaining to loans modified during the year ended December 31, 2021 follows:

(Dollars in thousands)	Number of Contracts	Recorded Investment Pre-modification	Recorded Investment Post-modification
December 31, 2021			
One- to four-family residential	3	$ 186	$ 189
Total	3	$ 186	$ 189

Troubled debt restructured loans were modified to defer principal and extend maturity on average for three months. All three loans modified during the year ended December 31, 2021 defaulted after modification. The modifications and defaults did not have a significant impact on the determination of the allowance for loan losses. The Company has no commitments to loan additional funds to the borrowers whose loans have been modified.

Information on impaired loans as of September 30, 2022 and December 31, 2021 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

	September 30, 2022			
(Dollars in thousands)	Recorded Investment Without an Allowance	Recorded Investment With an Allowance	Unpaid Principal	Related Allowance
One- to four-family residential	$ 1,807	$ 824	$ 3,051	$ 251
Commercial real estate	51	-	52	-
Construction and land	34	-	43	-
Multi-family residential	-	-	-	-
Commercial and industrial	-	-	-	-
Consumer	-	11	11	6
Total	$ 1,892	$ 835	$ 3,157	$ 257

(Dollars in thousands)	December 31, 2021 Recorded Investment Without an Allowance	Recorded Investment With an Allowance	Unpaid Principal	Related Allowance
One- to four-family residential	$ 1,153	$ 1,113	$ 3,128	$ 319
Commercial real estate	-	-	-	-
Construction and land	37	-	44	-
Multi-family residential	-	-	-	-
Commercial and industrial	1	17	21	17
Consumer	-	-	-	-
Total	$ 1,191	$ 1,130	$ 3,193	$ 336

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The tables below present the average balances and interest income for impaired loans for the three and nine months ended September 30, 2022 and 2021. March 31, 2022.

	Three Months Ended			
	September 30, 2022		September 30, 2021	
(Dollars in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
One- to four-family residential	$ 2,655	$ 16	$ 2,446	$ 19
Commercial real estate	50	-	-	-
Construction and land	34	-	40	-
Multi-family residential	-	-	1,182	14
Commercial and industrial	-	-	19	-
Consumer	12	-	-	-
Total	$ 2,751	$ 16	$ 3,687	$ 33

	Nine Months Ended				Three Months Ended	
	September 30, 2022		September 30, 2021		March 31, 2022	
(Dollars in thousands)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
One- to four-family residential	$ 2,718	$ 49	$ 2,502	$ 57	$ 2,911	$ 21
Commercial real estate	51	-	-	-	52	-
Construction and land	35	-	40	-	62	-
Multi-family residential	-	-	1,190	42	-	-
Commercial and industrial	-	-	21	-	17	-
Consumer	13	-	-	-	-	-
Total	$ 2,817	$ 49	$ 3,753	$ 99	$ 3,042	$ 21

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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 loan credit losses.

	September 30, 2022				
(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
One- to four-family residential	$ 85,175	$ 173	$ 2,979	$ -	$ 88,327
Commercial real estate	20,026	942	105	-	21,073
Construction and land	4,131	275	44	-	4,450
Multi-family residential	3,252	-	-	-	3,252
Commercial and industrial	11,087	-	-	-	11,087
Consumer	3,501	-	11	-	3,512
Total	$ 127,172	$ 1,390	$ 3,139	$ -	$ 131,701

	December 31, 2021				
(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total
One- to four-family residential	$ 83,405	$ 504	$ 3,394	$ -	$ 87,303
Commercial real estate	20,995	2,058	59	-	23,112
Construction and land	3,990	-	89	-	4,079
Multi-family residential	3,419	1,170	-	-	4,589
Commercial and industrial	8,356	-	18	-	8,374
Consumer	4,372	-	13	-	4,385
Total	$ 124,537	$ 3,732	$ 3,573	$ -	$ 131,842

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The following table presents the Company's loan portfolio by credit quality classification and origination year as of March 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	$ 958	$ 11,491	$ 4,813	$ 3,092	$ 3,382	$ 58,477	$ 1,052	$ 382	$ 83,647
Special Mention	28	-	-	-	-	-	-	-	28
Substandard	-	-	14	137	14	2,624	-	-	2,789
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 986	$ 11,491	$ 4,827	$ 3,229	$ 3,396	$ 61,101	$ 1,052	$ 382	$ 86,464
Commercial real estate									
Pass	$ 461	$ 2,244	$ 2,172	$ 4,782	$ 3,569	$ 5,054	$ 21	$ 431	$ 18,734
Special Mention	-	112	108	-	-	249	-	-	469
Substandard	-	-	-	-	-	100	-	-	100
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 461	$ 2,356	$ 2,280	$ 4,782	$ 3,569	$ 5,403	$ 21	$ 431	$ 19,303
Construction and land									
Pass	$ 60	$ 200	$ 83	$ 187	$ 53	$ 649	$ 5,116	$ -	$ 6,348
Special Mention	-	140	-	-	-	-	-	-	140
Substandard	-	-	-	17	-	31	-	-	48
Doubtful	-	-	-		-	-	-	-	-
Total	$ 60	$ 340	$ 83	$ 204	$ 53	$ 680	$ 5,116	$ -	$ 6,536
Multi-family residential									
Pass	$ -	$ -	$ 476	$ -	$ 305	$ 2,365	$ -	$ -	$ 3,146
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ 476	$ -	$ 305	$ 2,365	$ -	$ -	$ 3,146
Commercial and industrial									
Pass	$ 1,428	$ 3,088	$ 1,036	$ 417	$ 342	$ 76	$ 7,722	$ -	$ 14,109
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 1,428	$ 3,088	$ 1,036	$ 417	$ 342	$ 76	$ 7,722	$ -	$ 14,109
Consumer									
Pass	$ 424	$ 719	$ 959	$ 473	$ 259	$ 296	$ -	$ -	$ 3,130
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	2	-	-	2
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 424	$ 719	$ 959	$ 473	$ 259	$ 298	$ -	$ -	$ 3,132
Total									
Pass	$ 3,331	$ 17,742	$ 9,539	$ 8,951	$ 7,910	$ 66,917	$ 13,911	$ 813	$ 129,114
Special Mention	28	252	108	-	-	249	-	-	637
Substandard	-	-	14	154	14	2,757	-	-	2,939
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 3,359	$ 17,994	$ 9,661	$ 9,105	$ 7,924	$ 69,923	$ 13,911	$ 813	$ 132,690

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The following table presents gross charge-offs and recoveries for the three months ended March 31, 2023 by origination year of the related loans. The Company uses the latter of origination or renewal date to classify loans into vintages.

	Loan Origination Year						
(Dollars in thousands)	2023	2022	2021	2020	2019	Prior	Total
Charge-offs							
One- to four-family residential	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-	-	-
Construction and land	-	-	-	-	-	-	-
Multi-family residential	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-
Consumer	-	2	3	-	-	2	7
Total	$ -	$ 2	$ 3	$ -	$ -	$ 2	$ 7
Recoveries							
One- to four-family residential	$ -	$ -	$ -	$ -	$ -	$ 56	$ 56
Commercial real estate	-	-	-	-	-	-	-
Construction and land	-	-	-	-	-	-	-
Multi-family residential	-	-	-	-	-	-	-
Commercial and industrial	-	-	-	-	-	-	-
Consumer	-	-	1	1	-	3	5
Total	$ -	$ -	$ 1	$ 1	$ -	$ 59	$ 61

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

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

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NOTE 7. 6. DEPOSITS

Deposits at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022 are summarized as follows:

(Dollars in thousands)	September 30, 2022 Amount	September 30, 2022 Percent	December 31, 2021 Amount	December 31, 2021 Percent	March 31, 2023 Amount	March 31, 2023 Percent	December 31, 2022 Amount	December 31, 2022 Percent
Non-interest-bearing demand deposits	$ 31,988	17.4 %	$ 30,299	17.1 %	$ 35,483	19.7 %	$ 33,657	20.4 %
Negotiable order of withdrawal (“NOW”)	50,547	27.4	34,357	19.4	49,252	27.4	36,991	22.4
Money market	17,129	9.3	18,878	10.7	16,153	9.0	15,734	9.5
Savings	26,874	14.6	26,698	15.1	28,200	15.7	26,209	15.9
Certificates of deposit	57,689	31.3	66,563	37.7	50,624	28.2	52,503	31.8
Total deposits	$ 184,227	100.0 %	$ 176,795	100.0 %	$179,712	100.0 %	$165,094	100.0 %

The estimated amount of our total uninsured deposits (that is, deposits in excess of the FDIC’s insurance limit) was $59.7 million and $43.4 million, respectively, at March 31, 2023 and December 31, 2022.

Certificates of deposit and other time deposits issued in denominations that exceed FDIC insurance limit of $250,000 or more totaled $10.2 million $8.5 million and $14.5 million $8.9 million at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively, and are included in interest-bearing deposits in the statements of financial condition.

At September 30, 2022 March 31, 2023 scheduled maturities of certificates of deposits were as follows:

(Dollars in thousands)	Amount
2023	$ 49,023
2024	7,001
2025	1,131
2026	516
2027	18
Total	$ 57,689

(Dollars in thousands)	Amount
2023	$ 28,501
2024	19,669
2025	1,249
2026	908
2027	284
2028	13
Total	$ 50,624

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NOTE 8. 7. CAPITAL REQUIREMENTS AND OTHER REGULATORY MATTERS

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total risk-based capital, Tier 1 Capital to risk-weighted assets, and Tier 1 Capital to adjusted total assets. As of September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, the Bank met all of the capital adequacy requirements to which it is subject.

At September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category. The following table presents actual and required capital ratios for the Bank.

	Actual		To be Well Capitalized under the Prompt Corrective Action Provision		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, 2022								
As of March 31, 2023								
Common Equity Tier 1 Capital	$ 77,997	57.84 %	$ 8,765	>6.5 %	$ 78,432	56.43 %	$ 9,034	>6.5 %
Tier 1 Risk-Based Capital	77,997	57.84	10,788	>8.0	78,432	56.43	11,119	>8.0
Total Risk-Based Capital	79,684	59.09	13,485	>10.0	80,176	57.69	13,898	>10.0
Tier 1 Leverage Capital	77,997	28.29	13,784	>5.0	78,432	30.11	13,026	>5.0
As of December 31, 2021								
As of December 31, 2022								
Common Equity Tier 1 Capital	$ 77,819	63.51 %	$ 7,965	>6.5 %	$ 78,527	56.17 %	$ 9,087	>6.5 %
Tier 1 Risk-Based Capital	77,819	63.51	9,803	>8.0	78,527	56.17	11,184	>8.0
Total Risk-Based Capital	79,360	64.77	12,253	>10.0	80,275	57.42	13,980	>10.0
Tier 1 Leverage Capital	77,819	27.38	14,210	>5.0	78,527	30.37	12,929	>5.0

Share Repurchase Plans

In January 2023, the Company's Board of Directors approved the Company's first share repurchase plan (the "January 2023 Repurchase Plan"), which allowed the Company to purchase 265,000 shares, or approximately 5% of the Company's outstanding common stock. During the three months ended March 31, 2023, the Company repurchased 231,388 shares of its common stock for an average cost per share of $12.79. The remaining 33,612 shares available under the January 2023 Repurchase Plan at March 31, 2023 were repurchased at an average cost per share of $11.42 in April 2023.

In April 2023, the Company announced that its Board of Directors approved the Company's 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. Share repurchases under the April 2023 Repurchase Plan commenced during the second quarter of 2023.

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NOTE 9. 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, 2022, 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 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.

NOTE 10. 8. FAIR VALUE MEASUREMENTS

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

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

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

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

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Fair values of assets and liabilities measured on a recurring basis at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022 follows:

	Fair Value Measurements at Reporting Date Using			
(Dollars in thousands)	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
September 30, 2022				
Available-for-sale securities	$ 78,563	$ -	$ 78,563	$ -
December 31, 2021				
Available-for-sale securities	$ 88,339	$ -	$ 88,339	$ -

	Fair Value Measurements at Reporting Date Using			
(Dollars in thousands)	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
March 31, 2023				

Available-for-sale securities	$ 78,937	$ -	$ 78,937	$ -
December 31, 2022				
Available-for-sale securities	$ 79,602	$ -	$ 79,602	$ -

Fair values of assets and liabilities measured on a nonrecurring basis at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022 follows:

	Fair Value Measurements at Reporting Date Using			
(Dollars in thousands)	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
September 30, 2022				
Impaired loans	$ 837	$ -	$ -	$ 837
Foreclosed assets	320	-	-	320
Total	$ 1,157	$ -	$ -	$ 1,157
December 31, 2021				
Impaired loans	$ 1,020	$ -	$ -	$ 1,020
Foreclosed assets	340	-	-	340
Total	$ 1,360	$ -	$ -	$ 1,360

	Fair Value Measurements at Reporting Date Using			
(Dollars in thousands)	**Fair Value**	**Level 1**	**Level 2**	**Level 3**
March 31, 2023				
Loans individually evaluated for credit losses	$ 612	$ -	$ -	$ 612
Foreclosed assets	320	-	-	320
Total	$ 932	$ -	$ -	$ 932
December 31, 2022				
Loans individually evaluated for credit losses	$ 898	$ -	$ -	$ 898
Foreclosed assets	320	-	-	320
Total	$ 1,218	$ -	$ -	$ 1,218

At September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, impaired individually evaluated loans with a recorded investment of $1.1 million $822,000 and $1.4 million $1.1 million, respectively, have been written down to their fair value by a charge to the allowance for loan losses. Foreclosed assets are written down to fair value by a charge to earnings through foreclosed asset expense. During the nine three months ended September 30, 2022, March 31, 2023 and 2022, no impairment losses on foreclosed assets were recognized.

The fair value of impaired 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.

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NOTE 11. 9. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

Other Assets assets and Liabilities liabilities - All other assets and liabilities are reported at current book value unless noted otherwise.

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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 and 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, 2022 March 31, 2023 and December 31, 2021 December 31, 2022 are as follows:

(Dollars in thousands)	September 30, 2022					March 31, 2023				
	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	$ 36,197	$ 36,197	$ 36,197	$ -	$ -	$ 27,527	$ 27,527	$27,527	$ -	$ -
Investment securities:										
Available-for-sale	78,563	78,563	-	78,563	-	78,937	78,937	-	78,937	-
Held-to-maturity	13,480	10,794	-	10,794	-	13,471	11,119	-	11,119	-
Loans receivable, net	129,897	121,981	-	-	121,981	130,620	119,244	-	-	119,244
Bank-owned life insurance	13,519	13,519	-	13,519	-	13,714	13,714	-	13,714	-
Financial Liabilities:										
Deposits	184,227	182,779	-	182,779	-	179,712	178,434	-	178,434	-
Borrowed funds	9,153	7,532	-	7,532	-	9,243	7,822	-	7,822	-

(Dollars in thousands)	December 31, 2021					December 31, 2022				
	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	$ 40,884	$ 40,884	$ 40,884	$ -	$ -	$ 13,472	$ 13,472	$13,472	$ -	$ -
Investment securities:										
Available-for-sale	88,339	88,339	-	88,339	-	79,602	79,602	-	79,602	-
Held-to-maturity	13,498	13,152	-	13,152	-	13,475	10,724	-	10,724	-
Loans receivable, net	129,566	128,591	-	-	128,591	131,800	121,208	-	-	121,208
Bank-owned life insurance	3,303	3,303	-	3,303	-	13,617	13,617	-	13,617	-
Financial Liabilities:										
Deposits	176,795	176,869	-	176,869	-	165,094	163,797	-	163,797	-
Borrowed funds	9,018	8,720	-	8,720	-	9,198	7,682	-	7,682	-

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 Federal Home Loan Bank ("FHLB") and First National Bankers Bank stock in correspondent banks because they the equity securities are not marketable. The carrying amount of investments without readily determinable fair value are reported in the Consolidated Statements statements of Financial Condition financial condition at historical cost.

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NOTE 10. COMMITMENTS AND CONTINGENCIES

NOTE 12. STOCK COMPENSATION

On September 1, 2022, In the ordinary course of business, the Company granted 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 total 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 295,340 awards under business, and at March 31, 2023, we were not involved in any legal proceedings, the 2022 Stock Option Plan and 119,336 awards under 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 2022 Recognition and Retention Plan. In accordance with ASC 718, Compensation – Stock Compensation, normal course of business to meet the Company measures stock compensation expense based on the fair market value 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 instrument as amounts recognized in the statement of financial position. The contract or notional amounts of these instruments reflect the grant date and is recognized over the service period, which is usually the vesting period. Total stock compensation expense, allocated between salaries and employee benefits expense and directors' fees, totaled $47,000 for the three and nine months ended September 30, 2022.
All awards issued on September 1, 2022 were issued with a five year vesting period. Awards granted under the 2022 Stock Option Plan were issued with an exercise price of $13.30 and may be exercised at any time after vesting and within 10 years of the grant date. The Company estimated the fair value of each option granted to be $4.36 using the Black-Scholes option pricing model. Key management assumptions for the model included an expected life of 6.50 years, expected volatility of 32.55% and expected dividend yield of 1.50%. Awards granted under the 2022 Recognition and Retention Plan were issued with a fair value of $13.30 per share, which was based on the closing price per share extent of the Company's common stock as involvement in particular classes of September 1, 2022. instruments.

NOTE 13. SUBSEQUENT EVENTS

On March 23, 2022, the Board January 1, 2023 and at adoption of Directors adopted the 2022 Stock Option Plan and the 2022 Recognition and Retention, which were approved by shareholders at our annual meeting on May 17, 2022. Under the terms of the 2022 Recognition and Retention Plan, ASC 326, the Company will contribute sufficient funds recorded an allowance for credit losses on unfunded lending commitments of $216,000. Refer to [Note 2](#) for more information on the Recognition and Retention Plan Trust so that adoption of ASC 326. The allowance for credit losses on unfunded lending commitments is recorded within "other liabilities" on the Trust can purchase 211,600 shares statement of common stock, or 4.0% of the shares sold in the conversion offering. On October 13, 2022, the 2022 Recognition and Retention Plan began purchasing shares of the Company's common stock through open market purchases in accordance financial condition. The related provision for credit losses for unfunded lending commitments is recorded with the terms of provision for loan losses and reported in aggregate as the Plan. provision for credit losses on the income statement. The Company did not record a provision for credit losses for unfunded lending commitments during the three months ended March 31, 2023. Total unfunded lending commitments amounted to $24.3 million and $22.8 million at March 31, 2023 and December 31, 2022, respectively.

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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, 2022 March 31, 2023 and for the three and nine months ended September 30, 2022 March 31, 2023 and 2021 2022 is intended to assist in understanding our financial condition and results of operations. The information contained in this section should be read in conjunction with the unaudited consolidated financial statements of the Company and the notes thereto appearing in Part I, Item 1, of this Quarterly Report on Form 10-Q as well as the business and financial information included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2021 December 31, 2022.

Cautionary Note Regarding Forward-Looking Statements

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

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

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

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

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

- technological changes that may be more difficult or expensive than expected;
- success or consummation of new business initiatives may be more difficult or expensive than expected;
- the inability of third party service providers to perform;

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

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

Overview

Catalyst Bancorp, Inc. ("Catalyst Bancorp" or the "Company") is the holding company for Catalyst Bank (the "Bank"), formerly known as St. Landry Homestead Federal Savings Bank. The Company was incorporated by the Bank in February 2021 as part of the conversion of the Bank from the mutual to the stock form of organization (the "Conversion"). The Conversion was completed on October 12, 2021, at which time the Company acquired all of the issued and outstanding shares of common stock of the Bank, and which became the holding company for the Bank. As a result of the Conversion, the Bank is a wholly owned wholly-owned subsidiary of Catalyst Bancorp. The Company was not engaged Bank officially changed its name to Catalyst Bank in operations and had not issued any shares of stock prior to the completion of the Conversion. June 2022.

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

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

At September 30, 2022 March 31, 2023, total assets were $283.4 million $275.8 million, including total loans of $131.7 million $132.7 million and total investment securities of $92.0 million $92.4 million, total deposits were $184.2 million $179.7 million and total shareholders' equity was $89.3 million $86.1 million. The Company reported net income of $139,000 $73,000 for the three months ended September 30, 2022 March 31, 2023, compared to a net income loss of $1.4 million $141,000 for the three months ended September 30, 2021 March 31, 2022. For the nine months ended September 30, 2022, the Company reported net income of $26,000, compared to net income of $1.8 million for the nine months ended September 30, 2021. During the three and nine months ended September 30, 2021, the Company received a $1.8 million grant from the Community Development Financial Institution ("CDFI") Rapid Response Program and recognized the amount in non-interest income. During the nine months ended September 30, 2022, the Company received and recognized into income a $171,000 Bank Enterprise Award ("BEA") Program grant from the CDFI Fund. Professional fees associated with the grant totaled $26,000 and were recorded in non-interest expense in the same period. The Bank also rebranded and officially changed its name to Catalyst Bank during the 2022 period. Pre-tax costs associated with the rebranding of the Bank totaled $270,000 for the nine months ended September 30, 2022.

Our results of operations depend, to a large extent, on net interest income, which is the difference between the income earned on our loan and investment portfolios and interest expense on deposits and borrowings. Our net interest income is largely determined by our net interest spread, which is the difference between the average yield earned on interest-earning assets and the average rate paid on interest-bearing liabilities, and the relative amounts of interest-earning assets and interest-bearing liabilities. Results of operations are also affected by our provisions for loan losses, fee income and other non-interest income and non-interest expense. Non-interest expense principally consists of compensation, office occupancy and equipment expense, data processing, advertising and business promotion and other expense. We expect that our non-interest expenses will continue to increase as we grow and expand our operations. In addition, our compensation expense will increase due to the new stock benefit plans we adopted and implemented in 2022. Our results of operations are also significantly affected by general economic and competitive conditions, particularly changes in interest rates, the impact of the COVID-19 pandemic, 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.

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Critical Accounting Estimates

In reviewing and understanding financial information for the Company, you are encouraged to read and understand the significant accounting policies used in preparing our financial statements. These policies are described in Note 1 of the notes to our consolidated financial statements included in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2021 December 31, 2022. Any changes to our significant accounting policies are described in Note 2 to the financial statements. Our accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. Accordingly, the financial statements require certain estimates, judgments, and assumptions, which are believed to be reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the periods presented. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an emerging growth company, we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We are taking advantage of the benefits of this extended transition period. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards.

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

Allowance for Loan Credit Losses. We have identified the evaluation of the allowance for loan credit losses as a critical accounting policy where amounts are sensitive to material variation. On January 1, 2023, the Company adopted the guidance under ASU No. 2016-13, Financial Instruments – Credit Losses, Measurement of Credit Losses on Financial Instruments. The main provisions of the ASU have been codified by the FASB under ASC 326. The amendments introduced an impairment model that is based on current expected credit losses ("CECL"), rather than incurred losses, to estimate credit losses on loans. For reporting periods beginning on or after January 1, 2023, the allowance for loan credit losses represents 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 losses that are inherent in our and reasonably estimable loan portfolio losses, but which have had not yet been realized as of the date end of our balance sheet. It the reporting period. Refer to Note 2 of the financial statements for more information on the adoption of ASC 326.

The allowance for credit losses includes the allowance for loan losses and the allowance for credit losses on unfunded lending commitments, which is recorded in other liabilities on the statement of financial condition. The allowance for credit losses is established through a provision for loan 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 is an amount that management believes will cover probable for loans losses totaled $2.1 million, or 1.56% of total loans, at March 31, 2023 and reasonably estimable losses $1.8 million, or 1.35% of total loans, at December 31, 2022. The increase in the allowance for loan portfolio based on evaluations losses from December 31, 2022 largely reflects the addition of forecasted credit losses due to the adoption ASC 326.

Management's estimate of the collectability of loans. The evaluations take into consideration allowance for credit losses considers factors such factors 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 current future economic conditions. conditions, and forecasted information. This evaluation is inherently subjective as it requires material estimates including, among others, exposure at default, average historical loss experience, expected future loss rates, the amount and timing of expected future cash flows pay-downs on impacted existing loans and fundings on unfunded commitments, and the value of collateral, estimated losses on our commercial and residential loan portfolios and general amounts for historical loss experience. underlying collateral. All of these estimates may be susceptible to significant changes as more information becomes available. The allowance for loans losses totaled $1.8 million, or 1.37% of total loans, at September 30, 2022 and $2.3 million, or 1.73% of total loans, at December 31, 2021. The decrease in the allowance for loan losses largely reflects the reversal of certain provisions made for estimated loan losses during 2020 associated with our initial assessment of COVID-19's impact on credit risk.

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

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Investment Securities. Available-for-sale securities consist of investment securities not classified as trading securities or held-to-maturity securities. Available-for-sale securities are reported at fair value and unrealized holding gains and losses, net of tax, on available-for-sale securities are included in other comprehensive income. The fair market values of investment securities are obtained from a third party service provider, whose prices are based on a combination of observed market prices for identical or similar instruments and various matrix pricing programs. The fair market values of investment securities are classified within Level 2 of the fair value hierarchy. At March 31, 2023 and December 31, 2022, net unrealized losses on available-for-sale securities totaled $10.1 million and $11.5 million, respectively. Unrealized losses on our available-for-sale securities relate principally to the increases in market rates of similar types of securities. The Company has not realized or recognized any losses in the statement of income for any investment securities held at March 31, 2023 or December 31, 2022.

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Management evaluates ASC 326 amended the guidance applicable to measuring and recognizing losses on available-for-sale securities. Under ASC 326, expected credit related losses for available-for-sale debt securities are recorded through an allowance for credit losses, while non-credit related losses will continue to be recognized through other comprehensive income as unrealized holding gains and losses, net of tax. Under former GAAP, we assessed our investment securities for other-than-temporary impairment at least quarterly, and more frequently when economic or market concerns warrant such evaluation. 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 term "other-than-temporary" is not intended allowance approach allows estimated expected credit losses to indicate 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 value. Rather, it means that the prospects for near term recovery of value are not necessarily favorable, or that there is a lack of evidence to support fair values equal to, or greater than, the carrying value of each security below its amortized cost basis is due to credit-related factors or noncredit-related factors. Consideration is given to the investment. 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 dDeclines eclines in the estimated fair value of individual investment securities below their cost that are were considered other-than-temporary, are impairment losses were recognized as realized losses in the statement of income. income with an offset to the carrying value of the investment security. Factors affecting the determination of whether an other-than-temporary impairment has had occurred include, among other things, (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, (3) that the Company does not intend to sell these securities, and (4) an it is more likely than not that the Company will not be required to sell before a period of time sufficient to allow for any anticipated recovery in fair value. Unrealized holding gains and losses, net of tax, on available-for-sale securities are included in other comprehensive income. At September 30, 2022 and December 31, 2021, net unrealized losses on available-for-sale securities totaled $12.6 million and $864,000, respectively. The increase in unrealized losses on available-for-sale securities relates principally to the increases in market rates of similar types of securities. No declines in fair value of available-for-sale securities were deemed to be other-than-temporary.

Income Taxes. Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined 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 changes in tax rates and laws. 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 other factors. We may adjust our deferred tax asset balances if our judgments change.

COVID-19

The CARES Act, enacted in March of 2020 in response to the economic disruption brought about by the COVID-19 pandemic, contains many provisions related to banking, lending, mortgage forbearance and taxation. Under the provisions of the act, we supported our customers through the Small Business Administration's ("SBA") Paycheck Protection Program ("PPP"), loan modifications and loan deferrals. We funded 240 SBA PPP loans totaling $8.5 million with an average initial loan balance of $36,000 to existing customers and key prospects located primarily in our markets in south central Louisiana. As of December 31, 2021, the unpaid principal balance of PPP loans totaled $2.8 million. During the nine months ended September 30, 2022, all of our outstanding PPP loans were fully repaid.

In addition, we granted modifications, generally in the form of three-month deferrals of principal payments and a three-month extension of the maturity date, to 204 loans with principal balances totaling $28.2 million under the CARES Act. In accordance with guidance from the Federal Deposit Insurance Corporation (the "FDIC"), borrowers who were current prior to becoming affected by COVID-19, that received loan modifications as a result of the pandemic, generally were not reported as past due or categorized as troubled debt restructurings. This relief provided by the CARES Act expired January 1, 2022. At December 31, 2021, we had no loans under deferral or extension agreements due to COVID-19.

Management's assumptions and estimates, such as the allowance for loan losses, may be negatively impacted as the Company continues to evaluate and consider the effects of the COVID-19 pandemic. However, it is difficult to assess or predict how and to what extent COVID-19 will affect the Company in the future.

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Comparison of Financial Condition at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022

Total Assets. Total assets decreased $1.9 million increased $12.5 million, or 0.7% 4.7%, to $283.4 million $275.8 million at September 30, 2022 March 31, 2023 from $285.3 million $263.3 million at December 31, 2021 December 31, 2022. The decrease increase resulted primarily from declines in available-for-sale investment securities, down $9.8 million, and a $14.1 million increase in cash and cash equivalents, down $4.7 million, partially offset by an increase which was largely attributable to growth in bank-owned life insurance total deposits of $10.2 million $14.6 million from December 31, 2022 to March 31, 2023.

Loans. Total loans receivable fell declined by $141,000, $917,000, or 0.1% 0.7%, to $131.7 million $132.7 million at September 30, 2022 March 31, 2023, compared to $131.8 million $133.6 million at December 31, 2021 December 31, 2022. Commercial During the three months ended March 31, 2023, fundings on existing construction loans and new originations of commercial and industrial and residential mortgage loan growth was entirely loans were offset by net declines paydowns across the other segments of the portfolio. All PPP

The majority of the Company's loan portfolio consists of real estate loans were fully paid off secured by properties in our local market area, the Acadiana region of south Louisiana. Loans secured by one- to four-family residential properties totaled $86.5 million, or 65.2% of total loans, and commercial real estate loans totaled $19.3 million, or 14.5% of total loans, at March 31, 2023. Our commercial real estate loans are generally secured by retail and industrial use buildings, hotels, strip shopping centers and other properties used for commercial purposes in our market area. Approximately 66% of our real estate loans have adjustable rates and, of these adjustable-rate real estate loans, approximately $47.0 million are scheduled to re-price during the nine months ended September 30, 2022. The total unpaid principal balance next 12 months.

Our non-real estate loans primarily consist of PPP loans, included in commercial and industrial loans amounted of $14.1 million, or 10.6% of total loans, at March 31, 2023. The commercial and industrial portfolio mainly consists of direct loans to $2.8 million at December 31, 2021. small and mid-sized businesses located in our market area. Since March 31, 2022, the Company has grown this segment of the portfolio by $4.0 million, which was largely driven by loans to local businesses involved in industrial manufacturing and equipment, communications, and professional services. Approximately 39% of our commercial and industrial loans have adjustable rates and, of these adjustable-rate commercial and industrial loans, approximately $5.5 million are scheduled to re-price 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, 2022		December 31, 2021				March 31, 2023		December 31, 2022			
(Dollars in thousands)	**Amount**	**%**	**Amount**	**%**	**Change**		**Amount**	**%**	**Amount**	**%**	**Change**	
Real estate loans												
One- to four-family residential	$ 88,327	67.1 %	$ 87,303	66.2 %	$ 1,024	1.2 %	$ 86,464	65.2 %	$ 87,508	65.5 %	$(1,044)	(1.2)%
Commercial real estate	21,073	16.0	23,112	17.5	(2,039)	(8.8)	19,303	14.5	19,437	14.5	(134)	(0.7)
Construction and land	4,450	3.4	4,079	3.1	371	9.1	6,536	4.9	6,172	4.6	364	5.9
Multi-family residential	3,252	2.5	4,589	3.5	(1,337)	(29.1)	3,146	2.4	3,200	2.4	(54)	(1.7)
Total real estate loans	117,102	89.0	119,083	90.3	(1,981)	(1.7)	115,449	87.0	116,317	87.0	(868)	(0.7)
Other loans												
Commercial and industrial	11,087	8.4	8,374	6.4	2,713	32.4	14,109	10.6	13,843	10.4	266	1.9
Consumer	3,512	2.6	4,385	3.3	(873)	(19.9)	3,132	2.4	3,447	2.6	(315)	(9.1)
Total other loans	14,599	11.0	12,759	9.7	1,840	14.4	17,241	13.0	17,290	13.0	(49)	(0.3)
Total loans	$ 131,701	100.0 %	131,842	100.0 %	$ (141)	(0.1)%	$132,690	100.0 %	$133,607	100.0 %	$ (917)	(0.7)

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Allowance for Loan Credit Losses. As of January 1, 2023, the Company adopted the guidance under ASC 326. The allowance for loans losses totaled $1.8 million adoption of ASC 326 resulted in a $209,000, or 12%, or 1.37% of total loans, at September 30, 2022 and $2.3 million, or 1.73% of total loans, at December 31, 2021. The decline increase in the allowance for loan losses, primarily reflects the reversal of provisions made for estimated loan losses during 2020 associated with our initial assessment of COVID-19's impact on credit risk and a $79,000 $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 reserves retained earnings. The increase in the total allowance for loans individually evaluated credit losses, which is inclusive of the reserve for impairment. During unfunded commitments, was primarily due to the nine months ended September 30, 2022, net loan charge-offs totaled $97,000 and addition of forecasted credit losses. Refer to Note 2 of the Company recorded a reversal to financial statements for more information on the adoption of ASC 326.

At January 1, 2023, the allowance for loan losses totaled $2.0 million, or 1.51% of $375,000. total loans, compared to $1.8 million, or 1.35% of total loans, at December 31, 2022. At March 31, 2023, the allowance for loan losses totaled $2.1 million, or 1.56% of total loans, and the allowance for credit losses on unfunded commitments totaled $216,000, unchanged from the date of adoption of ASC 326. The Company did not record a provision for or a reversal of loan losses during the first quarter of 2023.

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

	Nine Months Ended September 30,		Year Ended December 31,
(Dollars in thousands)	**2022**	**2021**	**2021**
Allowance for loan losses, beginning of period	$ 2,276	$ 3,022	$ 3,022
Provision for (reversal of) loan losses	(375)	(286)	(660)
Net loan charge-offs:			
One- to four-family residential	(84)	(72)	(69)
Commercial real estate	-	-	-
Construction and land	-	-	-
Multi-family residential	-	-	-
Commercial and industrial	(2)	-	-
Consumer	(11)	(18)	(17)
Total net charge-offs	(97)	(90)	(86)
Allowance for loan losses, end of period	$ 1,804	$ 2,646	$ 2,276
Total loans at end of period	$ 131,701	$ 136,720	$ 131,842
Total non-accrual loans at end of period	1,221	752	890
Total non-performing loans at end of period	1,600	917	891
Total average loans	132,052	143,075	141,592
Allowance for loan losses as a percent of:			
Total loans	1.37 %	1.94 %	1.73 %
Non-accrual loans	147.75	351.86	255.73
Non-performing loans	112.75	288.55	255.44
Net annualized charge-offs as a percent of average loans by portfolio:			
One- to four-family residential	(0.13)%	(0.10)%	(0.07)%
Commercial real estate	-	-	-
Construction and land	-	-	-
Multi-family residential	-	-	-
Commercial and industrial	(0.03)	-	-
Consumer	(0.36)	(0.53)	(0.37)

Total loans	(0.10)	(0.08)	(0.06)

(Dollars in thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Year Ended December 31, 2022
Allowance for loan losses, beginning of period	$ 1,807	$ 2,276	$ 2,276
Impact of adoption of ASC 326	209	-	-
Provision for (reversal of) credit losses	-	(71)	(375)
Net loan recoveries (charge-offs):			
One- to four-family residential	56	(25)	(69)
Commercial real estate	-	-	-
Construction and land	-	-	-
Multi-family residential	-	-	-
Commercial and industrial	-	(2)	1
Consumer	(2)	(5)	(26)
Total net recoveries (charge-offs)	54	(32)	(94)
Allowance for loan losses, end of period	$ 2,070	$ 2,173	$ 1,807
Allowance for credit losses on unfunded lending commitments, end of period	216	-	-
Total allowance for credit losses, end of period	$ 2,286	$ 2,173	$ 1,807
Total loans at end of period	$ 132,690	$ 132,252	$ 133,607
Total non-accrual loans at end of period	1,618	1,269	1,494
Total non-performing loans at end of period	1,687	1,269	1,685
Total average loans	133,781	131,009	132,503
Allowance for loan losses as a percent of:			
Total loans	1.56 %	1.64 %	1.35 %
Non-accrual loans	127.94	171.24	120.95
Non-performing loans	122.70	171.24	107.24
Net annualized recoveries (charge-offs) as a percent of average loans by portfolio:			
One- to four-family residential	0.26 %	(0.12)%	(0.08)%
Commercial real estate	-	-	-
Construction and land	-	-	-
Multi-family residential	-	-	-
Commercial and industrial	-	(0.10)	0.01
Consumer	(0.24)	(0.49)	(0.66)
Total loans	0.16	(0.10)	(0.07)

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

September 30,	December 31,	March 31,	December 31,

(Dollars in thousands)	2022	2021	2023	2022
Non-accruing loans				
One- to four-family residential	$ 1,124	$ 791	$ 1,517	$ 1,392
Commercial real estate	50	-	50	51
Construction and land	36	68	49	51
Multi-family residential	-	-	-	-
Commercial and industrial	-	18	-	-
Consumer	11	13	2	-
Total non-accruing loans	1,221	890	1,618	1,494
Accruing loans 90 days or more past due				
One- to four-family residential	287	-	69	191
Commercial real estate	92	-	-	-
Construction and land	-	-	-	-
Multi-family residential	-	-	-	-
Commercial and industrial	-	-	-	-
Consumer	-	1	-	-
Total accruing loans 90 days or more past due	379	1	69	191
Total non-performing loans	1,600	891	1,687	1,685
Foreclosed assets	320	340	320	320
Total non-performing assets	1,920	1,231	$ 2,007	$ 2,005
Performing troubled debt restructurings	891	1,873		
Total non-performing assets and performing TDRs	$ 2,811	$ 3,104		
Total loans	$ 131,701	$ 131,842	$132,690	$ 133,607
Total assets	$ 283,414	$ 285,349	275,828	263,324
Total non-accruing loans as a percentage of total loans	0.93 %	0.68 %	1.22 %	1.12 %
Total non-performing loans as a percentage of total loans	1.21 %	0.68 %	1.27	1.26
Total non-performing loans as a percentage of total assets	0.56 %	0.31 %	0.61	0.64
Total non-performing assets as a percentage of total assets	0.68 %	0.43 %	0.73	0.76

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Investment Securities. Our total Total investment securities, available-for-sale and held-to-maturity, amounted to $92.0 million $92.4 million at September 30, 2022 March 31, 2023, a decrease of $9.8 million, down $669,000, or 9.6% 0.7%, compared to $101.8 million $93.1 million in investment securities at December 31, 2021 December 31, 2022. Net unrealized losses on securities available-for-sale totaled $12.6 million $10.1 million at September 30, 2022 March 31, 2023, compared to $864,000 $11.5 million at December 31, 2021 December 31, 2022. The increase in unrealized Unrealized losses on available-for-sale securities related relate principally to increases in market interest rates for similar securities. At September 30, 2022 March 31, 2023, 87% 86.9% of total investment securities, based on amortized cost, or $91.2 million $89.1 million, were classified as available-for-sale. Our investment securities portfolio at such date consisted consists primarily of debt obligations issued by the U.S. government and government agencies and government-sponsored mortgage-backed securities. During the nine three months ended September 30, 2022 March 31, 2023, purchases of $10.9 million of investment securities exceeded $8.5 million of security maturities, calls and principal repayments. repayments totaled $2.0 million. The Company did not purchase investment securities during the three months ended March 31, 2023.

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, 2022 March 31, 2023.

(Dollars in thousands)	Contractual Maturity as of September 30, 2022 One Year or Less	After One Through Five Years	After Five Through Ten Years	Over Ten Years	Total	Contractual Maturity as of March 31, 2023 One Year or Less	After One Through Five Years	After Five Through Ten Years	Over Ten Years	Total
Total investment securities										
Mortgage-backed securities	$ -	$ 2,331	$ 11,740	$ 60,691	$ 74,762	$ -	$ 3,388	$11,225	$57,419	$ 72,032
U.S. Government and agency obligations	-	9,977	10,000	4,009	23,986	1,000	9,981	9,000	4,005	23,986
Municipal obligations	-	1,429	1,947	2,559	5,935	-	1,424	2,551	2,539	6,514
Total	$ -	$ 13,737	$ 23,687	$ 67,259	$ 104,683	$1,000	$14,793	$22,776	$63,963	$102,532
Weighted average yield										
Mortgage-backed securities	- %	2.27 %	1.82 %	1.56 %	1.62 %	- %	2.96 %	2.00 %	1.64 %	1.76 %
U.S. Government and agency obligations	-	1.03	1.23	2.13	1.30	0.50	1.08	1.26	2.37	1.34
Municipal obligations	-	0.83	2.29	1.35	1.53	-	0.83	2.93	1.35	1.86
Total weighted average yield	- %	1.22 %	1.61 %	1.58 %	1.54 %	-	1.48	1.81	1.67	1.66

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 $31.6 million and $18.7 million, respectively, were pledged to secure public fund deposits in excess of the FDIC's insurance limit at March 31, 2023 and December 31, 2022.

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Deposits. Our total Total deposits amounted to $184.2 million were $179.7 million at September 30, 2022 March 31, 2023, an increase of $7.4 million up $14.6 million, or 4.2% 8.9%, compared to December 31, 2021 December 31, 2022. This The increase resulted in deposits was primarily from increases due to an increase in the balance of public funds. Our public funds consist primarily of non-interest bearing and NOW account balances, partially offset deposits from municipalities within our market. Our public fund deposits totaled $40.1 million, or 22.3% of total deposits, at March 31, 2023, compared to $21.0 million, or 12.7% of total deposits, at December 31, 2022.

Our total uninsured deposits (that is deposits in excess of the FDIC's insurance limit), inclusive of public funds, were approximately $59.7 million at March 31, 2023 and $43.4 million at December 31, 2022. Total uninsured non-public fund deposits were approximately $24.6 million and $26.9 million at March 31, 2023 and December 31, 2022, respectively. The full amount of our public funds deposits in excess of the FDIC's insurance limit are secured by declines in certificates pledging investment securities or by allocating available portions of deposit. a letter of credit from the FHLB to collateralize the balances.

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

(Dollars in thousands)	September 30, 2022 Amount	%	December 31, 2021 Amount	%	Change

Non-interest-bearing demand deposits	$	31,988	17.4 %	$	30,299	17.1 %	$	1,689	5.6 %
Negotiable order of withdrawal ("NOW")		50,547	27.4		34,357	19.4		16,190	47.1
Money market		17,129	9.3		18,878	10.7		(1,749)	(9.3)
Savings		26,874	14.6		26,698	15.1		176	0.7
Certificates of deposit		57,689	31.3		66,563	37.7		(8,874)	(13.3)
Total deposits	$	184,227	100 %	$	176,795	100 %	$	7,432	4.2

	March 31, 2023			December 31, 2022				
(Dollars in thousands)	Amount		%	Amount		%	Change	
Non-interest-bearing demand deposits	$	35,483	19.7 %	$	33,657	20.4 %	$	1,826	5.4 %
Negotiable order of withdrawal ("NOW")		49,252	27.4		36,991	22.4		12,261	33.1
Money market		16,153	9.0		15,734	9.5		419	2.7
Savings		28,200	15.7		26,209	15.9		1,991	7.6
Certificates of deposit		50,624	28.2		52,503	31.8		(1,879)	(3.6)
Total deposits	$	179,712	100.0 %	$	165,094	100.0 %	$	14,618	8.9

Borrowings. Our borrowings, which consist of FHLB advances, amounted to $9.2 million at September 30, 2022, compared to $9.0 million at December 31, 2021 March 31, 2023 and December 31, 2022. The increase change in the carrying value of our FHLB advances reflects the amortization of deferred prepayment penalties on $10.0 million in advances restructured in December of 2020. Deferred prepayment penalties on our FHLB advances totaled $847,000 $757,000 and $982,000 $802,000 at September 30, 2022 March 31, 2023 and December 31, 2021 December 31, 2022, respectively.

Shareholders' Equity. Shareholders' equity decreased $9.0 million totaled $86.1 million, or 9.2% 31.2% of total assets, at March 31, 2023, to $89.3 million down $2.3 million, or 2.7%, from $88.5 million, or 33.6% of total assets, at September 30, 2022 compared December 31, 2022. Shareholders' equity decreased by $3.0 million due to $98.3 million at December 31, 2021. The primary reason for the decrease in total shareholders' equity was a $9.3 million increase in the Company's accumulated repurchases of its common stock, which was partially offset by positive other comprehensive loss position income due to an improvement in unrealized losses on available-for-sale securities. At September 30, 2022

The Company announced its first share repurchase plan (the "January 2023 Repurchase Plan") on January 26, 2023, our ratio and completed repurchases under the January 2023 Repurchase Plan in April 2023. Under the January 2023 Repurchase Plan, the Company repurchased 265,000 shares of total shareholders' equity its common stock at an average cost per share of $12.62. In April 2023, the Company announced that its Board of Directors approved the Company's second share repurchase plan (the "April 2023 Repurchase Plan"). Under the April 2023 Repurchase Plan, the Company may purchase up to total assets was 31.5% compared to 34.5% at December 31, 2021. 252,000 shares, or approximately 5% of the Company's outstanding shares of common stock. Share repurchases under the April 2023 Repurchase Plan commenced during the second quarter of 2023.

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

	Three Months Ended September 30,					
	2022			2021		
(Dollars in thousands)	Average Balance	Interest	Average Yield/Rate	Average Balance	Interest	Average Yield/Rate
Interest-earning assets:						

Loans receivable(1)	$ 131,583	$ 1,466	4.42 %	$ 137,031	$ 1,671	4.84 %
Investment securities(TE)(2)	104,403	381	1.48	61,912	172	1.13
Other interest-earning assets	34,548	185	2.12	36,504	13	0.14
Total interest-earning assets(TE)	270,534	2,032	2.99	235,447	1,856	3.13
Non-interest-earning assets	17,518			17,729		
Total assets	$ 288,052			$ 253,176		
Interest-bearing liabilities:						
Savings, NOW and money market accounts	91,738	29	0.13	81,650	26	0.12
Certificates of deposit	59,833	64	0.43	69,076	98	0.56
Total interest-bearing deposits	151,571	93	0.24	150,726	124	0.33
FHLB advances	9,126	69	2.99	8,966	68	3.04
Total interest-bearing liabilities	160,697	162	0.40	159,692	192	0.48
Non-interest-bearing liabilities	34,591			42,534		
Total liabilities	195,288			202,226		
Shareholders' equity	92,764			50,950		
Total liabilities and shareholders' equity	$ 288,052			$ 253,176		
Net interest-earning assets	$ 109,837			$ 75,755		
Net interest income; average interest rate spread(TE)		$ 1,870	2.59 %		$ 1,664	2.65 %
Net interest margin(TE)(3)			2.75 %			2.81 %
Average interest-earning assets to average interest-bearing liabilities			168.35 %			147.44 %

(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%.

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	Nine Months Ended September 30,						Three Months Ended March 31,					
	2022			2021			2023			2022		
(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)	$132,052	$ 4,584	4.64 %	$143,075	$ 5,344	4.99 %	$133,781	$ 1,629	4.94 %	$131,009	$ 1,563	4.84 %
Investment securities(TE)(2)	104,061	1,062	1.37	50,894	434	1.16	103,739	427	1.66	103,635	329	1.28
Other interest-earning assets	34,735	262	1.01	30,904	37	0.16	19,820	211	4.33	39,605	19	0.20
Total interest-earning assets(TE)	270,848	5,908	2.92	224,873	5,815	3.46	257,340	2,267	3.57	274,249	1,911	2.82
Non-interest-earning assets	16,152			15,472			14,570			12,706		
Total assets	$287,000			$240,345			$271,910			$286,955		
Interest-bearing liabilities:												
Savings, NOW and money market accounts	86,459	77	0.12	77,928	84	0.14						
NOW, money market and savings accounts							90,972	81	0.36	81,885	24	0.12
Certificates of deposit	63,547	195	0.41	69,157	330	0.64	51,528	152	1.20	65,939	68	0.42
Total interest-bearing deposits	150,006	272	0.24	147,085	414	0.38	142,500	233	0.66	147,824	92	0.25
FHLB advances	9,080	205	3.00	8,907	204	3.06	9,216	68	2.96	9,034	68	3.02
Total interest-bearing liabilities	159,086	477	0.40	155,992	618	0.53	151,716	301	0.80	156,858	160	0.41
Non-interest-bearing liabilities	33,514			33,675			32,844			32,731		
Total liabilities	192,600			189,667			184,560			189,589		
Shareholders' equity	94,400			50,678			87,350			97,366		
Total liabilities and shareholders' equity	$287,000			$240,345			$271,910			$286,955		
Net interest-earning assets	$111,762			$ 68,881			$105,624			$117,391		
Net interest income; average interest rate spread(TE)		$ 5,431	2.52 %		$ 5,197	2.93 %		$ 1,966	2.77 %		$ 1,751	2.41 %
Net interest margin(TE)(3)			2.69 %			3.09 %			3.10			2.59
Average interest-earning assets to average interest-bearing liabilities			170.25 %			144.16 %			169.62			174.84

(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%.

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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, 2022 vs 2021			Nine Months Ended September 30, 2022 vs 2021			Three Months Ended March 31, 2023 vs 2022		
	Increase (Decrease) Due to		Total	Increase (Decrease) Due to		Total	Increase (Decrease) Due to		Total
(Dollars in thousands)	Rate	Volume	Increase (Decrease)	Rate	Volume	Increase (Decrease)	Rate	Volume	Increase (Decrease)
Interest income:									
Loans receivable	$ (140)	$ (65)	$ (205)	$ (363)	$ (397)	$ (760)	$ 32	$ 34	$ 66
Investment securities	66	143	209	101	527	628	98	-	98
Other interest-earning assets	172	-	172	220	5	225	206	(14)	192
Total interest income	98	78	176	(42)	135	93	336	20	356
Interest expense:									
Savings, NOW and money market accounts	-	3	3	(15)	8	(7)			
NOW, money market and savings accounts							54	3	57
Certificates of deposit	(22)	(12)	(34)	(110)	(25)	(135)	102	(18)	84
Total deposits	(22)	(9)	(31)	(125)	(17)	(142)	156	(15)	141
FHLB advances and other borrowings	(1)	2	1	(3)	4	1	(1)	1	—
Total interest expense	(23)	(7)	(30)	(128)	(13)	(141)	155	(14)	141
Increase (decrease) in net interest income	$ 121	$ 85	$ 206	$ 86	$ 148	$ 234	$ 181	$ 34	$ 215

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Comparison of Results of Operations for the Three Months Ended September 30, 2022 March 31, 2023 and 2021. 2022.

General. For the three months ended September 30, 2022 March 31, 2023, the Company reported net income of $139,000, $73,000, compared to a net income loss of $1.4 million $141,000 for the three months ended September 30, 2021 March 31, 2022. During the three months ended September 30, 2021 Net interest income was up $215,000, or 12.3%, we received and recognized into non-interest income $1.8 million related to a CDFI Rapid Response Program grant. During the three months ended September 30, 2022, the Company recorded a reversal to the allowance for loan losses of $115,000, compared to no provision for was up $97,000, or reversal of loan losses 49.2%, for the three months ended September 30, 2021. March 31, 2023, compared to the same period in 2022. Non-interest expense for the three months ended March 31, 2023 totaled $2.2 million, down $16,000, or 0.7%, from the same period in 2022.

Interest Income. Total interest income increased $176,000, $356,000, or 9.5% 18.6%, to $2.0 million $2.3 million for the three months ended September 30, 2022 March 31, 2023, compared to the three months ended September 30, 2021 March 31, 2022. This increase was primarily attributable to a $209,000 increase in interest Interest income on loans, investment securities, and a $172,000 increase in other interest income, partially offset interest-earning assets were up by a decrease in interest income on loans of $205,000. $66,000, $98,000, and $192,000, respectively.

The average loan yield was 4.42% 4.94% for the three months ended September 30, 2022 March 31, 2023, down up from 4.84% for the three months ended September 30, 2021 March 31, 2022. Average loans were $131.6 million $133.8 million for the three months ended September 30, 2022 March 31, 2023, down $5.4 million up $2.8 million, or 4.0% 2.1%, compared to the same period in 2021. 2022. Interest income on loans for the three months ended September 30, 2021 March 31, 2022 included $70,000 $90,000 of recognized deferred PPP loan fees. PPP loans were fully paid-off in June 2022 and no deferred fee income was has been earned from PPP loans during the three months ended September 30, 2022. 2023.

The increase in interest income on investment securities was primarily due to an increase in the average volume of rate earned on our securities portfolio. The average amortized cost balance of rate earned on our investment securities portfolio was up $42.5 million, or 68.6%, 1.66% for the three months ended September 30, 2022 March 31, 2023, up 38 basis points, or 29.7%, compared to 1.28% for the same period in 2021. During 2022.

Interest income on other interest-earning assets, consisting primarily of interest-earning cash and deposits at other financial institutions, increased due to the fourth quarter impact of 2021, higher short-term interest rates during the Company deployed $41.9 million of the proceeds from our IPO into the investment securities portfolio. 2023 period compared to 2022.

Interest Expense. Total interest expense decreased $30,000, increased $141,000, or 15.6% 88.1%, to $162,000 $301,000 for the three months ended September 30, 2022 from $192,000 March 31, 2023, compared to $160,000 for the three months ended September 30, 2021 March 31, 2022. Interest expense on deposits was $93,000 $233,000 during the three months ended September 30, 2022 March 31, 2023, down $31,000, up $141,000, or 25.0% 153.3%, from $124,000 $92,000 for the three months ended September 30, 2021 March 31, 2022. While the average balance of our total interest-bearing deposits increased by $845,000, or 0.6%, to $151.6 million for the three months ended September 30, 2022 compared to the three months ended September 30, 2021, the The average rate paid on interest-bearing deposits was down nine basis points to 0.24% 0.66% for the three months ended September 30, 2022 compared to March 31, 2023, up 41 basis points from 0.25% for the three months ended September 30, 2021 March 31, 2022.

Net Interest Income. Net interest income was $1.9 million $2.0 million for the three months ended September 30, 2022 March 31, 2023, up $206,000, $215,000, or 12.4% 12.3%, from the three months ended September 30, 2021 March 31, 2022. Our interest rate spread was 2.59% 2.77% and 2.65% 2.41% for the three months ended September 30, 2022 March 31, 2023 and 2021, 2022, respectively. Our net interest margin was 2.75% 3.10% and 2.81% 2.59% for the three months ended September 30, 2022 March 31, 2023 and 2021, 2022, respectively. The decline increase in interest rate spread and net interest margin over the prior comparable periods was primarily the result of lower average increased yields earned on loans and a shift in the mix of our interest-earning assets as we grew our investment securities portfolio and experienced a decline in total loans outstanding. The impact on yield due to these factors more than offset the significant increases in market interest rates during 2022. Rising market rates have also led to an increase in yield on other interest-earning assets and the reduction in the average cost of our interest-bearing liabilities. deposits, though the increase in the average rate paid on our deposit accounts was not outpaced by the increase in the average yield on interest-earning asset over the comparable three-month periods.

Provision for Loan Credit Losses. During the three months ended September 30, 2022 March 31, 2023, the Company recorded a reversal to the allowance for loan losses of $115,000. We recorded no provision or reversal to the allowance for loan credit losses, compared to a reversal of $71,000 for the three months ended September 30, 2021. same period in 2022. The reversal during the 2022 period primarily reflects 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 $296,000 for While our initial assessment of the three months ended September 30, 2022, compared to $2.0 million for the three months ended September 30, 2021. Non-interest income in the 2021 period primarily reflects the receipt impact of a $1.8 million grant from the U.S. Treasury Department's CDFI Rapid Response Program. The CDFI Rapid Response Program is designed to quickly deploy capital to community development financial institutions, such as the Bank, in order to provide them with resources to help counter the economic impact created by the COVID-19 pandemic in distressed improved during 2022, uncertainty remains due to risks related to declining government stimulus availability, persistent inflation, rising market interest rates and underserved communities. the potential for recession.

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Non-interest Expense. Income. Non-interest expense increased $244,000, or 13.0%, to $2.1 million income totaled $294,000 for the three months ended September 30, 2022 March 31, 2023, an increase of $97,000, or 49.2%, compared to $1.9 million $197,000 for the three months ended September 30, 2021 March 31, 2022.The increase in non-interest expense primarily reflects the additional costs associated with operating as a public company since the completion of our IPO in October 2021 and additional resources needed Income from bank-owned life insurance ("BOLI") increased by $76,000 to expand our business.

Salaries and employee benefits expense totaled $1.2 million $97,000 for the three months ended September 30, 2022, an increase of $84,000, or 7.7%, over the comparable period in 2021 primarily due to stock compensation expense recognized in the 2022 period. Allocations under the Company's ESOP commenced during the fourth quarter of 2021 and the Company granted awards under the 2022 Stock Option Plan and 2022 Recognition and Retention Plan and Trust Agreement in September 2022.

Data processing and communication expense totaled $216,000 for the three months ended September 30, 2022, an increase of $15,000, or 7.5%, over the comparable period in 2021 primarily due to the cost of technology resources for additional personnel and our newest branch location.

Professional fees totaled $157,000 for the three months ended September 30, 2022, an increase of $69,000, or 78.4%, over the comparable period in 2021 primarily due to public company consulting, legal services and other professional fees.

Advertising and marketing expense totaled $36,000 for the three months ended September 30, 2022, an increase of $22,000 over the comparable period in 2021 primarily due to an increased focus on in-person promotional efforts to familiarize our market with the Bank's new name and mission.

Franchise and shares tax expense totaled $15,000 for the three months ended September 30, 2022. As a result of the mutual-to-stock conversion of the Bank and the establishment of Catalyst Bancorp as its holding company, the Company became subject to franchise tax and the Bank became subject to Louisiana shares tax for 2022.

Income Tax Expense. The Company reported an income tax expense of $14,000 for the three months ended September 30, 2022, compared to income tax expense of $372,000 for the three months ended September 30, 2021. The change in income tax expense over the comparable three-month periods was primarily due to the change in taxable earnings.

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Comparison of Results of Operations for the Nine Months Ended September 30, 2022 and 2021.

General. For the nine months ended September 30, 2022, the Company reported net income of $26,000, compared to net income of $1.8 million for the nine months ended September 30, 2021. During the nine months ended September 30, 2021, the Company received a $1.8 million Rapid Response Program grant from the CDFI Fund and recognized the amount in non-interest income. During the nine months ended September 30, 2022, the Company received and recognized into non-interest income a $171,000 BEA Program grant from the CDFI Fund. The Bank also rebranded and officially changed its name to Catalyst Bank during the 2022 period. Pre-tax costs associated with the rebranding of the Bank totaled $270,000 for the nine months ended September 30, 2022. Professional fees associated with the grant totaled $26,000 and were recorded in non-interest expense in the same period.

Interest Income. Total interest income increased $93,000, or 1.6%, to $5.9 million for the nine months ended September 30, 2022, from $5.8 million for the nine months ended September 30, 2021. This increase was primarily attributable to a $628,000 increase in interest income on investment securities and a $225,000 increase in other interest income, partially offset by a decrease in interest income on loans of $760,000.

The average loan yield was 4.64% for the nine months ended September 30, 2022, down from 4.99% for the nine months ended September 30, 2021. In addition, average loans were $132.1 million for the nine months ended September 30, 2022, down $11.0 million, or 7.7% March

31, 2023, compared to the same period in 2021. Loan income from the recognition of deferred PPP loan fees totaled $186,000 for the nine months ended September 30, 2022, down $94,000, or 33.6%, from $280,000 recognized in the same period in 2021.

The increase in interest income on investment securities was primarily due to an increase in the average volume of our securities portfolio. The average amortized cost balance of our investment securities was up $53.2 million, or 104.5%, for the nine months ended September 30, 2022, compared to the same period in 2021. During the fourth quarter of 2021, the Company deployed $41.9 million of the proceeds from our IPO into the investment securities portfolio.

Interest Expense. Total interest expense decreased $141,000, or 22.8%, to $477,000 for the nine months ended September 30, 2022 from $618,000 for the nine months ended September 30, 2021. Interest expense on deposits was $272,000 during the nine months ended September 30, 2022, down $142,000, or 34.3%, from $414,000 for the nine months ended September 30, 2021. While the average balance of our total interest-bearing deposits increased by $2.9 million, or 2.0%, to $150.0 million for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, the average rate paid on interest-bearing deposits decreased by 14 basis points to 0.24% for the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021.

Net Interest Income. Net interest income was $5.4 million for the nine months ended September 30, 2022, an increase of $234,000, or 4.5%, compared to the nine months ended September 30, 2021. Our average interest rate spread was 2.52% and 2.93% for the nine months ended September 30, 2022 and 2021, respectively. Our net interest margin was 2.69% and 3.09% for the nine months ended September 30, 2022 and 2021, respectively. The decline in interest rate spread and net interest margin over the prior comparable periods was primarily the result of lower average yield on loans and a shift in the mix of our interest-earning assets as we grew our investment securities portfolio and experienced a decline in total loans. The impact on yield due to these factors more than offset the increase in yield on other interest-earning assets and the reduction in the average cost of our interest-bearing liabilities.

Provision for Loan Losses. During the nine months ended September 30, 2022 and 2021, the Company recorded reversals to the allowance for loan losses of $375,000 and $286,000, respectively. The amounts recorded during both periods primarily reflect 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 decreased by $1.5 million, or 63.7%, to $872,000 for the nine months ended September 30, 2022 from $2.4 million for the nine months ended September 30, 2021. In August 2021, the Bank was awarded a $1.8 million grant from the U.S. Treasury Department's CDFI Rapid Response Program, which was recognized as non-interest income.

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During the nine months ended September 30, 2022, the Company received and recognized into non-interest income a $171,000 BEA Program grant from the CDFI Fund. BOLI income increased by $149,000 to $216,000 for the nine months ended September 30, 2022, compared to the same period in 2021, 2022, largely due to an aggregate of $10.0 million in additional BOLI policies purchased in March and April of 2022. During the 2022 period, the Company also recorded losses on the disposal of fixed assets with a total net book value of $77,000. Of the assets disposed, $55,000 was attributable to branch signage that was replaced due to the Bank's rebranding.

Non-interest Expense. Non-interest expense increased $1.1 million, or 20.1%, to $6.7 million totaled $2.2 million for the nine three months ended September 30, 2022 March 31, 2023, down $16,000, or 0.7%, compared to $5.6 million for the nine three months ended September 30, 2021 March 31, 2022. Total non-interest expense for the nine months ended September 30, 2022 included $215,000 of rebranding-related expenses. The increase in non-interest expense also reflects additional costs associated with operating as a public company and additional resources needed to expand our business.

Salaries and employee benefits expense totaled $3.6 million $1.2 million for the nine three months ended September 30, 2022 March 31, 2023, an increase of $316,000, down $58,000, or 9.5% 4.6%, over compared to the comparable same period in 2021 2022 primarily due to a lower employee count and a reduction in bonus expense in the 2023 period. These cost savings were partially offset by stock compensation expense and new personnel in the 2022 period. Allocations under the Company's ESOP commenced during the fourth quarter of 2021 and the Company 2023 related to awards granted awards under the 2022 Stock Option Plan and 2022 Recognition and Retention Plan and Trust

Agreement in September 2022. Compensation expense related to awards granted under these plans and included in salaries and employee benefits expense, totaled $81,000 for the three months ended March 31, 2023, compared to zero in the first quarter of 2022.

Directors' fees totaled $115,000 for the three months ended March 31, 2023, up $60,000 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.

Data processing and communication expense totaled $666,000 $227,000 for the nine three months ended September 30, 2022 March 31, 2023, an increase of $110,000, $19,000, or 19.8% 9.1%, over from the comparable same period in 2021 2022 primarily due to the cost of technology resources for additional personnel and annual rate increases by our newest branch location during the 2022 period. Data processing and communication expense also included $30,000 of rebranding-related expenses during the 2022 period.

Professional fees totaled $472,000 for the nine months ended September 30, 2022, an increase of $217,000, or 85.1%, over the comparable period in 2021 primarily due to public company consulting and legal services.

Advertising and marketing expense totaled $187,000 for the nine months ended September 30, 2022, an increase of $152,000 over the comparable period in 2021 primarily due to rebranding-related expenses of $124,000 incurred during the nine months ended September 30, 2022. core system provider.

Franchise and shares tax expense totaled $131,000 $27,000 for the nine three months ended September 30, 2022. As March 31, 2023, a result decrease of $31,000, or 53.4%, compared to the mutual-to-stock conversion same period in 2022. Management's estimate of the Bank and the establishment of Catalyst Bancorp as its holding company, the Company became subject to franchise tax and the Bank became subject to 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 previous quarters in 2022.

Income Tax Expense. The Company reported an income tax benefit expense of $45,000 $2,000 for the nine three months ended September 30, 2022 March 31, 2023, compared to an income tax expense benefit of $465,000 $41,000 for the nine three months ended September 30, 2021 March 31, 2022. The change in Company's effective tax rate for the three months ended March 31, 2023 was less than its statutory tax rate due principally to non-taxable income tax expense over the comparable nine-month periods was primarily due to the change in taxable earnings. from BOLI and certain investment securities.

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Liquidity and Capital Resources

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

Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, and proceeds from maturities of securities. We also have the ability to borrow from the FHLB. At September 30, 2022 March 31, 2023, we had outstanding advances from the FHLB with a carrying value of $9.2 million, and had the capacity to borrow approximately an additional $37.6 $34.3 million from the FHLB and an additional $17.8 million on a line of credit with First National Bankers Bank our primary correspondent bank at such date. The Company also has a $20 million custodial letter of credit outstanding from the FHLB as of March 31, 2023, which is included in the calculation of our available capacity with the FHLB. The Company allocates portions of this letter of credit to collateralize certain deposit balances in excess of the FDIC's insurance limit as an alternative to pledging investment securities for the same purpose.

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

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by used in operating activities was $376,000 $116,000 for the nine three months ended September 30, 2022 March 31, 2023. Net cash used in provided by investing activities, which consists primarily of net changes in loans receivable, investment securities and other assets such as bank-owned life insurance, was $12.5 million $2.9 million for the nine three months ended September 30, 2022 March 31, 2023. Net cash provided by financing activities, consisting of the net change in deposits and purchases of common stock, was $7.4 million $11.2 million for the nine three months ended September 30, 2022 March 31, 2023.

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

The Bank exceeded all regulatory capital requirements and was categorized as well-capitalized at September 30, 2022 March 31, 2023 and December 31, 2021 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		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, 2022								
As of March 31, 2023								
Common Equity Tier 1 Capital	$ 77,997	57.84 %	$ 8,765	>6.5 %	$ 78,432	56.43 %	$ 9,034	>6.5 %
Tier 1 Risk-Based Capital	77,997	57.84	10,788	>8.0	78,432	56.43	11,119	>8.0
Total Risk-Based Capital	79,684	59.09	13,485	>10.0	80,176	57.69	13,898	>10.0
Tier 1 Leverage Capital	77,997	28.29	13,784	>5.0	78,432	30.11	13,026	>5.0
As of December 31, 2021								
As of December 31, 2022								
Common Equity Tier 1 Capital	$ 77,819	63.51 %	$ 7,965	>6.5 %	$ 78,527	56.17 %	$ 9,087	>6.5 %
Tier 1 Risk-Based Capital	77,819	63.51	9,803	>8.0	78,527	56.17	11,184	>8.0
Total Risk-Based Capital	79,360	64.77	12,253	>10.0	80,275	57.42	13,980	>10.0
Tier 1 Leverage Capital	77,819	27.38	14,210	>5.0	78,527	30.37	12,929	>5.0

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At September 30, 2022 March 31, 2023, we had $872,000 $2.1 million of outstanding commitments to originate loans and $3.7 million $5.7 million of remaining funds to be disbursed on construction loans in process. Our total unused lines of credit, unused overdraft privilege amounts and letters of credit totaled $12.9 $16.5 million at September 30, 2022 March 31, 2023. Certificates of deposit that are scheduled to mature in less than one year from September 30, 2022 March 31, 2023, totaled $45.7 $41.5 million. Management expects that a majority of the maturing certificates of deposit will be retained. However, if a substantial portion of these deposits is not retained, we may utilize FHLB advances or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

The following table summarizes our outstanding commitments to originate loans and to advance additional amounts pursuant to outstanding letters of credit, lines of credit and undisbursed construction loans at September 30, 2022 March 31, 2023.

	Amount of Commitment Expiration — Per Period	Amount of Commitment Expiration — Per Period

(Dollars in thousands)	Total Amounts Committed at September 30, 2022	To 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years	Total Amounts Committed at March 31, 2023	To 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years
Commitments to originate loans	$ 872	$ 872	$ -	$ -	$ -	$ 2,135	$ 2,135	$ -	$ -	$ -
Undisbursed portion of construction loans in process	3,730	2,075	1,655	-	-	5,673	904	4,769	-	-
Unused lines of credit	11,771	6,978	3,408	-	1,385	15,342	9,140	5,574	-	628
Unused overdraft privilege amounts	1,117	-	-	-	1,117	1,144	-	-	-	1,144
Letters of credit	4	4	-	-	-	4	4	-	-	-
Total commitments	$ 17,494	$ 9,929	$ 5,063	$ -	$ 2,502	$ 24,298	$ 12,183	$ 10,343	$ -	$ 1,772

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 Company did not record a provision for credit losses for unfunded lending commitments during the three months ended March 31, 2023.

The following table summarizes our contractual cash obligations at September 30, 2022 March 31, 2023.

		Payments Due By Period					Payments Due By Period			
(Dollars in thousands)	Total at September 30, 2022	To 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years	Total at March 31, 2023	To 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years
Certificates of deposit	$ 57,689	$ 45,702	$ 11,408	$ 579	$ -	$50,624	$ 41,519	$ 8,266	$ 839	$ -
FHLB advances	10,000	-	-	3,000	7,000	10,000	-	3,000	3,000	4,000
Total long-term debt	67,689	45,702	11,408	3,579	7,000					
Operating lease obligations	-	-	-	-	-					
Total contractual obligations	$ 67,689	$ 45,702	$ 11,408	$ 3,579	$ 7,000					
Total term debt						$60,624	$ 41,519	$ 11,266	$ 3,839	$4,000

Recent Accounting Pronouncements

For a discussion of the impact of recent accounting pronouncements, see Note 3 2 of the notes to our financial statements.

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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, 2022 March 31, 2023, was carried out under the supervision and with the participation of our Chief Executive Officer, Chief Financial Officer and several other members of our senior management. Our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures in effect as of September 30, 2022 March 31, 2023, were effective. In addition, there have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) of the Act) that occurred during the quarter ended September 30, 2022 March 31, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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

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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, 2022 March 31, 2023, we were not involved in any legal proceedings, the outcome of which would be material to our financial condition or results of operations.

ITEM 1A. RISK FACTORS

Not applicable.

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

Not applicable. The Company's purchases of its common stock made during the three months ended March 31, 2023 consisted of share repurchases under the Company's approved plans and are set forth in the following table.

For the Month Ended	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under Plans or Programs
January 31, 2023	35,392	$ 12.87	35,392	261,400
February 28, 2023	109,926	13.01	109,926	151,474
March 31, 2023	117,862	12.24	117,862	33,612
Total	263,180	$ 12.65	263,180	

During the first quarter of 2023, the Company completed repurchases of 31,792 shares of common stock to fully fund the 2022 Recognition and Retention Plan and Trust Agreement and commenced repurchases under its January 2023 Repurchase Plan. The January 2023 Repurchase Plan was announced on January 26, 2023, and authorized the company to repurchase up to 265,000 shares, or approximately 5% of the Company's common stock. The Company completed repurchases under the January 2023 Repurchase Plan in April 2023. On April 27, 2023, the Company announced the approval of its second repurchase plan (the "April 2023 Repurchase Plan"). Under the April 2023 Repurchase Plan, the Company may purchase up to 252,000 shares, or approximately 5% of the Company's outstanding shares of common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Nothing to report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Nothing to report.

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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)

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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 10, 2022 May 15, 2023

By: /s/ Joseph B. Zanco
Joseph B. Zanco
President and Chief Executive Officer
(Duly Authorized Officer)

Date: November 10, 2022 May 15, 2023

By: /s/ Jacques L. J. Bourque
Jacques L. J. Bourque
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 31.1

RULE 13A-14(A) CERTIFICATION

I, Joseph B. Zanco, certify that:

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

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

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

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

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

   b) [Paragraph omitted 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 Exchange Act Rule 13a-14(a)]; 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 10, 2022 May 15, 2023

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

EXHIBIT 31.2

RULE 13A-14(A) CERTIFICATION

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

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

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

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

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

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

    b) [Paragraph omitted 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 Exchange Act Rule 13a-14(a)]; 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 10, 2022 May 15, 2023

By: /s/ Jacques L. J. Bourque
Jacques L. J. Bourque

Chief Financial Officer

EXHIBIT 32.0

SECTION 1350 CERTIFICATION

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 each of the undersigned hereby certifies in his or her capacity as an officer of Catalyst Bancorp, Inc. (the "Company") that the Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2022 March 31, 2023, fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and that the information contained in such report fairly represents, in all material respects, the financial statements included in such report.

Date: November 10, 2022 May 15, 2023

/s/ Joseph B. Zanco

Joseph B. Zanco
President and Chief Executive Officer

Date: November 10, 2022 May 15, 2023

/s/ Jacques L. J. Bourque

Jacques L. J. Bourque
Chief Financial Officer