

CATALYST BANCORP, INC. ANNOUNCES 2022 FOURTH QUARTER RESULTS AND APPROVAL OF SHARE REPURCHASE PLAN

OPELOUSAS, La., Jan. 26, 2023 /PRNewswire/ -- Catalyst Bancorp, Inc. (Nasdaq: "CLST") (the "Company"), the parent company for Catalyst Bank (the "Bank") (www.catalystbank.com), reported financial results for the fourth quarter of 2022. For the quarter, the Company reported net income of \$171,000, up \$36,000, or 27%, from the third quarter of 2022.

"2022 was transformational for our company embodied by the new Catalyst Bank name," said Joe Zanco, President and Chief Executive Officer of the Company and the Bank. "Our mission is to serve as catalysts for economic growth in our communities by helping locally-owned businesses grow. Our team is fully committed to fueling local business and improving the lives of our neighbors."

Share Repurchase Plan

The Company announced that its Board of Directors approved the Company's first share repurchase plan (the "2023 Repurchase Plan"). Under the 2023 Repurchase Plan, the Company may purchase up to 265,000 shares, or approximately 5% of the Company's outstanding common stock. Share repurchases under the 2023 Repurchase Plan are expected to commence during the first quarter of 2023 upon the completion of share repurchases to fund the 2022 Recognition and Retention Plan and Trust Agreement.

Loans and Credit Quality

Loans totaled \$133.6 million at December 31, 2022, up \$1.7 million, or 1%, from September 30, 2022. During the fourth quarter of 2022, loan growth was primarily driven by new originations of commercial and industrial loans and fundings on existing construction loans, which were partially offset by paydowns across other segments of the portfolio.

The following table sets forth the composition of the Company's loan portfolio as of the dates indicated.

| <i>(Dollars in thousands)</i> | <u>12/31/2022</u> | <u>9/30/2022</u> | <u>Increase (Decrease)</u> | |
|---------------------------------|-------------------|-------------------|----------------------------|------------|
| Real estate loans | | | | |
| One- to four-family residential | \$ 87,508 | \$ 88,568 | \$ (1,060) | (1) % |
| Commercial real estate | 19,437 | 21,073 | (1,636) | (8) |
| Construction and land | 6,172 | 4,450 | 1,722 | 39 |
| Multi-family residential | 3,200 | 3,252 | (52) | (2) |
| Total real estate loans | <u>116,317</u> | <u>117,343</u> | <u>(1,026)</u> | <u>(1)</u> |
| Other loans | | | | |
| Commercial and industrial | 13,843 | 11,087 | 2,756 | 25 |
| Consumer | 3,447 | 3,512 | (65) | (2) |
| Total other loans | <u>17,290</u> | <u>14,599</u> | <u>2,691</u> | <u>18</u> |
| Total loans | <u>\$ 133,607</u> | <u>\$ 131,942</u> | <u>\$ 1,665</u> | <u>1 %</u> |

Non-performing assets ("NPAs") totaled \$2.0 million at December 31, 2022, up \$85,000, or 4%, compared to September 30, 2022. The ratio of NPAs to total assets was 0.76% at December 31, 2022, compared to 0.68% at September 30, 2022. Non-performing loans ("NPLs") totaled \$1.7 million, or 1.26% of total loans, at December 31, 2022 and \$1.6 million, or 1.21% of total loans, at September 30, 2022. At December 31, 2022, approximately 94% of total NPLs were one- to four-family residential mortgage loans, compared to 88% at September 30, 2022.

The allowance for loan losses totaled \$1.8 million, or 1.35% of total loans, at December 31, 2022 and \$1.8 million, or 1.37% of total loans, at September 30, 2022. The Company did not record a provision for or a reversal of loan losses during the fourth quarter of 2022.

Net loan recoveries totaled \$3,000 during the fourth quarter of 2022, compared to net loan charge-offs of \$61,000 for the third quarter of 2022. The third quarter charge-offs were primarily related to two residential mortgage loans.

Investment Securities

Total investment securities were \$93.1 million at December 31, 2022, up \$1.0 million, or 1%, from September 30, 2022. At December 31 and September 30, 2022, 87% of total investment securities, based on amortized cost, were classified as available-for-sale. Net unrealized losses on securities available-for-sale totaled \$11.5 million at December 31, 2022, compared to \$12.6 million at September 30, 2022. For the fourth quarter of 2022, the average yield on the investment securities portfolio was 1.61%, up 13 basis points from the third quarter of 2022.

Deposits

Total deposits were \$165.1 million at December 31, 2022, down \$19.1 million, or 10%, from September 30, 2022. The decrease in deposits was primarily due to net outflows from NOW accounts and a decrease in certificates of deposit.

The following table sets forth the composition of the Bank's deposits as of the dates indicated.

| <i>(Dollars in thousands)</i> | 12/31/2022 | 9/30/2022 | Increase (Decrease) | |
|--------------------------------------|-------------------|-------------------|---------------------|---------------|
| Non-interest-bearing demand deposits | \$ 33,657 | \$ 31,988 | \$ 1,669 | 5 % |
| NOW | 36,991 | 50,547 | (13,556) | (27) |
| Money market | 15,734 | 17,129 | (1,395) | (8) |
| Savings | 26,209 | 26,874 | (665) | (2) |
| Certificates of deposit | 52,503 | 57,689 | (5,186) | (9) |
| Total deposits | <u>\$ 165,094</u> | <u>\$ 184,227</u> | <u>\$ (19,133)</u> | <u>(10) %</u> |

Net Interest Income

Net interest margin for the fourth quarter of 2022 was 2.96%, up 21 basis points compared to the prior quarter. The average yield on interest-earning assets increased by 29 basis points to 3.28% for the fourth quarter of 2022, while the average rate on interest-bearing liabilities increased by 15 basis points to 0.55%, compared to the third quarter of 2022.

Net interest income for the fourth quarter of 2022 was \$1.9 million, up \$30,000, or 2%, from the third quarter of 2022 primarily due to an increase in interest income from loans (up \$77,000, or 5%) and investment securities (up \$37,000, or 10%). These increases were partially offset by a decline in other interest income and an increase in interest expense on deposits. Lower average balances of cash and cash equivalents led to the decline in other interest income and the increase in interest expense on deposits was primarily the result of accounts re-pricing to higher rates during the fourth quarter of 2022.

The following table sets forth, for the periods indicated, the Company's 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.

| <i>(Dollars in thousands)</i> | Three Months Ended | | | | | |
|---|--------------------|-----------------|--------------------|-------------------|-----------------|--------------------|
| | 12/31/2022 | | | 9/30/2022 | | |
| | Average Balance | Interest | Average Yield/Rate | Average Balance | Interest | Average Yield/Rate |
| INTEREST-EARNING ASSETS | | | | | | |
| Loans receivable ⁽¹⁾ | \$ 133,102 | \$ 1,543 | 4.60 % | \$ 131,827 | \$ 1,466 | 4.41 % |
| Investment securities ^{(TE)(2)} | 105,488 | 418 | 1.61 | 104,403 | 381 | 1.48 |
| Other interest earning assets | 17,443 | 145 | 3.28 | 34,547 | 185 | 2.12 |
| Total interest-earning assets ^(TE) | <u>\$ 256,033</u> | <u>\$ 2,106</u> | 3.28 % | <u>\$ 270,777</u> | <u>\$ 2,032</u> | 2.99 % |
| INTEREST-BEARING LIABILITIES | | | | | | |
| NOW, money market and savings accounts | \$ 84,157 | \$ 37 | 0.18 % | \$ 91,738 | \$ 29 | 0.13 % |
| Certificates of deposit | 54,977 | 93 | 0.67 | 59,833 | 64 | 0.43 |
| Total interest-bearing deposits | 139,134 | 130 | 0.37 | 151,571 | 93 | 0.24 |
| FHLB advances | 9,930 | 76 | 3.07 | 9,126 | 69 | 2.99 |
| Total interest-bearing liabilities | <u>\$ 149,064</u> | <u>\$ 206</u> | 0.55 % | <u>\$ 160,697</u> | <u>\$ 162</u> | 0.40 % |
| Net interest-earning assets | <u>\$ 106,969</u> | | | <u>\$ 110,080</u> | | |
| Net interest income; average interest rate spread ^(TE) | | <u>\$ 1,900</u> | 2.73 % | | <u>\$ 1,870</u> | 2.59 % |
| Net interest margin ^{(TE)(3)} | | | 2.96 % | | | 2.75 % |

(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%.

Non-interest Income

Non-interest income for the fourth quarter of 2022 was \$301,000, up \$5,000, or 2%, from the third quarter of 2022 primarily due to an increase in fee income recorded in other non-interest income.

Non-interest Expense

Non-interest expense for the fourth quarter of 2022 totaled \$2.0 million, down \$131,000, or 6%, compared to the third quarter of 2022.

Data processing and communication expense totaled \$175,000 for the fourth quarter of 2022, down \$41,000, or 19%, from the prior quarter primarily due to a credit received from our core system provider during the fourth quarter of 2022.

Professional fees totaled \$66,000 for the fourth quarter of 2022, down \$91,000, or 58%, from the prior quarter mainly due to continued improvement in the cost of legal and auditing services during the second half of 2022.

The Company recorded a reversal of franchise and shares tax expense of \$16,000 during the fourth quarter of 2022, compared to \$15,000 in expense for the prior quarter. Shares tax due for 2022 was received during the fourth quarter of 2022 and the actual expense was less than our initial estimate.

About Catalyst Bancorp, Inc.

Catalyst Bancorp, Inc. (Nasdaq: CLST) is a Louisiana corporation and registered bank holding company for Catalyst Bank, its wholly-owned subsidiary, with \$263.3 million in assets at December 31, 2022. Catalyst Bank, formerly St. Landry Homestead Federal Savings Bank, has been in operation in the Acadiana region of south-central Louisiana for over 100 years. With a focus on fueling business and improving lives throughout the region, Catalyst Bank offers commercial and retail banking products through our six full-service branches located in Carencro, Eunice, Lafayette, Opelousas, and Port Barre. To learn more about Catalyst Bank, visit www.catalystbank.com.

Forward-looking Statements

This press release contains certain forward-looking statements. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words like "believe," "expect," "anticipate," "estimate" and "intend" or future or conditional verbs such as "will," "would," "should," "could" or "may." Certain factors that could cause actual results to differ materially from expected results include changes in the interest rate environment, changes in general economic conditions, legislative and regulatory changes that adversely affect the business of Catalyst Bancorp, Inc. and Catalyst Bank, and changes in the securities markets. Except as required by law, the Company does not undertake any obligation to update any forward-looking statements to reflect changes in belief, expectations or events.

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

| <i>(Dollars in thousands)</i> | 12/31/2022 | 9/30/2022 | 12/31/2021 |
|--|-------------------|-------------------|-------------------|
| ASSETS | | | |
| Non-interest-bearing cash | \$ 5,092 | \$ 4,558 | \$ 4,933 |
| Interest-bearing cash and due from banks | 8,380 | 31,639 | 35,951 |
| Total cash and cash equivalents | 13,472 | 36,197 | 40,884 |
| Investment securities: | | | |
| Securities available-for-sale, at fair value | 79,602 | 78,563 | 88,339 |
| Securities held-to-maturity | 13,475 | 13,480 | 13,498 |
| Loans receivable, net of unearned income | 133,607 | 131,942 | 132,103 |
| Allowance for loan losses | (1,807) | (1,804) | (2,276) |
| Loans receivable, net | 131,800 | 130,138 | 129,827 |
| Accrued interest receivable | 673 | 566 | 579 |
| Foreclosed assets | 320 | 320 | 340 |
| Premises and equipment, net | 6,303 | 6,392 | 6,577 |
| Stock in correspondent banks, at cost | 1,808 | 1,799 | 1,793 |
| Bank-owned life insurance | 13,617 | 13,519 | 3,303 |
| Other assets | 2,254 | 2,630 | 470 |
| TOTAL ASSETS | \$ 263,324 | \$ 283,604 | \$ 285,610 |
| LIABILITIES | | | |
| Deposits: | | | |
| Non-interest-bearing | \$ 33,657 | \$ 31,988 | \$ 30,299 |
| Interest-bearing | 131,437 | 152,239 | 146,496 |
| Total deposits | 165,094 | 184,227 | 176,795 |
| Federal Home Loan Bank advances | 9,198 | 9,153 | 9,018 |
| Other liabilities | 558 | 706 | 1,245 |

| | | | |
|---|-------------------|-------------------|-------------------|
| TOTAL LIABILITIES | <u>174,850</u> | <u>194,086</u> | <u>187,058</u> |
| SHAREHOLDERS' EQUITY | | | |
| Common stock | 53 | 53 | 53 |
| Additional paid-in capital | 51,062 | 50,902 | 50,802 |
| Unallocated common stock held by benefit plans | (6,307) | (4,020) | (4,179) |
| Retained earnings | 52,740 | 52,569 | 52,559 |
| Accumulated other comprehensive income (loss) | (9,074) | (9,986) | (683) |
| TOTAL SHAREHOLDERS' EQUITY | <u>88,474</u> | <u>89,518</u> | <u>98,552</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 263,324</u> | <u>\$ 283,604</u> | <u>\$ 285,610</u> |

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

| <i>(Dollars in thousands)</i> | <u>Three Months Ended</u> | | | <u>Year Ended</u> | |
|---|---------------------------|------------------|-------------------|-------------------|-------------------|
| | <u>12/31/2022</u> | <u>9/30/2022</u> | <u>12/31/2021</u> | <u>12/31/2022</u> | <u>12/31/2021</u> |
| INTEREST INCOME | | | | | |
| Loans receivable, including fees | \$ 1,543 | \$ 1,466 | \$ 1,621 | \$ 6,127 | \$ 6,965 |
| Investment securities | 418 | 381 | 240 | 1,480 | 674 |
| Other | 145 | 185 | 23 | 407 | 60 |
| Total interest income | <u>2,106</u> | <u>2,032</u> | <u>1,884</u> | <u>8,014</u> | <u>7,699</u> |
| INTEREST EXPENSE | | | | | |
| Deposits | 130 | 93 | 109 | 402 | 523 |
| Advances from Federal Home Loan Bank | 76 | 69 | 68 | 281 | 272 |
| Total interest expense | <u>206</u> | <u>162</u> | <u>177</u> | <u>683</u> | <u>795</u> |
| Net interest income | <u>1,900</u> | <u>1,870</u> | <u>1,707</u> | <u>7,331</u> | <u>6,904</u> |
| Provision for (reversal of) loan losses | - | (115) | (374) | (375) | (660) |
| Net interest income after provision for (reversal of) loan losses | <u>1,900</u> | <u>1,985</u> | <u>2,081</u> | <u>7,706</u> | <u>7,564</u> |
| NON-INTEREST INCOME | | | | | |
| Service charges on deposit accounts | 189 | 192 | 193 | 731 | 641 |
| Gain (loss) on disposals and sales of fixed assets | - | - | - | (77) | 25 |
| Bank-owned life insurance | 98 | 97 | 23 | 314 | 90 |
| Federal community development grant | - | - | - | 171 | 1,826 |
| Other | 14 | 7 | 8 | 34 | 44 |
| Total non-interest income | <u>301</u> | <u>296</u> | <u>224</u> | <u>1,173</u> | <u>2,626</u> |
| NON-INTEREST EXPENSE | | | | | |
| Salaries and employee benefits | 1,175 | 1,168 | 1,300 | 4,822 | 4,631 |
| Occupancy and equipment | 193 | 203 | 220 | 833 | 774 |
| Data processing and communication | 175 | 216 | 221 | 841 | 777 |
| Professional fees | 66 | 157 | 133 | 538 | 388 |
| Directors' fees | 117 | 75 | 68 | 302 | 279 |
| ATM and debit card | 61 | 76 | 64 | 245 | 201 |
| Foreclosed assets, net | 5 | 3 | 8 | 5 | 90 |
| Advertising and marketing | 53 | 36 | 8 | 240 | 43 |
| Franchise and shares tax | (16) | 15 | - | 115 | - |
| Other | 173 | 184 | 185 | 779 | 608 |
| Total non-interest expense | <u>2,002</u> | <u>2,133</u> | <u>2,207</u> | <u>8,720</u> | <u>7,791</u> |
| Income (loss) before income tax expense | <u>199</u> | <u>148</u> | <u>98</u> | <u>159</u> | <u>2,399</u> |
| Income tax expense (benefit) | <u>28</u> | <u>13</u> | <u>20</u> | <u>(21)</u> | <u>484</u> |
| NET INCOME | <u>\$ 171</u> | <u>\$ 135</u> | <u>\$ 78</u> | <u>\$ 180</u> | <u>\$ 1,915</u> |
| Earnings per share: | | | | | |
| Basic | \$ 0.04 | \$ 0.03 | \$ 0.02 | \$ 0.04 | \$ 0.39 |
| Diluted | 0.04 | 0.03 | N/A | 0.04 | N/A |

CATALYST BANCORP, INC. AND SUBSIDIARY
SELECTED FINANCIAL DATA

Three Months Ended

Year Ended

| <i>(Dollars in thousands)</i> | 12/31/2022 | 9/30/2022 | 12/31/2021 | 12/31/2022 | 12/31/2021 |
|---|------------|------------|------------|------------|------------|
| EARNINGS DATA | | | | | |
| Total interest income | \$ 2,106 | \$ 2,032 | \$ 1,884 | \$ 8,014 | \$ 7,699 |
| Total interest expense | 206 | 162 | 177 | 683 | 795 |
| Net interest income | 1,900 | 1,870 | 1,707 | 7,331 | 6,904 |
| Provision for (reversal of) loan losses | - | (115) | (374) | (375) | (660) |
| Total non-interest income | 301 | 296 | 224 | 1,173 | 2,626 |
| Total non-interest expense | 2,002 | 2,133 | 2,207 | 8,720 | 7,791 |
| Income tax expense (benefit) | 28 | 13 | 20 | (21) | 484 |
| Net income | \$ 171 | \$ 135 | \$ 78 | \$ 180 | \$ 1,915 |
| AVERAGE BALANCE SHEET DATA | | | | | |
| Total assets | \$ 270,121 | \$ 288,244 | \$ 289,118 | \$ 282,931 | \$ 252,840 |
| Total interest-earning assets | 256,033 | 270,777 | 275,117 | 267,300 | 237,739 |
| Total loans | 133,102 | 131,827 | 137,456 | 132,503 | 141,860 |
| Total interest-bearing deposits | 139,134 | 151,571 | 146,620 | 147,266 | 146,968 |
| Total interest-bearing liabilities | 149,064 | 160,697 | 155,609 | 156,560 | 155,895 |
| Total deposits | 170,952 | 185,453 | 185,660 | 179,826 | 181,024 |
| Total shareholders' equity | 88,558 | 92,956 | 93,151 | 93,074 | 61,542 |
| SELECTED RATIOS | | | | | |
| Return on average assets | 0.25 % | 0.19 % | 0.11 % | 0.06 % | 0.76 % |
| Return on average equity | 0.76 | 0.58 | 0.33 | 0.19 | 3.11 |
| Efficiency ratio | 90.99 | 98.44 | 114.34 | 102.55 | 81.76 |
| Net interest margin ^(TE) | 2.96 | 2.75 | 2.47 | 2.75 | 2.91 |
| Average equity to average assets | 32.78 | 32.25 | 32.22 | 32.90 | 24.34 |
| Common equity Tier 1 capital ratio ⁽¹⁾ | 56.25 | 57.84 | 63.51 | | |
| Tier 1 leverage capital ratio ⁽¹⁾ | 30.37 | 28.29 | 27.38 | | |
| Total risk-based capital ratio ⁽¹⁾ | 57.50 | 59.09 | 64.77 | | |
| ALLOWANCE FOR LOANS LOSSES | | | | | |
| Beginning balance | \$ 1,804 | \$ 1,980 | \$ 2,646 | \$ 2,276 | \$ 3,022 |
| Provision for (reversal of) loan losses | - | (115) | (374) | (375) | (660) |
| Charge-offs | (19) | (90) | - | (210) | (150) |
| Recoveries | 22 | 29 | 4 | 116 | 64 |
| Net (charge-offs) recoveries | 3 | (61) | 4 | (94) | (86) |
| Ending balance | \$ 1,807 | \$ 1,804 | \$ 2,276 | \$ 1,807 | \$ 2,276 |
| CREDIT QUALITY | | | | | |
| Non-accruing loans | \$ 1,494 | \$ 1,221 | \$ 890 | | |
| Accruing loans 90 days or more past due | 191 | 379 | 1 | | |
| Total non-performing loans | 1,685 | 1,600 | 891 | | |
| Foreclosed assets | 320 | 320 | 340 | | |
| Total non-performing assets | \$ 2,005 | \$ 1,920 | \$ 1,231 | | |
| Total non-performing loans to total loans | 1.26 % | 1.21 % | 0.67 % | | |
| Total non-performing assets to total assets | 0.76 | 0.68 | 0.43 | | |

(1) Capital ratios are preliminary end-of-period ratios for the Bank only and are subject to change.

For more information:

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SOURCE Catalyst Bancorp, Inc.