

CATALYST BANCORP, INC.

Compensation Committee Charter

Reviewed and Approved August 23, 2023

I. Purpose

The purpose of the Compensation Committee (the "Committee") of Catalyst Bancorp, Inc. (the "Company") shall be to discharge the responsibilities of the Board relating to compensation of the Company's executive officers and to oversee and advise the Board on the adoption of policies that govern the Company's compensation and stock ownership plans.

II. Composition and Meetings

The Committee shall consist of at least three independent directors, including a chair and such other independent directors as the Board shall appoint upon recommendation by the Nominating and Corporate Governance Committee. An "independent director" is a director who meets The Nasdaq Stock Market definition of "independence," as determined by the Board. Additionally, members of the Committee must qualify as "non-employee directors" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and "outside directors" for purposes of Section 162(m) of the Internal Revenue Code.

The Committee shall meet as often as may be deemed necessary or appropriate in its judgment, but not less than one time per year, either in person or telephonically, and at such time and place as the Committee shall determine. The Committee shall make regular reports to the Board on its activities. These reports will generally occur after each Committee meeting or at such other times as the Committee deems appropriate.

III. Philosophy

The Committee's compensation philosophy is intended to assist the Company in competing with similar businesses (including publicly held financial institutions) for the talent that the Company needs. The core of the Company's compensation philosophy shall be to pay for performance and to pay in a manner that is comparable and consistent with other similar financial services companies. The Company's compensation philosophy shall also take into account risk management, operational stability, and legal and regulatory compliance.

IV. Objectives of the Company's Compensation Programs

The primary objectives of the Company's executive officer compensation policies and programs are as follows:

1. To attract, retain and motivate an experienced, competent executive management team;
2. To ensure that compensation rewards are adequately balanced between short-term and long-term performance goals;
3. To encourage ownership of the Company's common stock through grants of stock-based awards to bank management; and
4. To maintain compensation levels that are competitive with other financial institutions considered to be the Company's peers based on criteria established by the Committee.

V. Duties and Responsibilities of the Committee

The Committee's duties and responsibilities shall include:

1. Overseeing compensation policies and plans for executive officers and other management employees and general compensation plans applicable to all employees.
2. Making recommendations to the Board with respect to the Company's incentive compensation plans and stock-based plans that are subject to Board approval.
3. Overseeing the hiring, retention, and evaluation of senior officers with appropriate qualifications and expertise to operate the Company's business.
4. Reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those goals and objectives, and recommending to the independent members of the Board the CEO's compensation level based on this evaluation, consistent with the Company's compensation philosophy.
5. Recommending to the Board corporate goals for measurement of performance and approving achievement against those goals.
6. Approving the compensation of executive officers, consistent with the Company's compensation philosophy, including any senior vice presidents who are deemed to be "executive officers" as defined in Rule 3b-7 under the Exchange Act.
7. Annually evaluating the Company's compensation policies and practices for employees, including non-executive officers, as they relate to risk management practices and risk-taking incentives and determine whether any risks arising from such compensation policies and practices are reasonably likely to have a material adverse effect on the Company.
8. Reviewing the compensation ranges for the Company's officers and other management group employees against the compensation of other financial institutions in the Company's peer group.
9. Performing the functions assigned to it under the Company's various compensation and benefit plans and arrangements or by the Board with respect to those plans and arrangements.
10. Reviewing periodic reports from management on matters relating to the Company's personnel appointments and practices.
11. Periodically reviewing the Company's employee benefits and retirement programs.
12. The Company's Chief Executive Officer ("CEO") shall not be present during any deliberations or voting on compensation to the CEO.
13. Annually evaluating the adequacy of this Charter.

VI. Outside advisors

1. The Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, legal counsel or other advisor.
2. The Committee shall be directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other advisor retained by the Committee.
3. The Company will provide for appropriate funding, as determined by the Committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the Committee; and
4. The Committee may select, or receive advice from, a compensation consultant, legal counsel or other adviser to the Committee only after taking into consideration the following factors:
 - (i) the provision of other services to the Company by the person that employs the compensation consultant, legal counsel or other adviser;
 - (ii) the amount of fees received from the Company by the person that employs the compensation consultant, legal counsel or other adviser, as a percentage of the total revenue of the person that employs the compensation consultant, legal counsel or other adviser;
 - (iii) the policies and procedures of the person that employs the compensation consultant, legal counsel or other adviser that are designed to prevent conflicts of interest;
 - (iv) any business or personal relationship of the compensation consultant, legal counsel or other adviser with a member of the Committee;
 - (v) any stock of the Company owned by the compensation consultant, legal counsel or other adviser; and
 - (vi) any business or personal relationship of the compensation consultant, legal counsel, other adviser or the person employing the adviser with an executive officer of the Company.