2022
Annual Report

CF Bankshares Inc.

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Dear Fellow Shareholders,

2022 results were solid, both in terms of our stock price and earnings performance. Our stock price increased by over 3% during 2022, significantly outperforming the KBW Nasdaq Bank Index, which declined in value by 24%.

Earnings before adjusting for non-recurring costs related to the conversion of our core processing platform and the costs associated with the intended sale of our former Worthington headquarters building generated a return on equity (ROE) of 14%, coupled with a return on assets (ROA) of 1.11%.

Our transformation to a full-service commercial bank business model was completed during early 2022, following our strategic withdrawal from national direct-to-consumer (DTC) mortgage lending. Our opportunistic entry into the DTC mortgage lending segment began in 2019 and was fueled during this two to three-year window by the home loan refinancing boom. This segment of our business has been fully exited. A traditional in-market retail mortgage lending unit remains, supporting our geographic market footprint.

CFBank has a history of competing successfully with regional banks for quality full-service commercial banking relationships. Much of the earnings lift generated during the mortgage refinancing boom has been reinvested in building and expanding our commercial banking business units and teams of seasoned business bankers.

Entering this new year, we and the banking industry are facing considerable headwinds which include rapidly elevated interest rates. Some of these impacts may have lingering or lasting effects upon banking and financial services. The competition for deposits by both banks and non-banks is driving up deposit pricing and the cost of funds. Customer deposit pricing expectations along with a severely inverted yield curve are pressuring margins. We are working to counter these earnings pressures through implementing staffing and overhead efficiencies. Looking ahead, we would anticipate deposit repricing opportunities to accompany a return to lower interest rates.

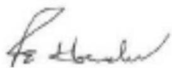
Your bank is navigating this period by maintaining efficient operations, remaining nimble, while protecting our deposit base. Our lending is selective, and relationship-based to businesses supported by strong sponsors. Additionally, our entire CF team has been mobilized and equipped through product training to sell or to refer deposit business opportunities to our treasury management and retail deposit specialists.

Our operating focus has shifted from size and scale toward effectively utilizing and protecting our capital while at the same time de-risking our balance sheet and business. Initiatives underway target expanding non-interest (non-loan related) fee income along with expanding our base of low-cost deposits. This includes the introduction of a new small business checking product along with a new business credit card offering.

Undoubtedly this new year is presenting a unique set of challenges. We believe, however, there will be significant opportunities for adding franchise value. These opportunities will include capturing additional high-quality full-service commercial, cash management, and other desirable business and personal relationships. We believe these “new to CF” relationships will produce future earnings growth and franchise value.

Steady as we go!

Timothy T. O’Dell
President and CEO



Robert E. Hoeweler
Chairman of the Board

CONDENSED CONSOLIDATED FINANCIAL DATA

The following information should be read in conjunction with our Consolidated Financial Statements, the related Notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in this report.

	At December 31,				
	2022	2021	2020	2019	2018
	(Dollars in thousands)				
Selected Financial Condition Data:					
Total assets	$ 1,820,174	$ 1,495,589	$ 1,476,995	$ 880,545	$ 665,025
Cash and cash equivalents	151,787	166,591	221,594	45,879	67,304
Securities available for sale	10,442	16,347	8,701	8,174	10,114
Equity securities	5,000	5,000	5,000	-	-
Loans held for sale	580	27,988	283,165	135,711	17,385
Loans and leases, net [(1)]	1,572,255	1,214,149	895,344	663,303	550,683
Allowance for loan and lease loss (ALLL)	16,062	15,508	17,022	7,138	7,012
Nonperforming assets	761	997	695	2,439	415
Foreclosed assets	-	-	-	-	38
Deposits	1,527,922	1,246,352	1,113,070	746,323	579,786
FHLB advances and other debt	109,461	89,727	214,426	29,017	19,500
Subordinated debentures	14,922	14,883	14,844	14,806	14,767
Total stockholders' equity	139,248	125,330	110,210	80,664	45,559

	For the year ended December 31,				
	2022	2021	2020	2019	2018
	(Dollars in thousands)				
Summary of Operations:					
Total interest income	$ 67,764	$ 52,348	$ 42,386	$ 35,104	$ 24,886
Total interest expense	18,974	10,309	14,578	13,404	6,997
Net interest income	48,790	42,039	27,808	21,700	17,889
Provision for loan and lease losses	787	(1,600)	10,915	-	-
Net interest income after provision for loan and lease losses	48,003	43,639	16,893	21,700	17,889
Noninterest income:					
Net gain on sale of loans	1,009	7,359	58,366	10,767	1,927
Other	2,201	4,281	1,627	953	789
Total noninterest income	3,210	11,640	59,993	11,720	2,716
Noninterest expense	28,621	32,461	40,603	21,379	15,275
Income before income taxes	22,592	22,818	36,283	12,041	5,330
Income tax expense	4,428	4,365	6,675	2,440	1,057
Net income	$ 18,164	$ 18,453	$ 29,608	$ 9,601	$ 4,273

	At or for the year ended December 31,				
	2022	2021	2020	2019	2018
	(Dollars in thousands)				
Selected Financial Ratios and Other Data:					
Performance Ratios [2]					
Return on average assets	1.11%	1.26%	2.59%	1.30%	0.78%
Return on average equity	13.69%	15.58%	32.04%	17.57%	10.11%
Average yield on interest-earning assets [3]	4.37%	3.79%	3.89%	4.98%	4.75%
Average rate paid on interest-bearing liabilities	1.55%	0.95%	1.64%	2.38%	1.71%
Average interest rate spread [4]	2.82%	2.84%	2.25%	2.60%	3.04%
Net interest margin, fully taxable equivalent [5]	3.15%	3.04%	2.55%	3.08%	3.41%
Average interest-earning assets to interest bearing liabilities	126.74%	127.13%	122.64%	124.90%	128.04%
Efficiency ratio [6]	55.04%	60.47%	46.24%	63.97%	74.13%
Noninterest expenses to average assets	1.76%	2.22%	3.55%	2.89%	2.78%
Common stock dividend payout ratio	6.47%	4.69%	0.67%	n/m	n/m
Capital Ratios: [2]					
Equity to total assets at end of period	7.65%	8.38%	7.46%	9.16%	6.85%
Average equity to average assets	8.14%	8.11%	8.07%	7.39%	7.68%
Tier 1 (core) capital to adjusted total assets (Leverage ratio) [7]	9.89%	11.29%	9.74%	10.58%	10.13%
Total capital to risk weighted assets [7]	12.74%	14.02%	14.31%	12.96%	12.37%
Tier 1 (core) capital to risk weighted assets [7]	11.65%	12.77%	13.05%	11.97%	11.12%
Common equity tier 1 capital to risk weighted assets [7]	11.65%	12.77%	13.05%	11.97%	11.12%
Asset Quality Ratios: [2]					
Nonperforming loans to total loans [8]	0.05%	0.08%	0.08%	0.36%	0.07%
Nonperforming assets to total assets [9]	0.04%	0.07%	0.05%	0.28%	0.06%
Allowance for loan and lease losses to total loans	1.01%	1.26%	1.87%	1.06%	1.26%
Allowance for loan and lease losses to nonperforming loans [8]	2110.64%	1555.47%	2449.21%	292.66%	1859.95%
Net charge-offs (recoveries) to average loans	0.02%	(0.01%)	0.13	(0.02%)	(0.01%)
Per Share Data: [10]					
Basic earnings per common share	$ 2.84	$ 2.84	$ 4.53	$ 2.05	$ 1.02
Diluted earnings per common share	2.78	2.77	4.47	2.03	1.00
Dividends declared per common share	0.18	0.13	0.03	-	-
Tangible book value per common share at end of period	21.43	19.28	16.79	12.40	10.51

(1) Loans and leases, net represents the recorded investment in loans net of the ALLL.

(2) Asset quality ratios and capital ratios are end-of-period ratios. All other ratios are based on average monthly balances during the indicated periods.

(3) Calculations of yield are presented on a taxable equivalent basis using the federal income tax rate.

(4) The average interest rate spread represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of average interest-bearing liabilities.

(5) The net interest margin represents net interest income as a percent of average interest-earning assets.

(6) The efficiency ratio equals noninterest expense (excluding amortization of intangibles and foreclosed asset writedowns) divided by net interest income plus noninterest income (excluding gains or losses on securities transactions).

(7) Regulatory capital ratios of CFBank.

(8) Nonperforming loans consist of nonaccrual loans and other loans 90 days or more past due.

(9) Nonperforming assets consist of nonperforming loans and foreclosed assets.

(10) Adjusted to reflect the 1-for-5.5 reverse stock split effected on August 20, 2018.

n/m - not meaningful

FORWARD LOOKING STATEMENTS

Statements in this Form 10-K that are not statements of historical fact are forward-looking statements which are made in good faith by us. Forward-looking statements include, but are not limited to: (1) projections of revenues, income or loss, earnings or loss per share of common stock, capital structure and other financial items; (2) plans and objectives of the management or Boards of Directors of CF Bankshares Inc. (the "Holding Company") or CFBank, National Association ("CFBank" and, together with the Holding Company, the "Company"); (3) statements regarding future events, actions or economic performance; and (4) statements of assumptions underlying such statements. Words such as "estimate," "strategy," "may," "believe," "anticipate," "expect," "predict," "will," "intend," "plan," "targeted," and the negative of these terms, or similar expressions, are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Various risks and uncertainties may cause actual results to differ materially from those indicated by our forward-looking statements, including, without limitation, those risks set forth in the section captioned "RISK FACTORS" in Part I, Item 1A of this Form 10-K.

Forward-looking statements are not guarantees of performance or results. A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. We caution you, however, that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual results can be material. The forward-looking statements included in this Form 10-K speak only as of the date hereof. We undertake no obligation to publicly release revisions to any forward-looking statements to reflect events or circumstances after the date of such statements, except to the extent required by law.

Business Overview

The Holding Company is a financial holding company that owns 100% of the stock of CFBank, which was formed in Ohio in 1892 and converted from a federal savings association to a national bank on December 1, 2016. Prior to December 1, 2016, the Holding Company was a registered savings and loan holding company. Effective as of December 1, 2016 and in conjunction with the conversion of CFBank to a national bank, the Holding Company became a registered bank holding company and elected financial holding company status with the Federal Reserve Board (the "FRB"). Effective as of July 27, 2020, the Company changed its name from Central Federal Corporation to CF Bankshares Inc.

CFBank focuses on serving the financial needs of closely held businesses and entrepreneurs, by providing comprehensive Commercial, Retail, and Mortgage Lending services presence. In all regional markets, CFBank provides commercial loans and equipment leases, commercial and residential real estate loans and treasury management depository services, residential mortgage lending, and full-service commercial and retail banking services and products. CFBank seeks to differentiate itself from its competitors by providing individualized service coupled with direct customer access to decision-makers, and ease of doing business. We believe that CFBank matches the sophistication of much larger banks, without the bureaucracy.

Most of our deposits and loans come from our market area. Our principal market area for loans and deposits includes the following Ohio counties: Franklin County through our office in Columbus, Ohio (formerly located in Worthington, Ohio until March 1, 2023) and our loan production office in Columbus, Ohio; Delaware County, Ohio through our Polaris office in Columbus, Ohio; Cuyahoga County, through our office in Woodmere, Ohio and our Ohio City office in Cleveland, Ohio; Summit County through our office in Fairlawn, Ohio; Hamilton County through our offices in Blue Ash, Ohio and our Red Bank office in Cincinnati, Ohio; and Marion County, Indiana through our office in Indianapolis. Because of CFBank's concentration of business activities in Ohio, the Company's financial condition and results of operations depend in large part upon economic conditions in Ohio.

COVID-19 Impact. The World Health Organization declared the coronavirus COVID-19 a pandemic in March 2020. COVID-19 negatively impacted global, national and local economies, disrupted global and national supply chains, lowered equity market valuations, and created significant volatility and disruption in financial markets. While the direct impacts related to the COVID-19 pandemic have waned, certain economic concerns remain. The extent to which COVID-19 will continue to impact our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted. In addition, a resurgence in the spread of COVID-19, including new variants thereof, or a new pandemic could result in similar, or potentially greater, impacts in the future which could adversely affect our business, financial condition, liquidity, and results of operations.

During the COVID-19 pandemic, we assisted numerous existing and new customers through our participation in the Paycheck Protection Program ("PPP") and by providing temporary loan modifications to loan customers. CFBank originated approximately $126 million of PPP loans during the second quarter of 2020 to over 550 borrowers. The PPP loans provided low interest rates (1%) and potentially forgivable funds to small businesses and are fully guaranteed by the SBA, warranting no credit loss provision. Using the PPP loans as collateral, CFBank funded nearly all of the PPP loans through loans obtained under the FRB's Paycheck Protection Program Liquidity Facility ("PPPLF"), which carried a low interest rate of 0.35%. CFBank's loans outstanding through the PPP totaled $50,000 at December 31, 2022 and $450,000 at December 31, 2021. During the pandemic, CFBank also granted payment deferrals on loans totaling approximately $100 million (or approximately 12% of outstanding loan balances). At December 31, 2022, there were no remaining loans on payment deferrals.

Repositioning of Residential Mortgage Business Model. In early 2021 a shift in the mortgage industry resulted in significantly fewer refinance opportunities and lower margins on residential mortgage loans. In response, the Company strategically scaled down and repositioned its Residential Mortgage Business and exited the direct-to-consumer mortgage business in favor of lending in our regional markets. Our Commercial Banking Business continues to experience strong growth and has become the primary driver of our earnings and performance.

Critical Accounting Policies and Estimates

We follow financial accounting and reporting policies that are in accordance with U.S. generally accepted accounting principles and conform to general practices within the banking industry. These policies are presented in Note 1 to our Consolidated Financial Statements. Some of these accounting policies are considered to be critical accounting policies, which are those policies that are both most important to the portrayal of the Company's financial condition and results of operations, and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Application of assumptions different than those used by management could result in material changes in our financial condition or results of operations. These policies, current assumptions and estimates utilized, and the related disclosure of this process, are determined by management and routinely reviewed with the Audit Committee of the Board of Directors. We believe that the judgments, estimates and assumptions used in the preparation of the consolidated financial statements were appropriate given the factual circumstances at the time.

We have identified accounting policies that are critical accounting policies, and an understanding of these policies is necessary to understand our financial statements. The following discussion details the critical accounting policies and the nature of the estimates made by management.

Determination of the allowance for loan and lease losses. The ALLL represents management's estimate of probable incurred credit losses in the loan portfolio at each balance sheet date. The allowance consists of general and specific components. The general component covers loans not classified as impaired and is based on historical loss experience, adjusted for current factors. Current factors considered include, but are not limited to, management's oversight of the portfolio, including lending policies and procedures; nature, level and trend of the portfolio, including past due and nonperforming loans, loan concentrations, loan terms and other characteristics; current economic conditions and outlook; collateral values; and other items. The specific component of the ALLL relates to loans that are individually classified as impaired. Loans exceeding policy thresholds are regularly reviewed to identify impairment. A loan is impaired when, based on current information and events, it is probable that CFBank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired. Determining whether a loan is impaired and whether there is an impairment loss requires judgment and estimates, and the eventual outcomes may differ from estimates made by management. The determination of whether a loan is impaired includes: review of historical data; judgments regarding the ability of the borrower to meet the terms of the loan; an evaluation of the collateral securing the loan and estimation of its value, net of selling expenses, if applicable; various collection strategies; and other factors relevant to the loan or loans. Impairment is measured based on the fair value of collateral, less costs to sell, if the loan is collateral dependent, or alternatively, the present value of expected future cash flows discounted at the loan's effective rate, if the loan is not collateral dependent. When the selected measure is less than the recorded investment in the loan, an impairment loss is recorded. As a result, determining the appropriate level for the ALLL involves not only evaluating the current financial situation of individual borrowers or groups of borrowers, but also current predictions about future events that could change before an actual loss is determined. Based on the variables involved and the fact that management must make judgments about outcomes that are inherently uncertain, the determination of the ALLL is considered to be a critical accounting policy. Additional information regarding this policy is included in the previous section titled *"*Financial Condition - *Allowance for loan and lease losses"* and in Notes 1, 4 and 6 in the accompanying Notes to Consolidated Financial Statements.

Fair value of financial instruments. Another critical accounting policy relates to fair value of financial instruments, which are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates. Additional information is included in Notes 1 and 6 in the accompanying Notes to Consolidated Financial Statements.

Mortgage banking derivatives. Another critical accounting policy relates to the fair value of mortgage banking derivatives. Mortgage banking derivatives include two types of commitments: rate lock commitments and forward loan commitments. The fair values of these mortgage derivatives are based on anticipated gains on the underlying loans and are based on valuation models using observable market data as of the measurement date. Changes in the fair value of the derivatives are reported currently in earnings, as other noninterest income. Changes in assumptions or in market conditions could significantly affect the estimates. Additional information is included in Notes 1, 6 and 18 in the accompanying Notes to Consolidated Financial Statements.

General

Our net income is dependent primarily on net interest income, which is the difference between the interest income earned on loans and securities and our cost of funds, consisting of interest paid on deposits and borrowed funds. Net interest income is affected by regulatory, economic and competitive factors that influence interest rates, loan demand, the level of nonperforming assets and deposit flows.

Net income is also affected by, among other things, provisions for loan and lease losses, loan fee income, service charges, gains on loan sales, operating expenses, and taxes. Operating expenses principally consist of employee compensation and benefits, occupancy, advertising and marketing, data processing, professional fees, FDIC insurance premiums and other general and administrative expenses. Our results of operations are significantly affected by general economic and competitive conditions, changes in market interest rates and real estate values, government policies and actions of regulatory authorities. Our regulators have extensive discretion in their supervisory and enforcement activities, including the authority to impose restrictions on our operations, to classify our assets and to require us to increase the level of our allowance for loan and lease losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our business, financial condition, results of operations and/or cash flows.

Management's discussion and analysis represents a review of our consolidated financial condition and results of operations for the periods presented. This review should be read in conjunction with our consolidated financial statements and related notes.

Financial Condition

General. Assets totaled $1.8 billion at December 31, 2022 and increased $324.6 million, or 21.7%, from $1.5 billion at December 31, 2021. The increase was primarily due to a $358.1 million increase in net loan balances, partially offset by a $27.4 million decrease in loans held for sale and a $14.8 million decrease in cash and cash equivalents.

Cash and cash equivalents. Cash and cash equivalents totaled $151.8 million at December 31, 2022, and decreased $14.8 million, or 8.9%, from $166.6 million at December 31, 2021. The decrease in cash and cash equivalents was primarily attributed to an increase in net loans, partially offset by an increase in deposits and a decrease in loans held for sale.

Securities. Securities available for sale totaled $10.4 million at December 31, 2022, and decreased $5.9 million, or 36.1%, compared to $16.3 million at December 31, 2021. The decrease was primarily due to principal maturities. Equity securities totaled $5.0 million at December 31, 2022 and December 31, 2021.

Loans held for sale. Loans held for sale totaled $580,000 at December 31, 2022 and decreased $27.4 million, or 97.9%, from $28.0 million at December 31, 2021. The decrease is the result of the Company's decision to strategically scale down its Residential Mortgage Business in response to the shift in the residential mortgage industry.

Loans and Leases. Net loans and leases totaled $1.6 billion at December 31, 2022, and increased $358.1 million, or 29.5%, from $1.2 billion at December 31, 2021. The increase was primarily due to a $118.3 million increase in single-family residential loan balances, a $100.8 million increase in construction loan balances, a $90.5 million increase in commercial loan balances, a $27.4 million increase in multi-family loan balances, a $15.5 million increase in commercial real estate loan balances, and a $6.5 million increase in home equity lines of credit. The increases in the aforementioned loan balances were related to increased sales activity and new relationships.

CFBank previously participated in a Mortgage Purchase Program with Northpointe Bank ("Northpointe"), a Michigan banking corporation, from December 2012 until CFBank discontinued its participation in the program in the first quarter of 2021. Pursuant to the terms of a participation agreement, CFBank purchased participation interests in loans made by Northpointe related to fully underwritten and pre-sold mortgage loans originated by various prescreened mortgage brokers located throughout the U.S. The underlying loans were individually Mortgage Electronic Registered Systems (MERS) registered loans which were held until funded by the end investor. The mortgage loan investors included Fannie Mae and Freddie Mac, and other major financial institutions. This process on average took approximately 14 days. Given the short-term holding period of the underlying loans, common credit risks (such as past due, impairment and TDR, nonperforming, and nonaccrual classification) were substantially reduced. Therefore, no allowance was allocated by CFBank to these loans. These loans were 100% risk rated for CFBank capital adequacy purposes. Under the participation agreement, CFBank agreed to purchase a 95% ownership/participation interest in each of the aforementioned loans, and Northpointe maintained a 5% ownership interest in each loan it participated. CFBank exited this program during the first quarter of 2021 and had no loans outstanding under the program at December 31, 2022 and December 31, 2021.

Financial Condition (continued)

Allowance for loan and lease losses (ALLL). The ALLL totaled $16.1 million at December 31, 2022, and increased $554,000, or 3.6%, from $15.5 million at December 31, 2021. The increase in the ALLL was due to $787,000 in provision expense, partially offset by net charge-offs of $233,000 during the year ended December 31, 2022. The ratio of the ALLL to total loans was 1.01% at December 31, 2022, compared to 1.26% at December 31, 2021. The ratio of the ALLL to total loans, excluding loan balances subject to SBA guarantees, was 1.03% at December 31, 2022, compared to 1.27% at December 31, 2021.

The ALLL is a valuation allowance for probable incurred credit losses. The ALLL methodology is designed as part of a thorough process that incorporates management's current judgments about the credit quality of the loan portfolio into a determination of the ALLL in accordance with generally accepted accounting principles and supervisory guidance. Management analyzes the adequacy of the ALLL quarterly through reviews of the loan portfolio, including the nature and volume of the loan portfolio and segments of the portfolio; industry and loan concentrations; historical loss experience; delinquency statistics and the level of nonperforming loans; specific problem loans; the ability of borrowers to meet loan terms; an evaluation of collateral securing loans and the market for various types of collateral; various collection strategies; current economic conditions, trends and outlook; and other factors that warrant recognition in providing for an adequate ALLL. Based on the variables involved and the significant judgments management must make about outcomes that are uncertain, the determination of the ALLL is considered to be a critical accounting policy. See the section below titled "Critical Accounting Policies" for additional discussion.

The ALLL consists of specific and general components. The specific component relates to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that CFBank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Substandard loans of all classes within the commercial, commercial real estate, construction and multi-family residential loan segments, regardless of size, are individually evaluated for impairment when they are 90 days past due, or earlier than 90 days past due if information regarding the payment capacity of the borrower indicates that payment in full according to the loan terms is doubtful. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate, or at the fair value of collateral, less costs to sell, if repayment is expected solely from the collateral. Large groups of smaller balance loans, such as consumer and single-family residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures. Loans within any class for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings ("TDRs") and are classified as impaired. See Notes 1 and 4 in the accompanying Notes to Consolidated Financial Statements for additional information regarding the ALLL.

Individually impaired loans totaled $175,000 at December 31, 2022, and decreased $2.8 million, or 94.1%, from $3.0 million at December 31, 2021. The decrease was primarily due to the payoffs of three impaired loans during the year ended December 31, 2022. The amount of the ALLL specifically allocated to individually impaired loans totaled $176 at December 31, 2022 and $20,000 at December 31, 2021. The decrease in the ALLL specifically allocated to impaired loans was primarily due to the payoffs of the three impaired loans.

The specific reserve on impaired loans is based on management's estimate of the present value of estimated future cash flows using the loan's effective rate or the fair value of collateral, if repayment is expected solely from the collateral. On at least a quarterly basis, management reviews each impaired loan to determine whether it should have a specific reserve or partial charge-off. Management relies on appraisals or internal evaluations to help make this determination. Determination of whether to use an updated appraisal or internal evaluation is based on factors including, but not limited to, the age of the loan and the most recent appraisal, condition of the property and whether we expect the collateral to go through the foreclosure or liquidation process. Management considers the need for a downward adjustment to the valuation based on current market conditions and on management's analysis, judgment and experience. The amount ultimately charged-off for these loans may be different from the specific reserve, as the ultimate liquidation of the collateral and/or projected cash flows may be different from management's estimates.

Nonperforming loans, which are nonaccrual loans and loans 90 days past due but still accruing interest, totaled $761,000 at December 31, 2022, and decreased $236,000 from $997,000 at December 31, 2021. The decrease was primarily due to two nonaccrual consumer loans paying off, partially offset by two consumer loans and one commercial lease going into nonaccrual status, a partial charge off and principal paydowns of nonaccrual loans. The ratio of nonperforming loans to total loans was 0.05% at December 31, 2022, compared to 0.08% at December 31, 2021.

Financial Condition (continued)

The following table presents information regarding the number and balance of nonperforming loans at December 31, 2022 and December 31, 2021.

	December 31, 2022		December 31, 2021	
	# of loans	Balance	# of loans	Balance
	(dollars in thousands)			
Commercial	2	$ 99	1	$ 147
Single-family residential real estate	3	641	3	656
Home equity lines of credit	1	18	2	194
Other Consumer	1	3	-	-
Total	7	$ 761	6	$ 997

Nonaccrual loans include some nonperforming loans that were previously modified and identified as TDRs. TDRs included in nonaccrual loans totaled $80,000 at December 31, 2022 and $147,000 at December 31, 2021. The decrease in TDRs included in nonaccrual loans was primarily due to a partial charge-down.

Nonaccrual loans at December 31, 2022 and December 31, 2021 do not include $95,000 and $2.8 million, respectively, of TDRs where customers have established a sustained period of repayment performance, generally six months, loans are current according to their modified terms and repayment of the remaining contractual payments is expected. These loans are included in total impaired loans. See Notes 1 and 4 in the accompanying Notes to Consolidated Financial Statements for additional information regarding impaired loans and nonperforming loans.

The general reserve component of our ALLL covers non-impaired loans of all classes and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by loan class and is based on the actual loss history experienced by CFBank over a three-year period. The general component is calculated based on CFBank's loan balances and actual three-year historical loss rates. For loans with little or no actual loss experience, industry estimates are used based on loan segment. This actual loss experience is supplemented with other economic and judgmental factors based on the risks present for each loan class. These economic and judgmental factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

Management's loan review process is an integral part of identifying problem loans and determining the ALLL. We maintain an internal credit rating system and loan review procedures specifically developed as the primary credit quality indicator to monitor credit risk for commercial, commercial real estate and multi-family residential real estate loans. We analyze these loans individually and categorize loans into risk categories 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 reviews for these loan types are generally performed at least annually, and more often for loans with higher credit risk. Loan officers maintain close contact with borrowers between reviews. Adjustments to loan risk ratings are based on the reviews and at any time information is received that may affect risk ratings. Additionally, an independent third party review of commercial, commercial real estate and multi-family residential loans is performed at least annually. Management uses the results of these reviews to help determine the effectiveness of the existing policies and procedures and to provide an independent assessment of our internal loan risk rating system.

We have incorporated the regulatory asset classifications as a part of our credit monitoring and internal loan risk rating system. In accordance with regulations, problem loans are classified as special mention, substandard, doubtful or loss, and the classifications are subject to review by the regulators. Assets designated as special mention are considered criticized assets. Assets designated as substandard, doubtful or loss are considered classified assets. See Note 4 in the accompanying Notes to Consolidated Financial Statements for additional information regarding descriptions of the regulatory asset classifications.

The level of total criticized and classified loans increased by $1.4 million, or 23.4%, during the twelve months ended December 31, 2022. Loans designated as special mention increased $4.4 million, or 182.3%, and totaled $6.8 million at December 31, 2022, compared to $2.4 million at December 31, 2021. Loans classified as substandard decreased $2.9 million, or 81.0%, and totaled $681,000 at December 31, 2022, compared to $3.6 million at December 31, 2021. One commercial loan totaling $80,000 was classified as doubtful at December 31, 2022 compared to $147,000 at December 31, 2021. See Note 4 in the accompanying Notes to Consolidated Financial Statements for additional information regarding risk classification of loans.

Financial Condition (continued)

In addition to credit monitoring through our internal loan risk rating system, we also monitor past due information for all loan segments. Loans that are not rated under our internal credit rating system include groups of homogenous loans, such as single-family residential real estate loans and consumer loans. The primary credit indicator for these groups of homogenous loans is past due information.

Total past due loans decreased $1.5 million, and totaled $2.1 million at December 31, 2022, compared to $3.6 million at December 31, 2021. Past due loans totaled 0.1% of the loan portfolio at December 31, 2022, compared to 0.3% at December 31, 2021. See Note 4 in the accompanying Notes to Consolidated Financial Statements for additional information regarding loan delinquencies.

All lending activity involves risk of loss. Certain types of loans, such as option adjustable-rate mortgage ("ARM") products, junior lien mortgages, high loan-to-value ratio mortgages, interest only loans, subprime loans and loans with initial teaser rates, can have a greater risk of non-collection than other loans. CFBank has not engaged in subprime lending or used option ARM products.

Loans that contain interest only payments may present a higher risk than those loans with an amortizing payment that includes periodic principal reductions. Interest only loans are primarily commercial lines of credit secured by business assets and inventory, and consumer home equity lines of credit secured by the borrower's primary residence. Due to the fluctuations in business assets and inventory of our commercial borrowers, CFBank has increased risk due to a potential decline in collateral values without a corresponding decrease in the outstanding principal. Interest only commercial lines of credit totaled $117.9 million, or 27.6%, of CFBank's commercial portfolio at December 31, 2022, compared to $120.1 million, or 35.6% at December 31, 2021. Interest only home equity lines of credit totaled $30.5 million, or 99.2%, of the total home equity lines of credit at December 31, 2022 compared to $23.9 million, or 98.7%, at December 31, 2021.

We believe the ALLL is adequate to absorb probable incurred credit losses in the loan portfolio as of December 31, 2022; however, future additions to the allowance may be necessary based on factors including, but not limited to, deterioration in client business performance, recessionary economic conditions, declines in borrowers' cash flows and market conditions which result in lower real estate values. Additionally, various regulatory agencies, as an integral part of their examination process, periodically review the ALLL. Such agencies may require additional provisions for loan losses based on judgments and estimates that differ from those used by management, or on information available at the time of their review. Management continues to diligently monitor credit quality in the existing portfolio and analyze potential loan opportunities carefully in order to manage credit risk. An increase in loan losses could occur if economic conditions and factors which affect credit quality, real estate values and general business conditions worsen or do not improve.

Foreclosed assets. There were no foreclosed assets at December 31, 2022 or December 31, 2021. The level of foreclosed assets and charges to foreclosed assets expense may change in the future in connection with workout efforts related to foreclosed assets, nonperforming loans and other loans with credit issues.

Premises and equipment. Premises and equipment, net, totaled $3.8 million at December 31, 2022, and decreased $2.1 million, or 35.6%, from $5.9 million at December 31, 2021. The decrease in premises and equipment was primarily related to the pending sale of the Company's headquarters building in Worthington, Ohio. See Note 8, Premises and Equipment and Note 25, Other assets held for sale, in the accompanying Notes to Consolidated Financial Statements for additional information.

Deposits. Deposits totaled $1.5 billion at December 31, 2022, an increase of $281.6 million, or 22.6%, from $1.2 billion at December 31, 2021. The increase is primarily due to a $326.9 million increase in money market account balances, partially offset by a $26.4 million decrease in certificate of deposit account balances and a $16.9 million decrease in checking account balances. The increase in money market account balances during the year ended December 31, 2022 included several new Public Funds deposit relationships totaling $207 million. Noninterest-bearing deposit accounts totaled $263.2 million at December 31, 2022 and decreased $21.7 million from $284.9 million at December 31, 2021.

CFBank is a participant in the Certificate of Deposit Account Registry Service® (CDARS) and Insured Cash Sweep (ICS) programs offered through IntraFi Network. IntraFi works with a network of banks to offer products that can provide FDIC insurance coverage in excess of $250,000 through these innovative products. Brokered deposits, including CDARS and ICS deposits that qualify as brokered, totaled $291.8 million at December 31, 2022, and increased $13.7 million, or 4.9% from $278.1 million at December 31, 2021. Customer balances in the CDARS reciprocal and ICS reciprocal programs, which do not qualify as brokered, totaled $157.9 million at December 31, 2022 and increased $99.5 million, or 170.5%, from $58.4 million at December 31, 2021.

FHLB advances and other debt. FHLB advances and other debt totaled $109.5 million at December 31, 2022, a increase of $19.8 million when compared to $89.7 million at December 31, 2021. The increase was primarily due to a $15.0 million increase in FHLB advances and a $5.2 million increase in our Holding Company credit facility.

Financial Condition (continued)

Prior to May 21, 2021, the Holding Company had a term loan in the original principal amount of $5.0 million with an additional $10.0 million revolving line-of-credit with a third-party bank. That credit facility was refinanced into a new $35.0 million facility on May 21, 2021. The credit facility is revolving until May 21, 2024, at which time any then-outstanding balance is converted to a 10-year term note on a graduated 10-year amortization. Borrowings on the credit facility bear interest at a fixed rate of 3.85% until May 21, 2026, and the interest rate then converts to a floating rate equal to PRIME with a floor of 3.25%. The purpose of the credit facility is to provide an additional source of liquidity for the Holding Company and to provide funds for the Holding Company to downstream as additional capital to CFBank to support growth. As of December 31, 2022, the Company had an outstanding balance, net of unamortized debt issuance costs, of $29.5 million on the facility.

At December 31, 2022 and 2021, CFBank had availability in unused lines of credit at two commercial banks in the amounts of $50.0 million and $15.0 million. There were no outstanding borrowings on either line at December 31, 2022 or December 31, 2021.

During 2019, CFBank entered into a $25.0 million warehouse facility with a commercial bank. The warehouse facility was used to periodically fund loans held for sale from the close (funding) date until they were sold in the secondary market. Borrowings on the facility bore interest at the greater of the 30-day LIBOR plus 2.00%, or 4.00% and were secured by the specific loans that were funded. This warehouse facility, which was closed during the third quarter of 2021, had no outstanding balance at December 31, 2022 and December 31, 2021.

During 2020, CFBank entered into an additional $75 million warehouse facility with a commercial bank. The purpose of this warehouse facility was to periodically fund loans held for sale from the close (funding) date until sold in the secondary market. Borrowings on the facility bore interest at the greater of the 30-day LIBOR plus 2.35% or 2.90% and were secured by the specific loans that were funded. This warehouse facility, which was closed in the second quarter of 2021, had no outstanding balance at December 31, 2022 and December 31, 2021.

CFBank previously participated in the PPPLF, which provides liquidity through term financing backed by PPP loans. Principal payments are due on the PPPLF advances when the related PPP loans are repaid or forgiven by the SBA. At December 31, 2022 and December 31, 2021, the principal balance of PPPLF advances outstanding was $0 and $450,000, respectively. See the section below titled "Liquidity and Capital Resources" for additional information regarding FHLB advances and other debt.

Subordinated debentures Subordinated debentures totaled $14.9 million at December 31, 2022 and $14.9 million at December 31, 2021. In December 2018, the Holding Company entered into subordinated note purchase agreements with certain qualified institutional buyers and completed a private placement of $10 million of fixed-to-floating rate subordinated notes, net of unamortized debt issuance costs of approximately $388,000. In 2003, the Holding Company issued subordinated debentures in exchange for the proceeds of a $5.0 million trust preferred securities offering issued by a trust formed by the Holding Company. The terms of the subordinated debentures allow for the Holding Company to defer interest payments for a period not to exceed five years. Interest payments were current at December 31, 2022 and December 31, 2021. See Note 11, Subordinated Debentures, in the accompanying Notes to Consolidated Financial Statements for additional information.

Stockholders' equity. Stockholders' equity totaled $139.2 million at December 31, 2022, an increase of $13.9 million, or 11.1%, from $125.3 million at December 31, 2021. The increase in total stockholders' equity was primarily attributed to net income, partially offset by dividends of $1.1 million, share repurchases of $2.5 million and a $1.9 million increase in other comprehensive loss.

Management continues to proactively monitor capital levels and ratios in its on-going capital planning process. CFBank has leveraged its capital to support balance sheet growth and drive increased net interest income. Management remains focused on growing capital though improving results from operations; however, should the need arise, CFBank has additional sources of capital and alternatives it could utilize as further discussed in the "Liquidity and Capital Resources" section in this report.

Comparison of Results of Operations for 2022 and 2021

General. Net income for the year ended December 31, 2022 totaled $18.2 million (or $2.78 per diluted common share) and decreased $289,000, or 1.6%, compared to net income of 18.5 million (or $2.77 per diluted common share) for the year ended December 31, 2021. The decrease in net income was primarily due to a decrease in net gain on sale of loans, a decrease in net gain on sale of deposits and an increase in provision expense, which was partially offset by an increase in net interest income and a decrease in noninterest expenses.

Net interest income. Net interest income is a significant component of net income, and consists of the difference between interest income generated on interest-earning assets and interest expense incurred on interest-bearing liabilities. Net interest income is primarily affected by the volumes, interest rates and composition of interest-earning assets and interest-bearing liabilities. The tables below titled *"Average Balances, Interest Rates and Yields"* and *"Rate/Volume Analysis of Net Interest Income"* provide important information on factors impacting net interest income and should be read in conjunction with this discussion of net interest income.

Comparison of Results of Operations for 2022 and 2021 (continued)

Net interest income totaled $48.8 million for the year ended December 31, 2022 and increased $6.8 million, or 16.1%, compared to net interest income of $42.0 million for the year ended December 31, 2021. The increase in net interest income was primarily due to a $15.5 million, or 29.5%, increase in interest income, partially offset by a $8.7 million, or 84.1%, increase in interest expense. The increase in interest income was primarily attributed to a $167.9 million, or 12.2%, increase in average interest-earning assets outstanding, resulting primarily from an increase in net loans and loans held for sale, coupled with a 58bps increase in average yield on interest-earning assets. The increase in interest expense was attributed to a 60bps increase in the average cost of funds on interest-bearing liabilities, coupled with a $135.9 million, or 12.5%, increase in average interest-bearing liabilities. The net interest margin of 3.15% for the year ended December 31, 2022 increased 11bps compared to the net interest margin of 3.04% for the year ended December 31, 2021.

Interest income totaled $67.8 million for the twelve months ended December 31, 2022, and increased $15.5 million, or 29.5%, compared to $52.3 million for the twelve months ended December 31, 2021. The increase in interest income was primarily attributed to a $347.1 million, or 33.6%, increase in average loans outstanding, coupled with a 18bps increase in the average yield on loans, partially offset by a $238.7 million, or 97.4%, decrease in average loans held for sale outstanding.

Interest expense totaled $19.0 million for the twelve months ended December 31, 2022, and increased $8.7 million, or 84.1%, compared to $10.3 million for the twelve months ended December 31, 2021. The increase in interest expense was primarily attributed to a 60bps increase in the average rate of interest-bearing deposits, coupled with a $142.7 million, or 14.6%, increase in average interest-bearing deposits.

Provision for loan and lease losses. The provision for loan and lease losses expense for the year ended December 31, 2022 was 787,000, compared to ($1.6) million in provision for loan and lease losses expense for the year ended December 31, 2021. Net charge-offs for the year ended December 31, 2022 totaled $233,000, compared to net recoveries of $86,000 for the year ended December 31, 2021.

The following table presents information regarding net charge-offs (recoveries) for 2022 and 2021.

(Dollars in thousands)	2022	2021
	Net charge-offs (recoveries)	
Commercial	$ 263	$ (56)
Single-family residential real estate	(19)	(9)
Home equity lines of credit	(11)	(21)
Total	$ 233	$ (86)

See the section below titled "Financial Condition – *Allowance for loan and lease losses*" for additional information.

Noninterest income. Noninterest income for the year ended December 31, 2022 totaled $3.2 million and decreased $8.4 million, or 72.4%, compared to $11.6 million for the year ended December 31, 2021. The decrease was primarily due to a $5.3 million decrease in net gain on sale of residential loans, a $1.9 million decrease in gain on sale of deposits and a $1.1 million increase in the net gain on sales of commercial loans. The decrease in the net gain on sale of residential mortgage loans was the result of the Company's decision in early 2021 to scale down and exit the direct-to-consumer mortgage business in favor of lending in our regional markets. The decrease in gain on sale of deposits was a result of the sale of CFBank's two Columbiana County branches in July 2021.

Noninterest expense. Noninterest expense for the year ended December 31, 2022 totaled $28.6 million and decreased $3.9 million, or 11.8%, compared to $32.5 million for the year ended December 31, 2021. The decrease in noninterest expense during the year ended December 31, 2022 was primarily due to a $2.6 million decrease in advertising and promotion expense, a $1.8 million decrease in salaries and employee benefits expense, and a $1.6 million decrease in professional fees expense, partially offset by a $721,000 increase in data processing expense and a $570,000 increase on impairment of property and equipment. The decreases in advertising and marketing expense, salaries and employee benefits expense, and professional fee expense were primarily the result of the Company's decision in early 2021 to scale down and exit the direct-to-consumer mortgage business in favor of lending in our regional markets as previously discussed. The increase in data processing expense was primarily related to the conversion of our core processing system during the third quarter of 2022. The impairment of property and equipment was related to the pending sale of our Worthington headquarters building.

Comparison of Results of Operations for 2022 and 2021 (continued)

Income taxes. Income tax expense was $4.4 million for the year ended December 31, 2022, an increase of $63,000, compared to $4.4 million for the year ended December 31, 2021. The effective tax rate for the year ended December 31, 2022 was approximately 19.6%, as compared to approximately 19.1% for the year ended December 31, 2021.

Our deferred tax assets are composed of U.S. net operating losses ("NOLs"), and other temporary book to tax differences. When determining the amount of deferred tax assets that are more-likely-than-not to be realized, and therefore recorded as a benefit, the Company conducts a regular assessment of all available information. This information includes, but is not limited to, taxable income in prior periods, projected future income and projected future reversals of deferred tax items. Based on these criteria, the Company determined as of December 31, 2022 that no valuation allowance was required against the net deferred tax asset.

The Company records income tax expense based on the federal statutory rate adjusted for the effect of other items such as low income housing credits, historic tax credits, bank owned life insurance and other miscellaneous items.

Comparison of Results of Operations for 2021 and 2020

General. Net income for the year ended December 31, 2021 totaled $18.5 million (or $2.77 per diluted common share) and decreased $11.1 million, or 37.7%, compared to net income of $29.6 million (or $4.47 per diluted common share) for the year ended December 31, 2020. The decrease in net income was primarily the result of a decrease in the net gain on sale of loans which was driven by significantly lower refinance opportunities coupled with lower margins on loan sales. The decrease in the net gain on sale of loans was partially offset by an increase in net interest income, a decrease in provision expense and a decrease in noninterest expenses.

Net interest income. Net interest income totaled $42.0 million for the year ended December 31, 2021 and increased $14.2 million, or 51.2%, compared to net interest income of $27.8 million for the year ended December 31, 2020. The increase in net interest income was primarily due to a $9.9 million, or 23.5%, increase in interest income, coupled with a $4.3 million, or 29.3%, decrease in interest expense. The increase in interest income was primarily attributed to a $292.3 million, or 26.8%, increase in average interest-earning assets outstanding, resulting primarily from an increase in net loans and loans held for sale, partially offset by a 10bps decrease in average yield on interest-earning assets. The decrease in interest expense was attributed to a 69bps decrease in the average cost of funds on interest-bearing liabilities, partially offset by a $198.5 million, or 22.4%, increase in average interest-bearing liabilities. The net interest margin of 3.04% for the year ended December 31, 2021 increased 49bps compared to the net interest margin of 2.55% for the year ended December 31, 2020.

Interest income totaled $52.3 million for the twelve months ended December 31, 2021, and increased $9.9 million, or 23.5%, compared to $42.4 million for the twelve months ended December 31, 2020. The increase in interest income was primarily attributed to a $233.5 million, or 29.2%, increase in average loans outstanding and a $31.0 million, or 14.5%, increase in average loans held for sale outstanding, partially offset by a 64bps decrease in the average yield on loans held for sale and a 3bps decrease in the average yield on loans.

Interest expense totaled $10.3 million for the twelve months ended December 31, 2021, and decreased $4.3 million, or 29.3%, compared to $14.6 million for the twelve months ended December 31, 2020. The decrease in interest expense was primarily attributed to a 79bps decrease in the average rate of interest-bearing deposits, partially offset by a $238.8 million, or 32.3%, increase in average interest-bearing deposits.

Provision for loan and lease losses. The provision for loan and lease losses expense for the year ended December 31, 2021 was ($1.6) million compared to $10.9 million in provision for loan and lease losses expense for the year ended December 31, 2020. The decrease in the provision for loan and lease losses in 2021 was based on the improved economic outlook and continued strong credit quality of our loan portfolio. Net recoveries for the year ended December 31, 2021 totaled $86,000, compared to net charge-offs of $1.0 million for the year ended December 31, 2020.

The following table presents information regarding net charge-offs (recoveries) for 2021 and 2020.

	2021	2020
(Dollars in thousands)	Net charge-offs (recoveries)	
Commercial	$ (56)	$ 633
Single-family residential real estate	(9)	394
Home equity lines of credit	(21)	4
Total	$ (86)	$ 1,031

See the section below titled "Financial Condition – Allowance for loan and lease losses" for additional information.

Comparison of Results of Operations for 2021 and 2020 (continued)

Noninterest income. Noninterest income for the year ended December 31, 2021 totaled $11.6 million and decreased $48.4 million, or 80.6%, compared to $60.0 million for the year ended December 31, 2020. The decrease was primarily due to a $52.4 million decrease in net gain on sale of loans, partially offset by a $1.9 million increase in gain on sale of deposits and a $1.4 million increase in the net gain on sales of SBA loans. As previously discussed, the decrease in net gain on sale of loans was the result of the Company's decision early 2021 to strategically scale down its Residential Mortgage Business in response to the shift in the residential mortgage industry. The increase in the net gain on sale of deposits was a result of the sale of CFBank's two Columbiana County branches that closed on July 16, 2021.

Noninterest expense. Noninterest expense for the year ended December 31, 2021 totaled $32.5 million and decreased $8.1 million, or 20.1%, compared to $40.6 million for the year ended December 31, 2020. The decrease in noninterest expense during the year ended December 31, 2021 was primarily due to a $5.0 million decrease in salaries and employee benefits expense, a $2.6 million decrease in advertising and promotion expense and a $722,000 decrease in professional fees expense, partially offset by a $650,000 increase in FDIC premiums. The decreases in salaries and employee benefits, advertising and promotion expense and professional fees expense were primarily the result of the scaling down of our residential mortgage lending business. The increase in FDIC expense was related to increased asset and deposit levels.

Income taxes. Income tax expense was $4.4 million for the year ended December 31, 2021, a decrease of $2.3 million, compared to $6.7 million for the year ended December 31, 2020. The effective tax rate for the year ended December 31, 2021 was approximately 19.1%, as compared to approximately 18.4% for the year ended December 31, 2020. The effective tax rate for the year ended December 31, 2020 was favorably impacted by the recognition of approximately $1.0 million of historic tax credits.

Our deferred tax assets are composed of U.S. net operating losses ("NOLs"), and other temporary book to tax differences. When determining the amount of deferred tax assets that are more-likely-than-not to be realized, and therefore recorded as a benefit, the Company conducts a regular assessment of all available information. This information includes, but is not limited to, taxable income in prior periods, projected future income and projected future reversals of deferred tax items. Based on these criteria, the Company determined as of December 31, 2021 that no valuation allowance was required against the net deferred tax asset.

The Company records income tax expense based on the federal statutory rate adjusted for the effect of other items such as low income housing credits, historic tax credits, bank owned life insurance and other miscellaneous items.

Comparison of Results of Operations (continued)

Average Balances, Interest Rates and Yields. The following table presents, for the periods indicated, the total dollar amount of fully taxable equivalent interest income from average interest-earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed in both dollars and rates. Average balances are computed using month-end balances.

	For the Years Ended December 31,								
	2022			2021			2020		
	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
	(Dollars in thousands)								
Interest-earning assets:									
Securities [1] [2]	$ 17,805	$ 881	4.58%	$ 19,311	$ 756	3.93%	$ 10,285	$ 161	1.59%
Loans held for sale	6,509	172	2.64%	245,164	5,572	2.27%	214,177	6,231	2.91%
Loans and leases [3]	1,379,192	63,545	4.61%	1,032,075	45,684	4.43%	798,572	35,620	4.46%
Other earning assets	138,805	2,818	2.03%	79,017	102	0.13%	61,451	175	0.28%
FHLB and FRB stock	7,413	348	4.69%	6,220	234	3.76%	5,006	199	3.98%
Total interest-earning assets	1,549,724	67,764	4.37%	1,381,787	52,348	3.79%	1,089,491	42,386	3.89%
Noninterest-earning assets	79,467			79,393			55,597		
Total assets	$ 1,629,191			$ 1,461,180			$ 1,145,088		
Interest-bearing liabilities:									
Deposits	$ 1,121,003	15,952	1.42%	$ 978,258	8,014	0.82%	$ 739,462	11,911	1.61%
FHLB advances and other borrowings	101,757	3,022	2.97%	108,637	2,295	2.11%	148,887	2,667	1.79%
Total interest-bearing liabilities	1,222,760	18,974	1.55%	1,086,895	10,309	0.95%	888,349	14,578	1.64%
Noninterest-bearing liabilities	273,789			255,855			164,337		
Total liabilities	1,496,549			1,342,750			1,052,686		
Equity	132,642			118,430			92,402		
Total liabilities and equity	$ 1,629,191			$ 1,461,180			$ 1,145,088		
Net interest-earning assets	$ 326,964			$ 294,892			$ 201,142		
Net interest income/interest rate spread		$ 48,790	2.82%		$ 42,039	2.84%		$ 27,808	2.25%
Net interest margin			3.15%			3.04%			2.55%
Average interest-earning assets to average interest-bearing liabilities	126.74%			127.13%			122.64%		

[1] Average balance is computed using the carrying value of securities.
Average yield is computed using the historical amortized cost average balance for available for sale securities.
[2] Average yields and interest earned are stated on a fully taxable equivalent basis.
[3] Average balance is computed using the recorded investment in loans net of the ALLL and includes nonperforming loans.

Comparison of Results of Operations (continued)

Rate/Volume Analysis of Net Interest Income. The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the increase and decrease related to changes in balances and/or changes in interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (i.e., changes in volume multiplied by the prior rate) and (ii) changes in rate (i.e., changes in rate multiplied by prior volume). For purposes of this table, changes attributable to both rate and volume which cannot be segregated have been allocated proportionately to the change due to volume and the change due to rate.

	Year Ended December 31, 2022 Compared to Year Ended December 31, 2021			Year Ended December 31, 2021 Compared to Year Ended December 31, 2020		
	Increase (decrease) due to			Increase (decrease) due to		
	Rate	Volume	Net	Rate	Volume	Net
	(Dollars in thousands)					
Interest-earning assets:						
Securities [1]	$ 165	$ (40)	$ 125	$ 373	$ 222	$ 595
Loans held for sale	780	(6,180)	(5,400)	(1,482)	823	(659)
Loans and leases	1,936	15,925	17,861	(274)	10,338	10,064
Other earning assets	2,584	132	2,716	(114)	41	(73)
FHLB and FRB stock	64	50	114	(11)	46	35
Total interest-earning assets	5,529	9,887	15,416	(1,508)	11,470	9,962
Interest-bearing liabilities:						
Deposits	6,627	1,311	7,938	(6,994)	3,097	(3,897)
FHLB advances and other borrowings	880	(153)	727	427	(799)	(372)
Total interest-bearing liabilities	7,507	1,158	8,665	(6,567)	2,298	(4,269)
Net change in net interest income	$ (1,978)	$ 8,729	$ 6,751	$ 5,059	$ 9,172	$ 14,231

[1] Securities amounts are presented on a fully taxable equivalent basis.

Liquidity and Capital Resources

In general terms, liquidity is a measurement of an enterprise's ability to meet cash needs. The primary objective in liquidity management is to maintain the ability to meet loan commitments and to repay deposits and other liabilities in accordance with their terms without an adverse impact on current or future earnings. Principal sources of funds are deposits; amortization and prepayments of loans; maturities, sales and principal receipts of securities available for sale; borrowings; and operations. While maturities and scheduled amortization of loans are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition.

CFBank is required by regulation to maintain sufficient liquidity to ensure its safe and sound operation. Thus, adequate liquidity may vary depending on CFBank's overall asset/liability structure, market conditions, the activities of competitors, the requirements of our own deposit and loan customers and regulatory considerations. Management believes that each of the Holding Company's and CFBank's current liquidity is sufficient to meet its daily operating needs and fulfill its strategic planning.

Liquidity management is both a daily and long-term responsibility of management. We adjust our investments in liquid assets, primarily cash, short-term investments and other assets that are widely traded in the secondary market, based on our ongoing assessment of expected loan demand, expected deposit flows, yields available on interest-earning deposits and securities and the objective of our asset/liability management program. In addition to liquid assets, we have other sources of liquidity available including, but not limited to, access to advances from the FHLB and borrowings from the FRB and our commercial bank lines of credit.

Liquidity and Capital Resources (continued)

The following table summarizes CFBank's cash available from liquid assets and borrowing capacity at December 31, 2022 and 2021.

	December 31, 2022	December 31, 2021
	(Dollars in thousands)	
Cash, unpledged securities and deposits in other financial institutions	$ 154,410	$ 168,953
Additional borrowing capacity at the FHLB	187,854	113,077
Additional borrowing capacity at the FRB	105,119	72,195
Unused commercial bank lines of credit	65,000	65,000
Total	$ 512,383	$ 419,225

Cash, unpledged securities and deposits in other financial institutions decreased $14.6 million, or 8.61%, to $154.4 million at December 31, 2022, compared to $169.0 million at December 31, 2021. The decrease was primarily attributed to an increase in net loans, partially offset by an increase in deposits and decreases in loans held for sale and securities.

CFBank's additional borrowing capacity with the FHLB increased $74.8 million, or 66.1%, to $187.9 million at December 31, 2022, compared to $113.1 million at December 31, 2021. The increase is primarily attributed to an increase in pledged collateral.

CFBank's additional borrowing capacity at the FRB increased $32.9 million, or 45.6%, to $105.1 million at December 31, 2022 from $72.2 million at December 31, 2021. CFBank is eligible to participate in the FRB's primary credit program, providing CFBank access to short-term funds at any time, for any reason, based on the collateral pledged.

CFBank's borrowing capacity with both the FHLB and FRB may be negatively impacted by changes such as, but not limited to, further tightening of credit policies by the FHLB or FRB, deterioration in the credit performance of CFBank's loan portfolio or CFBank's financial performance, or a decrease in the balance of pledged collateral.

CFBank had $65.0 million of availability in unused lines of credit with two commercial banks at December 31, 2022 and December 31, 2021.

Deposits are obtained predominantly from the markets in which CFBank's offices are located. We rely primarily on a willingness to pay market-competitive interest rates to attract and retain retail deposits. Accordingly, rates offered by competing financial institutions may affect our ability to attract and retain deposits.

CFBank relies on competitive interest rates, customer service, and relationships with customers to retain deposits. In 2010, the FDIC, pursuant to the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act permanently increased deposit insurance coverage from $100,000 to $250,000 per depositor.

The Holding Company has more limited sources of liquidity than CFBank. In general, in addition to its existing liquid assets, sources of liquidity include funds raised in the securities markets through debt or equity offerings, funds borrowed from third party banks or other lenders, dividends received from CFBank or the sale of assets.

Management believes that the Holding Company had adequate funds at December 31, 2022 to meet its current and anticipated operating needs at this time. The Holding Company's current cash requirements include operating expenses and interest on subordinated debentures and other debt. The Company may also pay dividends on its common stock, if and when declared by the Board of Directors.

Currently, annual debt service on the subordinated debentures underlying the Company's trust preferred securities is approximately $390,000. The subordinated debentures have a variable rate of interest, reset quarterly, equal to the three-month LIBOR plus 2.85%. The total rate in effect was 7.58% at December 31, 2022.

Currently, the annual debt service on the Company's $10 million of fixed-to-floating rate subordinated notes is $700,000. The subordinated notes have a fixed rate of 7.00% until December 2023 at which time the interest rate will reset quarterly to a rate equal to the then current three-month LIBOR plus 4.14%.

Liquidity and Capital Resources (continued)

Prior to May 21, 2021, the Holding Company had a term loan in the original principal amount of $5.0 million with an additional $10.0 million revolving line-of-credit with a third-party bank. That credit facility was refinanced into a new $35.0 million facility on May 21, 2021. The credit facility is revolving until May 21, 2024 at which time any then-outstanding balance will be converted to a 10-year term note on a graduated 10-year amortization. Borrowings on the credit facility bear interest at a fixed rate of 3.85% until May 21, 2026, and the interest rate then converts to a floating rate equal to PRIME with a floor of 3.75%. The purpose of the credit facility is to provide an additional source of liquidity for the Holding Company and to provide funds for the Holding Company to downstream as additional capital to CFBank to support growth. At December 31, 2022, the Company had an outstanding balance, net of unamortized debt issuance costs, of $29.5 million on the facility.

The ability of the Holding Company to pay dividends on its common stock is dependent upon the amount of cash and liquidity available at the Holding Company level, as well as the receipt of dividends and other distributions from CFBank to the extent necessary to fund such dividends.

The Holding Company is a legal entity that is separate and distinct from CFBank, which has no obligation to make any dividends or other funds available for the payment of dividends by the Holding Company. Banking regulations limit the amount of dividends that can be paid to the Holding Company by CFBank without prior regulatory approval. Generally, financial institutions may pay dividends without prior regulatory approval as long as the dividend does not exceed the total of the current calendar year-to-date earnings plus any earnings from the previous two years not already paid out in dividends, and as long as the financial institution remains well capitalized after the dividend payment.

The Holding Company also is subject to various legal and regulatory policies and requirements impacting the Holding Company's ability to pay dividends on its stock. In addition, the Holding Company's ability to pay dividends on its stock is conditioned upon the payment, on a current basis, of quarterly interest payments on the subordinated debentures underlying the Company's trust preferred securities. Finally, under the terms of the Company's fixed-to-floating rate subordinated debt, the Holding Company's ability to pay dividends on its stock is conditioned upon the Holding Company continuing to make required principal and interest payments, and not incurring an event of default, with respect to the subordinated debt.

Federal income tax laws provided deductions, totaling $2.3 million, for thrift bad debt reserves established before 1988. Accounting standards do not require a deferred tax liability to be recorded on this amount, which otherwise would have totaled $473,000 at year-end 2022. However, if CFBank were wholly or partially liquidated or otherwise ceases to be a bank, or if tax laws were to change, this amount would have to be recaptured and a tax liability recorded. Additionally, any distributions in excess of CFBank's current or accumulated earnings and profits would reduce amounts allocated to its bad debt reserve and create a tax liability for CFBank.

Impact of Inflation

The financial statements and related data presented herein have been prepared in accordance with U.S. generally accepted accounting principles, which presently require us to measure financial position and results of operations primarily in terms of historical dollars. Changes in the relative value of money due to inflation are generally not considered. In our opinion, changes in interest rates affect our financial condition to a far greater degree than changes in the inflation rate. While interest rates are generally influenced by changes in the inflation rate, they do not move concurrently. Rather, interest rate volatility is based on changes in the expected rate of inflation, as well as changes in monetary and fiscal policy. A financial institution's ability to be relatively unaffected by changes in interest rates is a good indicator of its ability to perform in a volatile economic environment. In an effort to protect performance from the effects of interest rate volatility, we review interest rate risk frequently and take steps to minimize detrimental effects on profitability.

Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss from adverse changes in market prices and interest rates. We have not engaged in and, accordingly, have no risk related to trading accounts, commodities or foreign exchange. Our hedging policy allows hedging activities, such as interest-rate swaps, up to a notional amount of 10% of total assets and a value at risk of 10% of core capital. Disclosures about our hedging activities are set forth in Note 18 to our Consolidated Financial Statements. The Company's market risk arises primarily from interest rate risk inherent in our lending, investing, deposit gathering and borrowing activities. The measurement of market risk associated with financial instruments is meaningful only when all related and offsetting on- and off-balance-sheet transactions are aggregated and the resulting net positions are identified. Disclosures about fair value are set forth in Note 6 to our Consolidated Financial Statements.

Management actively monitors and manages interest rate risk. The primary objective in managing interest rate risk is to limit, within established guidelines, the adverse impact of changes in interest rates on our net interest income and capital. We measure the effect of interest rate changes on CFBank's economic value of equity (EVE), which is the difference between the estimated market value of CFBank's assets and liabilities under different interest rate scenarios.

Quantitative and Qualitative Disclosures about Market Risk (continued)

The change in the EVE ratio is a long-term measure of what might happen to the market value of financial assets and liabilities over time if interest rates changed instantaneously and CFBank did not change existing strategies. At December 31, 2022, CFBank's EVE ratios, using interest rate shocks ranging from a 400 bps rise in rates to a 400 bps decline in rates, are shown in the following table. All values are within the acceptable range established by CFBank's Board of Directors.

Economic Value of Equity
as a Percent of Assets
(CFBank only)

Basis Point Change in Rates	Economic Value Ratio
+400	8.1%
+300	8.7%
+200	9.2%
+100	9.9%
0	10.5%
-100	11.1%
-200	11.7%
-300	12.2%
-400	12.4%

In evaluating CFBank's exposure to interest rate risk, certain limitations inherent in the method of analysis presented in the foregoing table must be considered. For example, the table indicates results based on changes in the level of interest rates, but not changes in the shape of the yield curve. CFBank also has exposure to changes in the shape of the yield curve. Although certain assets and liabilities may have similar maturities or periods to which they reprice, they may react in different degrees to changes in market interest rates. The interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. In the event of a change in interest rates, prepayments and early withdrawal levels would likely deviate significantly from those assumed in calculating the table. The ability of many borrowers to service their debt may decrease when interest rates rise. As a result, the actual effect of changing interest rates may differ materially from that presented in the foregoing table.

Changes in levels of market interest rates could materially and adversely affect our net interest income, loan volume, asset quality, value of loans held for sale and cash flows, as well as the market value of our securities portfolio and overall profitability.

Residential mortgage loan origination volumes are affected by market interest rates on loans. Rising interest rates generally are associated with a lower volume of loan originations, while falling interest rates are usually associated with higher loan originations. Our ability to generate gains on sales of mortgage loans is significantly dependent on the level of originations. Changes in interest rates, prepayment speeds and other factors may also cause the value of our loans held for sale to change.

We originate commercial, commercial real estate, multi-family residential and single family residential real estate mortgage loans for our portfolio, which, in many cases, have adjustable interest rates. Many of these loans have interest-rate floors, which protect income to CFBank should rates fall. While adjustable-rate loans better offset the adverse effects of an increase in interest rates as compared to fixed-rate loans, the increased payments required of adjustable-rate loan borrowers upon an interest rate adjustment in a rising interest rate environment could cause an increase in delinquencies and defaults. The marketability of the underlying property also may be adversely affected in a rising interest rate environment.

Cash flows are affected by changes in market interest rates. Generally, in rising interest rate environments, loan prepayment rates are likely to decline, and in falling interest rate environments, loan prepayment rates are likely to increase.

Market and Dividend Information

The (voting) common stock of CF Bankshares Inc. trades on the Nasdaq® Capital Market under the symbol "CFBK." As of December 31, 2022, there were 5,236,124 shares of (voting) common stock outstanding and held by approximately 347 registered shareholders of record. As of December 31, 2022, the Company also had an aggregate of 1,260,700 shares of non-voting common stock outstanding which were held by two shareholders of record.

There was $0.18 per share in dividends declared or paid on our common stock during 2022. The Company presently anticipates continuing to pay dividends in the future at similar levels, subject to compliance with applicable legal and regulatory requirements. The Holding Company is subject to various legal and regulatory policies and guidelines impacting the Holding Company's ability to pay dividends on its stock. In addition, banking regulations limit the amount of dividends that can be paid to the Holding Company by CFBank without prior regulatory approval and, thus, can limit the availability of funds available to the Holding Company for the payment of dividends on its stock. The Holding Company's ability to pay dividends on its common stock is also conditioned upon the Holding Company continuing to make certain payments on, and no event of default occurring under, the Company's fixed-to-floating rate subordinated debt and the subordinated debentures underlying the Holding Company's trust preferred securities. Additional information is contained in the sections titled "Financial Condition - Stockholders' equity" and "Liquidity and Capital Resources" in Management's Discussion and Analysis of Financial Condition and Results of Operations and in Notes 16 and 17 in the accompanying Notes to Consolidated Financial Statements.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of CF Bankshares Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2022. In making this assessment, management used the criteria for effective internal control over financial reporting as described in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment and those criteria, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2022.

This annual report does not contain an audit report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to audit by the Company's registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Timothy T. O'Dell
President and Chief Executive Officer

Kevin J. Beerman
Executive Vice President and Chief Financial Officer

March 31, 2023

FORV/S

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Report of Independent Registered Public Accounting Firm

To the Shareholders, Board of Directors and Audit Committee
CF Bankshares Inc.
Columbus, Ohio

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of CF Bankshares, Inc. (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits.

We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

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Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

As described in Note 4 to the consolidated financial statements, the Company's consolidated allowance for loan and lease losses (ALLL) was $16.1 million at December 31, 2022. The Company also describes in Note 1 of the consolidated financial statements the "Allowance for Loan Losses" accounting policy around this estimate. The allowance for loan losses is evaluated on a regular basis by management and is based on management's periodic review of the collectability of the loans in light of historical experiences, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. The allowance consists of specific, and general components. The specific component relates to loans that are classified as impaired and an allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

The primary reason for our determination that the allowance for loan losses is a critical audit matter is that it involved significant judgement and complex review as there is a high degree of subjectivity in evaluating management's estimate, such as evaluating management's assessment of economic conditions and other environmental factors, evaluating the adequacy of specific allowances associated with impaired loans and assessing the appropriateness of loan grades.

Our audit procedures related to the estimated allowance for loan losses included:

- Testing the design effectiveness of internal controls, including those related to technology, over the ALLL including data completeness and accuracy, classifications of loans by loan segment, historical loss data, the calculation of a loss rate, the establishment of qualitative adjustments, grading and risk classification of loans and establishment of specific reserves on impaired loans.
- Testing clerical and computational accuracy of the formulas within the Company's ALLL calculation.
- Testing of completeness and accuracy of the underlying data utilized in the ALLL
- Testing of the loan review function and the reasonableness of loan grades determined. Specifically, utilizing internal loan review professionals to assist us in evaluating the appropriateness of loan grades and to assess the reasonableness of specific impairments on loans.
- Evaluating the overall reasonableness of qualitative factor adjustments including economic conditions and other environmental factors to historical loss and the appropriateness of their direction and magnitude and the Company's support for the direction and magnitude compared to previous years.

FORVIS, LLP

FORVIS, LLP
(Formerly, BKD, LLP)

We have served as the Company's auditor since 2014.

Indianapolis, Indiana
March 31, 2023

CF BANKSHARES INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2022 and 2021
(Dollars in thousands, except per share data)

	December 31, 2022	December 31, 2021
ASSETS		
Cash and cash equivalents	$ 151,787	$ 166,591
Interest-bearing deposits in other financial institutions	100	100
Securities available for sale	10,442	16,347
Equity securities	5,000	5,000
Loans held for sale, at fair value	580	27,988
Loans and leases, net of allowance of $16,062 and $15,508	1,572,255	1,214,149
FHLB and FRB stock	7,942	7,315
Premises and equipment, net	3,778	5,869
Other assets held for sale	1,930	-
Operating lease right-of-use assets	1,357	1,925
Bank owned life insurance	25,641	25,743
Accrued interest receivable and other assets	39,362	24,562
Total assets	$ 1,820,174	$ 1,495,589
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest bearing	$ 263,241	$ 284,935
Interest bearing	1,264,681	961,417
Total deposits	1,527,922	1,246,352
FHLB advances and other debt	109,461	89,727
Advances by borrowers for taxes and insurance	3,513	2,752
Operating lease liabilities	1,438	2,032
Accrued interest payable and other liabilities	23,670	14,513
Subordinated debentures	14,922	14,883
Total liabilities	1,680,926	1,370,259
Commitments and contingent liabilities	-	-
Stockholders' equity		
Common stock, $0.01 par value; shares authorized: 9,090,909, including 1,260,700 shares of non-voting common stock		
Voting common stock, $0.01 par value; shares issued: 5,601,289 at December 31, 2022 and 5,485,980 at December 31, 2021	56	55
Non-voting common stock, $0.01 par value; shares issued: 1,260,700 at December 31, 2022 and 1,260,700 at December 31, 2021	13	13
Series C preferred stock, $0.01 par value; 12,607 shares authorized; 0 shares issued at December 31, 2022 and 0 shares issued at December 31, 2021	-	-
Additional paid-in capital	89,813	88,528
Retained earnings	61,095	44,084
Accumulated other comprehensive loss	(2,037)	(170)
Treasury stock, at cost; 365,165 shares of voting common stock at December 31, 2022 and 246,432 shares of voting common stock at December 31, 2021	(9,692)	(7,180)
Total stockholders' equity	139,248	125,330
Total liabilities and stockholders' equity	$ 1,820,174	$ 1,495,589

CF BANKSHARES INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2022, 2021 and 2020
(Dollars in thousands, except per share data)

	2022	2021	2020
Interest and dividend income			
Loans and leases, including fees	$ 63,717	$ 51,256	$ 41,851
Securities	881	756	161
FHLB and FRB stock dividends	348	234	199
Federal funds sold and other	2,818	102	175
	67,764	52,348	42,386
Interest expense			
Deposits	15,952	8,014	11,911
FHLB advances and other debt	2,040	1,398	1,729
Subordinated debentures	982	897	938
	18,974	10,309	14,578
Net interest income	48,790	42,039	27,808
Provision for loan and lease losses	787	(1,600)	10,915
Net interest income after provision for loan and lease losses	48,003	43,639	16,893
Noninterest income			
Service charges on deposit accounts	1,135	845	633
Net gains on sales of residential mortgage loans	656	5,916	58,298
Net gains on sales of SBA loans	353	1,443	68
Gain (loss) on redemption of life insurance policies	(173)	383	-
Earnings on bank owned life insurance	598	532	145
Gain on sale of deposits	-	1,893	-
Swap fee income	190	194	651
Other	451	434	198
	3,210	11,640	59,993
Noninterest expense			
Salaries and employee benefits	15,125	16,948	21,987
Occupancy and equipment	1,253	1,120	1,077
Data processing	2,807	2,086	1,812
Franchise and other taxes	1,151	975	740
Professional fees	2,758	4,348	5,070
Director fees	632	622	648
Postage, printing and supplies	183	146	172
Advertising and marketing	431	3,061	5,624
Telephone	249	263	219
Loan expenses	694	352	304
Depreciation	496	435	381
FDIC premiums	1,130	1,238	588
Regulatory assessment	272	261	181
Other insurance	177	158	106
Impairment of property and equipment	570	-	-
Other	693	448	1,694
	28,621	32,461	40,603
Income before incomes taxes	22,592	22,818	36,283
Income tax expense	4,428	4,365	6,675
Net income	18,164	18,453	29,608
Earnings allocated to participating securities (Series C preferred stock)	-	-	(2,280)
Net income attributable to common stockholders	$ 18,164	$ 18,453	$ 27,328
Earnings per common share:			
Basic	$ 2.84	$ 2.84	$ 4.53
Diluted	$ 2.78	$ 2.77	$ 4.47

CF BANKSHARES INC.
CONSOLIDATED STATEMENTS OF COMREHENSIVE INCOME
Years ended December 31, 2022, 2021 and 2020
(Dollars in thousands, except per share data)

	2022	2021	2020
Net income	$ 18,164	$ 18,453	$ 29,608
Other comprehensive income:			
Unrealized holding gains (losses) arising during the period related to investment securities available for sale, net of tax of ($496), ($71) and $18:	(1,867)	(266)	68
Other comprehensive income (loss), net of tax	(1,867)	(266)	68
Comprehensive income	$ 16,297	$ 18,187	$ 29,676

CF BANKSHARES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2022, 2021 and 2020
(Dollars in thousands, except per share data)

	Voting Common Stock	Non-voting Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2020	$ 54	-	86,903	(2,932)	28	(3,389)	80,664
Net income				29,608			29,608
Other comprehensive income					68		68
Issuance of 19,660 stock based incentive plan shares, net of forfeitures	-		-				-
Restricted stock expense, net of forfeitures			711				711
Stock options exercised			36				36
Acquisition of 2,158 treasury shares surrendered upon vesting of restricted stock for payment of taxes						(32)	(32)
Purchase of 61,000 treasury shares						(648)	(648)
Conversion of 12,607 shares of Series C preferred stock to 1,260,700 shares of non-voting common stock		13	(13)				-
Dividends declared ($0.03 per share)				(197)			(197)
Balance at December 31, 2020	54	13	87,637	26,479	96	(4,069)	110,210
Net income				18,453			18,453
Other comprehensive income					(266)		(266)
Issuance of 69,960 stock based incentive plan shares, net of forfeitures	1		(1)				-
Restricted stock expense, net of forfeitures			707				707
Stock options exercised			185				185
Acquisition of 2,261 treasury shares surrendered upon vesting of restricted stock for payment of taxes						(43)	(43)
Acquisition of 4,522 treasury shares surrendered upon exercise of stock options for payment of taxes and exercise price						(96)	(96)
Purchase of 143,551 treasury shares						(2,972)	(2,972)
Dividends declared ($0.13 per share)				(848)			(848)
Balance at December 31, 2021	55	13	88,528	44,084	(170)	(7,180)	125,330
Net income				18,164			18,164
Other comprehensive loss					(1,867)		(1,867)
Issuance of 69,648 stock based incentive plan shares, net of forfeitures	1		(1)				-
Restricted stock expense, net of forfeitures			899				899
Stock options exercised			387				387
Acquisition of 3,424 treasury shares surrendered upon vesting of restricted stock for payment of taxes						(73)	(73)
Acquisition of 4,366 treasury shares surrendered upon exercise of stock options for payment of exercise price						(100)	(100)
Purchase of 110,998 treasury shares						(2,339)	(2,339)
Dividends declared ($0.18 per share)				(1,153)			(1,153)
Balance at December 31, 2022	$ 56	$ 13	$ 89,813	$ 61,095	$ (2,037)	$ (9,692)	$ 139,248

CF BANKSHARES INC.
CONSOLIDATED STATEMENTS OF CHANGES OF CASH FLOWS
Years ended December 31, 2022, 2021 and 2020
(Dollars in thousands, except per share data)

	2022	2021	2020
Net income	$ 18,164	$ 18,453	$ 29,608
Adjustments to reconcile net income to net cash from operating activities:			
Provision for loan and lease losses	787	(1,600)	10,915
Depreciation	496	435	381
Amortization, net	(881)	(2,505)	(1,510)
Deferred income tax (benefit)	215	773	(3,045)
Originations of loans held for sale	(97,265)	(2,358,511)	(2,229,042)
Proceeds from sale of loans held for sale	123,655	2,602,993	2,130,712
Net gains on sales of residential mortgage loans	(656)	(5,916)	(58,298)
Net gains on sales of SBA loans	(353)	(1,443)	(68)
Gain on sale of deposits	-	(1,893)	-
Write-down of premises and equipment	570	17	265
Earnings on bank owned life insurance	(598)	(532)	(145)
Loss (gain) on redemption of life insurance policies	173	(383)	-
Stock-based compensation expense	899	707	711
Net change in:			
Accrued interest receivable and other assets	(6,475)	17,880	(18,451)
Operating lease right-of-use asset	568	461	393
Operating lease right-of-use liability	(594)	(498)	(428)
Accrued interest payable and other liabilities	1,059	(15,135)	14,537
Net cash from (used by) operating activities	39,764	253,303	(123,465)
Cash flows from investing activities:			
Available-for-sale securities:			
Maturities, prepayments and calls	3,517	5,030	5,091
Purchases	-	(13,070)	(5,552)
Purchase of equity securities	-	-	(5,000)
Purchase of bank owned life insurance	-	(8,000)	(12,000)
Loan and lease originations and payments, net	(364,759)	(311,232)	(241,102)
Purchase of loans and leases	(3,698)	(18,677)	-
Proceeds from the sale of loans	12,569	33,361	1,439
Additions to premises and equipment	(905)	(2,962)	(385)
Purchase of FRB and FHLB stock	(627)	(1,468)	(1,839)
Purchase of other investments	-	(1,500)	(1,000)
Return of investment- joint ventures	582	756	594
Proceeds from the redemption of life insurance policies	-	661	-
Proceeds from the sale of premises and equipment	-	371	-
Net cash used by investing activities	(353,321)	(316,730)	(259,754)
Cash flows from financing activities:			
Net change in deposits	281,570	237,593	366,747
Cash paid for assumption of deposits in branch sale	-	(102,418)	-
Proceeds from FHLB advances and other debt	40,150	174,277	575,137
Repayments on FHLB advances and other debt	(20,450)	(228,964)	(452,224)
Net change in warehouse line of credit	-	(70,013)	70,013
Net change in advances by borrowers for taxes and insurance	761	1,723	100
Cash dividends paid on common stock	(1,153)	(848)	(195)
Proceeds from exercise of stock options	387	185	36
Acquisition of treasury shares surrendered upon vesting of restricted stock and exercised options for payment of taxes and exercise proceeds	(173)	(139)	(32)
Purchase of treasury shares	(2,339)	(2,972)	(648)
Net cash from financing activities	298,753	8,424	558,934
Net change in cash and cash equivalents	(14,804)	(55,003)	175,715
Beginning cash and cash equivalents	166,591	221,594	45,879
Ending cash and cash equivalents	$ 151,787	$ 166,591	$ 221,594

CF BANKSHARES INC.
CONSOLIDATED STATEMENTS OF CHANGES OF CASH FLOWS
Years ended December 31, 2022, 2021 and 2020
(Dollars in thousands, except per share data)

	2022	2021	2020
Supplemental cash flow information:			
Interest paid	$ 18,362	$ 10,579	$ 14,296
Income tax paid	2,450	3,850	10,300
Supplemental noncash disclosures:			
Loans transferred from held for sale to portfolio	$ 1,674	$ 16,611	$ 1,725
Transfer from premises and equipment to assets held for sale	1,930	-	-
Investment payable on limited liability corporation and limited partnership	8,097	7,764	500
Initial recognition of operating right-of-use lease asset	-	999	-
Initial recognition of operating right-of-use lease liability	-	999	-
Loans held for sale funded with other debt, net of repayments	-	-	(7,517)
Dividends payable	-	-	2
Redemption proceeds receivable on life insurance policy	528	-	-

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation:

The consolidated financial statements include CF Bankshares Inc. (the "Holding Company") and its wholly-owned subsidiary, CFBank, National Association ("CFBank"). On December 1, 2016, CFBank converted from a federal savings institution to a national bank. Prior to December 1, 2016, the Holding Company was a registered savings and loan holding company. Effective as of December 1, 2016 and in conjunction with the conversion of CFBank to a national bank, the Holding Company became a registered bank holding company and elected financial holding company status with the FRB. Effective as of July 27, 2020, the Company changed its name from Central Federal Corporation to CF Bankshares Inc. The Holding Company and CFBank are sometimes collectively referred to herein as the "Company". Intercompany transactions and balances are eliminated in consolidation.

CFBank provides financial services through its eight full-service banking offices in the metro markets of Columbus, Cincinnati, Cleveland and Akron, Ohio and Indianapolis, Indiana. Its primary deposit products are commercial and retail checking, savings, money market and term certificate accounts. Its primary lending products are commercial and commercial real estate, residential mortgages and installment loans. There are no significant concentrations of loans to any one industry or customer segment. However, our customers' ability to repay their loans is dependent on general economic conditions and the real estate values in their geographic areas.

Use of Estimates: To prepare financial statements in conformity with U.S. generally accepted accounting principles (GAAP), management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ. The allowance for loan and lease losses (ALLL), deferred tax assets and fair values of financial instruments are particularly subject to change.

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions with maturities fewer than 90 days and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, interest-bearing deposits in other financial institutions and borrowings with original maturities under 90 days.

Cash in Excess of FDIC Limits: At December 31, 2022, the Company's cash accounts exceeded federally insured limits by approximately $136.9 million. Approximately $133.2 million of that amount was held by either the Federal Reserve Bank or the Federal Home Loan Bank of Cincinnati, which is not federally insured.

Interest-Bearing Deposits in Other Financial Institutions: Interest-bearing deposits in other financial institutions mature in April, 2025 and are carried at cost. As of December 31, 2022 and December 31, 2021, there was $100 in interest-bearing deposits in other financial institutions.

Securities: Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income.

Interest income includes amortization of purchase premium or accretion of discount. Premiums and discounts on securities are amortized or accreted on the level-yield method, except for mortgage-backed securities and collateralized mortgage obligations where prepayments are anticipated based on industry payment trends. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment (OTTI) at least on a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or will more likely than not be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which must be recognized in the income statement and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Equity Securities: Equity securities without a readily determinable fair value are held at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. For equity securities measured under the practicability exception under Accounting Standards Update ("ASU") 2016-01, the Company performs a qualitative assessment for equity securities without readily determinable fair values considering impairment indicators to evaluate whether an impairment exists. If an impairment exists, the Company will recognize a loss based on the difference between carrying value and fair value.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at fair value, as determined by outstanding commitments from investors. Mortgage loans held for sale are generally sold with servicing rights released. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing rights when mortgage loans held for sale are sold with servicing rights retained. Loans originated as construction loans, that were subsequently transferred to held for sale, are carried at the lower of cost or market. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans and Leases: Loans and leases that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, adjusted for purchase premiums and discounts, deferred loan fees and costs and an allowance for loan and lease losses (ALLL). Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level yield method without anticipating prepayments.

The accrual of interest income on all classes of loans, except other consumer loans, is discontinued and the loan is placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Other consumer loans are typically charged off no later than 90 days past due. Past due status is based on the contractual terms of the loan for all classes of loans. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful. Nonaccrual loans and loans past due 90 days still on accrual include both smaller balance homogeneous loans that are collectively evaluated for impairment and individually classified impaired loans. Commercial, multi-family residential real estate loans and commercial real estate loans placed on nonaccrual status are individually classified as impaired loans.

All interest accrued but not received for each loan placed on nonaccrual is reversed against interest income in the period in which it is placed in a nonaccrual status. Interest received on such loans is accounted for on the cash-basis or cost recovery method, until qualifying for return to accrual status. Loans are considered for return to accrual status provided all the principal and interest amounts that are contractually due are brought current, there is a current and well documented credit analysis, there is reasonable assurance of repayment of principal and interest, and the customer has demonstrated sustained, amortizing payment performance of at least six months.

Concentration of Credit Risk: Most of the Company's primary business activity is with customers located within the Ohio counties of Franklin, Delaware, Hamilton, Cuyahoga and Summit and Marian County, Indiana and contiguous counties. Therefore, the Company's exposure to credit risk can be affected by changes in the economies within these counties. Although these counties are the Company's primary market area for loans, the Company originates residential and commercial real estate loans throughout the United States.

Allowance for Loan and Lease Losses (ALLL): The ALLL is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that CFBank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans within any loan class for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings (TDRs) and classified as impaired.

Factors considered by management in determining impairment for all loan classes include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

All substandard loans within the commercial, multi-family residential, commercial real estate and construction segments are individually evaluated for impairment when they are 90 days past due, or earlier than 90 days past due if information regarding the payment capacity of the borrower indicates that payment in full according to the loan terms is doubtful. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate, or at the fair value of collateral, less costs to sell, if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer, single-family residential real estate loans and commercial leases, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

TDRs of all classes of loans are separately identified for impairment disclosures and are measured at the present value of estimated future cash flows using each loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. If the payment of the loan is dependent on the sale of the collateral, then costs to liquidate the collateral are included when determining the impairment. For TDRs that subsequently default, the amount of reserve is determined in accordance with the accounting policy for the ALLL.

Interest income on all classes of impaired loans that are on nonaccrual status is recognized in accordance with the accounting policy for nonaccrual loans. Cash receipts on all classes of impaired loans that are on nonaccrual status are generally applied to the principal balance outstanding. Interest income on all classes of impaired loans that are not on nonaccrual status is recognized on the accrual method. TDRs may be classified as accruing if the borrower has been current for a period of at least six months with respect to loan payments and management expects that the borrower will be able to continue to make payments in accordance with the terms of the restructured note.

The general reserve component covers non-impaired loans of all classes and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by loan class and is based on the actual loss history experienced by CFBank over a three-year period. The general component is calculated based on CFBank's loan balances and actual three-year historical loss rates. For loans with little or no actual loss experience, industry estimates are used based on loan segment. This loss experience is supplemented with other economic and judgmental factors based on the risks present for each loan class. These economic and judgmental factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

The following portfolio segments have been identified: commercial loans; single-family residential real estate loans; multi-family residential real estate loans; commercial real estate loans; construction loans; home equity lines of credit; and other consumer loans. A description of each segment of the loan portfolio, along with the risk characteristics of each segment, is included below.

Commercial loans: Commercial loans and direct financing leases include loans and leases to businesses generally located within our primary market area. Those loans and leases are typically secured by business equipment, inventory, accounts receivable and other business assets. In underwriting commercial loans, we consider the net operating income of the borrower, the debt service ratio and the financial strength, expertise and credit history of the business owners and/or guarantors. Because payments on commercial loans are dependent on successful operation of the business enterprise, repayment of such loans may be subject to a greater extent to adverse conditions in the economy. We seek to mitigate these risks through underwriting policies which require such loans to be qualified at origination on the basis of the borrower's financial performance and the financial strength of the business owners and/or guarantors.

Single-family residential real estate loans: Single-family residential real estate loans include permanent conventional mortgage loans secured by single-family residences that we originate for portfolio and purchased loans located primarily within our primary market area. Credit approval for single-family residential real estate loans requires demonstration of sufficient income to repay the principal and interest and the real estate taxes and insurance, stability of employment and an established credit record. Our policy is to originate quality loans that are evaluated for risk based on the borrower's ability to repay the loan. Collateral positions are established by obtaining independent appraisal opinions. Mortgage insurance may be required when the LTV exceeds 80%.

Multi-family residential real estate loans: Multi-family residential real estate loans include loans secured by apartment buildings, condominiums and multi-family residential houses generally located within our primary market area. Underwriting policies provide that multi-family residential real estate loans generally may be made in amounts up to 85% of the lower of the appraised value or purchase price of the property. In underwriting multi-family residential real estate loans, we consider the appraised value and net operating income of the property, the debt service ratio and the property owner's and/or guarantor's financial strength, expertise and credit history. We offer both fixed-rate and adjustable-rate loans. Fixed-rate loans are generally limited to three years to five years, at which time they convert to adjustable-rate loans. Because payments on loans secured by multi-family residential properties are dependent on successful operation or management of the properties, repayment of multi-family residential real estate loans may be subject to a greater extent to adverse conditions in the real estate market or the economy.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adjustable-rate multi-family residential real estate loans generally pose credit risks not inherent in fixed-rate loans, primarily because as interest rates rise, the borrowers' payments rise, increasing the potential for default. Additionally, adjustable-rate multi-family residential real estate loans generally do not contain periodic and lifetime caps on interest rate changes. We seek to minimize the additional risk presented by adjustable-rate multi-family residential real estate loans through underwriting criteria that require such loans to be qualified at origination with sufficient debt coverage ratios under increasing interest rate scenarios.

Commercial real estate loans: Commercial real estate loans include loans secured by owner occupied and non-owner occupied properties used for business purposes, such as manufacturing facilities, office buildings or retail facilities generally located within our primary market area. Underwriting policies provide that commercial real estate loans may be made in amounts up to 85% of the lower of the appraised value or purchase price of the property. In underwriting commercial real estate loans, we consider the appraised value and net operating income of the property, the debt service ratio and the property owner's and/or guarantor's financial strength, expertise and credit history. We offer both fixed and adjustable-rate loans. Fixed-rate loans are generally limited to three years to five years, at which time they convert to adjustable-rate loans. Because payments on loans secured by commercial real estate properties are dependent on successful operation or management of the properties, repayment of commercial real estate loans may be subject to a greater extent to adverse conditions in the real estate market or the economy. Adjustable-rate commercial real estate loans generally pose credit risks not inherent in fixed-rate loans, primarily because as interest rates rise, the borrowers' payments rise, increasing the potential for default. Additionally, adjustable-rate commercial real estate loans generally do not contain periodic and lifetime caps on interest rate changes. We seek to minimize the additional risk presented by adjustable-rate commercial real estate loans through underwriting criteria that require such loans to be qualified at origination with sufficient debt coverage ratios under increasing interest rate scenarios.

Construction loans: Construction loans include loans to finance the construction of residential and commercial properties generally located within our primary market area. Construction loans are fixed-rate or adjustable-rate loans which may convert to permanent loans with maturities of up to 30 years. Our policies provide that construction loans may generally be made in amounts up to 80% of the appraised value of the property, and an independent appraisal of the property is required. Loan proceeds are disbursed in increments as construction progresses and as inspections warrant, and regular inspections are required to monitor the progress of construction. In underwriting construction loans, we consider the property owner's and/or guarantor's financial strength, expertise and credit history. Construction financing is considered to involve a higher degree of credit risk than long-term financing on improved, owner occupied real estate. Risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value at completion of construction or development compared to the estimated cost (including interest) of construction. If the estimate of value proves to be inaccurate, we may be confronted with a project, when completed, having a value which is insufficient to assure full repayment. We attempt to reduce such risks on construction loans through inspections of construction progress on the property and by requiring personal guarantees and reviewing current personal financial statements and tax returns, as well as other projects of the developer.

Home equity lines of credit: Home equity lines of credit include both loans we originate for portfolio and purchased loans. We originate home equity lines of credit to customers generally within our primary market area. Home equity lines of credit are variable rate loans and the interest rate adjusts monthly at various margins to the prime rate of interest as disclosed in *The Wall Street Journal.* The margin is based on certain factors including the loan balance, value of collateral, election of auto-payment, and the borrower's FICO® score. The amount of the line is based on the borrower's credit, income and equity in the home. When combined with the balance of the prior mortgage liens, these lines generally may not exceed 89.9% of the appraised value of the property at the time of the loan commitment. The lines are secured by a subordinate lien on the underlying real estate and are, therefore, vulnerable to declines in property values in the geographic areas where the properties are located. Credit approval for home equity lines of credit requires income sufficient to repay principal and interest due, stability of employment, an established credit record and sufficient collateral. Collectability of home equity lines of credit are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. We continue to monitor collateral values and borrower FICO® scores on both purchased and portfolio loans and, when the situation warrants, have frozen the lines of credit.

Other consumer loans: Other consumer loans include closed-end home equity, home improvement, auto, credit card loans and any purchased loans to consumers generally located within our primary market area. Credit approval for other consumer loans requires income sufficient to repay principal and interest due, stability of employment, an established credit record and sufficient collateral for secured loans. Consumer loans typically have shorter terms and lower balances with higher yields as compared to real estate mortgage loans, but generally carry higher risks of default. Consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be affected by adverse personal circumstances.

CFBank's charge-off policy for commercial loans, single-family residential real estate loans, multi-family residential real estate loans, commercial real estate loans, construction loans and home equity lines of credit requires management to record a specific reserve or charge-off as soon as it is apparent that the borrower is troubled and there is, or likely will be, a collateral shortfall related to the estimated value of the collateral securing the loan. Other consumer loans are typically charged off no later than 90 days past due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Foreclosed Assets: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. These assets are subsequently accounted for at lower of cost or fair value less estimated costs to sell. If fair value declines subsequent to foreclosure, an adjustment is recorded through expense. Operating costs after acquisition are expensed.

Low Income Housing Tax Credits (LIHTC): The Company has invested in LIHTCs through funds that assist corporations in investing in limited partnerships and limited liability companies that own, develop and operate low income residential rental properties for purposes of qualifying for the LIHTCs. These investments are accounted for under the proportional amortization method which recognizes the amortization of the investment in proportion to the tax credit and other tax benefits received.

Historic Tax Credits: The Company made equity investments as a non-managing member in two entities that received historic tax credits (HTC) pursuant to Section 47 of the Internal Revenue Code. The Company receives a return through the realization of federal income tax credits, as well as other tax benefits, such as tax deductions from net operating losses of the investment over a period of time. The HTC investments are accounted for under the equity method of accounting and are included in accrued interest receivable and other assets on the consolidated balance sheets. The Company's recorded investment in these entities was $2,097 at December 31, 2022 and 2021. The maximum exposure to loss related to these investments was $2,097 at December 31, 2022, representing the Company's investment balance.

Joint Ventures: The Holding Company has contributed funds into a series of joint ventures (equity stake) for the purpose of allocating excess liquidity into higher earning assets while diversifying its revenue sources. The joint ventures are engaged in shorter term operating activities related to single family real estate developments. Income is recognized based on a rate of return on the outstanding investment balance. As units are sold, the Holding Company receives an additional incentive payment, which is recognized as income. Under ASU 2016-15, the Company has elected the nature of distribution approach to recognize returns from equity method investments. Returns on investment are classified as cash flows from operating activities and returns of investment are classified as investing activities. The balance outstanding in joint ventures at December 31, 2022 and December 31, 2021 was $1,568 and $2,150, respectively. Income recognized on the joint ventures was $172, $224, and $173, respectively, for 2022, 2021 and 2020.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method with useful lives ranging from 3 years to 40 years. Furniture, fixtures and equipment are depreciated using the straight-line method with useful lives ranging from 2 years to 25 years. Leasehold improvements are depreciated straight-line over the shorter of the useful life or the lease term.

Federal Home Loan Bank (FHLB) stock: CFBank is a member of the FHLB system. Members are required to own a certain amount of FHLB stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Federal Reserve Bank (FRB) stock: CFBank is a member of the Federal Reserve System and is required to own a certain amount of stock in the FRB. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Bank Owned Life Insurance: CFBank has purchased life insurance policies on certain directors and employees. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded, and fees associated with origination are booked to non-interest income at the origination date.

Derivatives: Derivative financial instruments are recognized as assets or liabilities at fair value. The Company's derivatives consist mainly of interest rate swap agreements, which are used as part of its asset liability management program to help manage interest rate risk. The Company does not use derivatives for trading purposes. The derivative transactions are considered instruments with no hedging designation, otherwise known as stand-alone derivatives. Changes in the fair value of the derivatives are reported currently in earnings, as other noninterest income.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Mortgage Banking Derivatives: Commitments to fund mortgage loans to be sold into the secondary market, otherwise known as interest rate locks, are accounted for as free standing derivatives. Mortgage banking activities include two types of commitments: rate lock commitments and forward loan commitments. Fair values of these mortgage derivatives are based on anticipated gains on the underlying loans. Changes in the fair values of these derivatives are included in net gains on sales of loans.

Stock-Based Compensation: Compensation cost is recognized for stock options and restricted stock awards issued to directors and employees, based on the fair value of these awards at the date of grant. A Black-Scholes model is utilized to estimate the fair value of stock options, while the market price of the Company's common stock at the date of grant is used for restricted stock awards. Compensation cost is recognized over the required service period, generally defined as the vesting period. For awards with graded vesting, compensation cost is recognized on a straight-line basis over the required service period for each separately vesting portion of the award. Forfeitures are recognized as incurred.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax basis of assets and liabilities, computed using enacted tax rates.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

The Company recognizes interest related to income tax matters as interest expense and penalties related to income tax matters as other noninterest expense.

Retirement Plans: Pension expense is the amount of annual contributions by the Company to the multi-employer contributory trusteed pension plan. Employee 401(k) and profit sharing plan expense is the amount of matching contributions. Supplemental retirement plan expense allocates the benefits over years of service.

Earnings Per Common Share: The two-class method is used in the calculation of basic and diluted earnings per share. Under the two-class method, earnings available to common stockholders for the period are allocated between common stockholders and participating securities (unvested share-based payment awards) according to dividends declared (or accumulated) and participation rights in undistributed earnings.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale, which are also recognized as a separate component of equity. Reclassifications from accumulated other comprehensive income are conducted on a specific identification method.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there were any such matters at December 31, 2022 that will have a material effect on the financial statements. See Note 22 – Contingent Liabilities.

Restrictions on Cash: Cash on deposit with the FHLB included $3,300 pledged as collateral for FHLB advances at December 31, 2022.

Equity: Treasury stock is carried at cost. Shares sold out of treasury are valued based on the weighted average cost.

Dividend Restriction: Banking regulations require us to maintain certain capital levels and may limit the dividends paid by CFBank to the Holding Company or by the Holding Company to stockholders. The ability of the Holding Company to pay dividends on its common stock is dependent upon the amount of cash and liquidity available at the Holding Company level, as well as the receipt of dividends and other distributions from CFBank to the extent necessary to fund such dividends. The Holding Company is a legal entity that is separate and distinct from CFBank, which has no obligation to make any dividends or other funds available for the payment of dividends by the Holding Company. The Holding Company also is subject to various legal and regulatory policies and guidelines impacting the Holding Company's ability to pay dividends on its stock. In addition, the Holding Company's ability to pay dividends on its stock is conditioned upon the payment, on a current basis, of quarterly interest payments on the subordinated debentures underlying the Company's trust preferred securities. Finally, under the terms of the Holding Company's fixed-to-floating rate subordinated debt, the Holding Company's ability to pay dividends on its stock is conditioned upon the Holding Company continuing to make required principal and interest payments, and not incurring an event of default, with respect to the subordinated debt.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in Note 6 – Fair Value. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Advertising and Marketing Expense: Advertising costs are expensed as incurred and are recorded as advertising and marketing, a component of noninterest expense. Advertising and marketing expense also includes leads-based marketing for our residential mortgage lending business.

Operating Segments: While management monitors and analyzes the revenue streams of the Company's various products and services, the operations and financial performance is evaluated on a Company-wide basis. Operating results are not reviewed by senior management to make resource allocation or performance decisions. Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior period net income or stockholders' equity.

Recent and Future Accounting Pronouncements and Developments:

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13 "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. Organizations will continue to use judgment to determine which loss estimation method is appropriate for their circumstances. The ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration.

The ASU was effective for SEC filers for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 (i.e., January 1, 2020, for calendar year entities). FASB subsequently approved a delay in adoption for Smaller Reporting Companies. The Company has completed an analysis to determine that it qualifies as a Smaller Reporting Company. As such, adoption can be postponed until periods beginning after December 15, 2022 (i.e., January 1, 2023, for calendar year entities). Early application will be permitted for all organizations for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018.

The Current Expected Credit Losses ("CECL") methodology applies to loans held for investment, held to maturity debt securities, and off balance-sheet credit exposures. The ASU allows for several different methods of computing the ALLL: closed pool, vintage, average charge-off, migration, probability of default / loss given default, discounted cash flow, and regression. Based on its analysis of observable data, the Company concluded the average charge-off method to be the most appropriate and statistically relevant. A lookback to March 31, 2000 will be utilized as the historical loss period due to its inclusion of several economic cycles and relevance to real estate secured assets.

The Company began working with its third-party service provider to review parallel reports in January 2019. At the end of the second quarter of 2022, the Company evaluated and refined its methodology and produced a parallel report for the calculation of the ALLL under the ASU guidance. The Company will contract with a third party to begin an independent validation of its processes and methodology.

The ALLL has been computed through 2022 by applying historical loss rates, adjusted for qualitative factors, to pools of loans. Upon implementation of the ASU, the expected loss estimate will be made up of a historical lookback of actual losses applied over the life of the loan portfolio and adjusted for qualitative factors and forecasted losses based on economic and forward-looking data applied over a reasonable and supportable forecast period.

The impact of the adoption of the ASU is estimated to be a one-time cumulative-effect adjustment to our reserves for loans and unfunded commitments of approximately $15.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The qualitative impact of the new accounting standard will still be directed by many of the same factors that impacted the previous methodology for computing the ALLL including, but not limited to, economic conditions, quality and experience of staff, changes in the value of collateral, concentrations of credit in loan types or industries and changes to lending policies. In addition to this, the Company will also use reasonable and supportable forecasts. Examples of this are regression analyses of data from the Federal Open Market Committee quarterly economic projections for change in real GDP and of national unemployment.

The Company does not anticipate any material changes to its business practices as a result of implementing the ASU. The Company will adopt ASU 2016-13 on January 1, 2023.

In March 2022, the FASB issued ASU 2022-02 "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." This ASU eliminates the accounting guidance on troubled debt restructurings for creditors in ASC 310-40 and requires entities to evaluate all receivable modifications under ASC 310-20 to determine whether a modification made to a borrower results in a new loan or a continuation of the existing loan. The amended guidance adds enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty. The amended guidance also requires disclosure of current period gross charge-offs by year of origination within the vintage disclosures required by ASC 326. The amended guidance is effective for the Company on January 1, 2023, with early adoption permitted. The Company will adopt ASU 2022-02 on January 1, 2023.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. These amendments provide temporary optional guidance to ease the potential burden in accounting for reference rate reform. The ASU provides optional expedients and exceptions for applying generally accepted accounting principles to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another reference rate expected to be discontinued. It is intended to help stakeholders during the global market-wide reference rate transition period. The guidance is effective for all entities as of March 12, 2020 through December 31, 2022 but were extended by ASU 2022-06 as described below. The Company has implemented a transition plan to identify and modify its loans and other financial instruments with attributes that are either directly or indirectly influenced by LIBOR. The Company is continuing to assess ASU 2020-04 and its impact on the Company's transition away from LIBOR for its loan and other financial instruments. The transition from LIBOR is not expected to have a significant impact on the Company’s consolidated financial statements.

In December 2022, the FASB issued ASU 2022-06, Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848. ASU 2022-06 was issued to extend the period of time preparers can use the reference rate reform relief guidance under the ASC Topic 848 from December 31, 2022 to December 31, 2024. The FASB had previously included a sunset provision within Topic 848 based on expectations of when the LIBOR would cease being published. At the time that ASU 2020-04 - Reference Rate Reform (Topic 848): Facilitation of the Effect of Reference Rate Reform on Financial Reporting was issued, the UK Financial Conduct Authority had established the intent that it would no longer be necessary for banks to submit to LIBOR after December 31, 2021. As a result, the sunset provision was set for December 31, 2022, 12 months after the expected cessation date of all currencies and tenors of LIBOR. In March 2021, the UK Financial Conduct Authority announced that the intended cessation date of LIBOR would be June 30, 2023, which is beyond the current sunset date of Topic 848. The amendments of ASU 2022-06 were effective immediately. The adoption of this guidance did not have a material impact on the Company’s consolidated financial statements; however, the Company will consider this guidance as contracts are transitioned from LIBOR to another reference rate.

NOTE 2- REVENUE RECOGNITION

Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers* ("ASC 606"), establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. The core principle requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration that it expects to be entitled to receive in exchange for those goods or services recognized as performance obligations are satisfied.

The majority of our revenue-generating transactions are not subject to ASC 606, including revenue generated from financial instruments, such as our loans, letters of credit, derivatives and investment securities, as well as revenue related to our mortgage activities related to net gains on sale of loans.

NOTE 2- REVENUE RECOGNITION (continued)

All of the Company's revenue from contracts with customers in the scope of ASC 606 is recognized within noninterest income. Descriptions of our revenue-generating activities that are within the scope of ASC 606, which are presented in our income statements as components of noninterest income, are as follows:

- Service charges on deposit accounts - these represent general service fees for monthly account maintenance and activity, or transaction-based fees, and consist of transaction-based revenue, time-based revenue (service period), item-based revenue or some other individual attribute-based revenue. Revenue is recognized when our performance obligation is completed which is generally monthly for account maintenance services or when a transaction has been completed (such as a wire transfer). Payment for such performance obligations are generally received at the time the performance obligations are satisfied.

NOTE 3 – SECURITIES

The following tables summarize the amortized cost and fair value of the available-for-sale securities portfolio at December 31, 2022 and December 31, 2021 and the corresponding amounts of unrealized gains and losses recognized in accumulated other comprehensive income (loss):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2022				
Corporate debt	$ 9,978	$ -	$ 2,478	$ 7,500
Issued by U.S. government-sponsored entities and agencies:				
U.S. Treasury	3,025	-	100	2,925
Mortgage-backed securities - residential	17	-	-	17
Total	$ 13,020	$ -	$ 2,578	$ 10,442

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2021				
Corporate debt	$ 9,976	$ -	$ 226	$ 9,750
Issued by U.S. government-sponsored entities and agencies:				
U.S. Treasury	6,551	31	21	6,561
Mortgage-backed securities - residential	35	1	-	36
Total	$ 16,562	$ 32	$ 247	$ 16,347

There was no other-than-temporary impairment recognized in accumulated other comprehensive income (loss) for securities available for sale at December 31, 2022 or December 31, 2021.

There were no sales of securities during the years ended December 31, 2022, December 31, 2021 and December 31, 2020.

The amortized cost and fair value of debt securities at December 31, 2022 and December 31, 2021 are shown in the table below by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	December 31, 2022		December 31, 2021	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 2,001	$ 1,961	$ 3,504	$ 3,518
Due from one to five years	1,024	964	3,047	3,043
Due from five to ten years	9,978	7,500	9,976	9,750
Mortgage-backed securities - residential	17	17	35	36
Total	$ 13,020	$ 10,442	$ 16,562	$ 16,347

NOTE 3 – SECURITIES (continued)

Fair value of securities pledged was as follows:

	At December 31,		
	2022	2021	2020
Pledged as collateral for:			
FHLB advances	$ 967	$ 1,016	$ 1,017
Public deposits	479	501	3,060
Mortgage banking derivatives	-	1,504	3,016
Total	$ 1,446	$ 3,021	$ 7,093

At year-end 2022, 2021 and 2020, there were no holdings of securities of any one issuer in an amount greater than 10% of stockholders' equity.

The following table summarizes securities with unrealized losses at December 31, 2022 and December 31, 2021 aggregated by major security type and length of time in a continuous unrealized loss position.

December 31, 2022	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate debt	$ -	$ -	$ 7,500	$ 2,478	$ 7,500	$ 2,478
Issued by U.S. government-sponsored entities and agencies:						
U.S. Treasury	1,482	19	1,443	81	2,925	100
Mortgage-backed securities - residential [(1)]	17	-	-	-	17	-
Total temporarily impaired	$ 1,499	$ 19	$ 8,943	$ 2,559	$ 10,442	$ 2,578

(1) Unrealized loss is less than $1 resulting in rounding to zero.

December 31, 2021	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate debt	$ 9,750	$ 226	$ -	$ -	$ 9,750	$ 226
Issued by U.S. government-sponsored entities and agencies:						
U.S. Treasury	3,024	21	-	-	3,024	21
Total temporarily impaired	$ 12,774	$ 247	$ -	$ -	$ 12,774	$ 247

The unrealized losses at December 31, 2022 were related to one Corporate debt security, two Mortgage-backed securities and multiple U.S. Treasuries. The unrealized losses at December 31, 2021 were related to one Corporate debt security and multiple U.S. Treasuries. Because the decline in fair value was attributable to changes in market conditions, and not credit quality, and because the Company did not have the intent to sell these securities and would unlikely be required to sell these securities before their anticipated recovery, the Company did not consider these securities to be other-than-temporarily impaired at December 31, 2022 and December 31, 2021.

NOTE 4 – LOANS AND LEASES

The following table presents the recorded investment in loans and leases by portfolio segment. The recorded investment in loans and leases includes the principal balance outstanding adjusted for purchase premiums and discounts, and deferred loan fees and costs.

	December 31, 2022	December 31, 2021
Commercial [1]	$ 427,423	$ 336,881
Real estate:		
Single-family residential	465,057	346,797
Multi-family residential	104,148	76,785
Commercial	375,092	359,562
Construction	184,122	83,360
Consumer:		
Home equity lines of credit	30,748	24,228
Other	1,727	2,044
Subtotal	1,588,317	1,229,657
Less: ALLL	(16,062)	(15,508)
Loans and Leases, net	$ 1,572,255	$ 1,214,149

[1] Includes $20,768 and $23,157 of commercial leases at December 31, 2022 and December 31, 2021, respectively.

Included in Commercial loans at December 31, 2022 and December 31, 2021, were $50 and $445, respectively, of loans originated under the Small Business Administration ("SBA") Paycheck Protection Program ("PPP"). The Coronavirus Aid, Relief, and Economic Security Act of 2020, as amended (the "CARES Act"), authorized the SBA to temporarily guarantee PPP loans to provide funding to small businesses to pay certain payroll costs and benefits, and other expenses, during the COVID-19 pandemic. These loans are 100% guaranteed by the SBA and the full principal amount of the loans may qualify for forgiveness. The loans we originated had a maturity of two years, an interest rate of 1.00% and loan payments were deferred for the initial six months (which deferral period was subsequently extended to 10 months pursuant to the Paycheck Protection Program Flexibility Act of 2020). The majority of our PPP loans were pledged as collateral on borrowings under the FRB's Paycheck Protection Program Lending Facility ("PPPLF"). At December 31, 2022, there were no loans pledged as collateral and all PPPLF borrowings were paid off. See Note 10 - FHLB Advances and Other Debt for additional information.

Mortgage Purchase Program:

CFBank previously participated in a Mortgage Purchase Program with Northpointe Bank ("Northpointe"), a Michigan banking corporation, from December 2012 until CFBank discontinued its participation in the program in the first quarter of 2021. Pursuant to the terms of a participation agreement, CFBank purchased participation interests in loans made by Northpointe related to fully underwritten and pre-sold mortgage loans originated by various prescreened mortgage brokers located throughout the U.S. The underlying loans were individually Mortgage Electronic Registered Systems (MERS) registered loans which were held until funded by the end investor. The mortgage loan investors included Fannie Mae and Freddie Mac, and other major financial institutions. This process on average took approximately 14 days. Given the short-term holding period of the underlying loans, common credit risks (such as past due, impairment and TDR, nonperforming, and nonaccrual classification) were substantially reduced. Therefore, no allowance was allocated by CFBank to these loans. These loans were 100% risk rated for CFBank capital adequacy purposes. Under the participation agreement, CFBank agreed to purchase a 95% ownership/participation interest in each of the aforementioned loans, and Northpointe maintained a 5% ownership interest in each loan it participated. CFBank exited this program during the first quarter of 2021 and had no loans outstanding under the program at December 31, 2022 and December 31, 2021.

Allowance for Loan and Lease Losses:

The ALLL is a valuation allowance for probable incurred credit losses in the loan and lease portfolio based on management's evaluation of various factors including past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. A provision for loan and lease losses is charged to operations based on management's periodic evaluation of these and other pertinent factors described in Note 1.

NOTE 4 – LOANS AND LEASES (continued)

The following tables present the activity in the ALLL by portfolio segment for the years ended December 31, 2022, 2021 and 2020:

	December 31, 2022							
		Real Estate				Consumer		
	Commercial	Single-family	Multi-family	Commercial	Construction	Home Equity lines of credit	Other	Total
Beginning balance	$ 4,127	$ 3,348	$ 827	$ 5,034	$ 1,744	$ 272	$ 156	$ 15,508
Addition to (reduction in) provision for loan losses	900	547	170	(1,650)	900	50	(130)	787
Charge-offs	(263)	-	-	-	-	-	-	(263)
Recoveries	-	19	-	-	-	11	-	30
Ending balance	$ 4,764	$ 3,914	$ 997	$ 3,384	$ 2,644	$ 333	$ 26	$ 16,062

	December 31, 2021							
		Real Estate				Consumer		
	Commercial	Single-family	Multi-family	Commercial	Construction	Home Equity lines of credit	Other	Total
Beginning balance	$ 3,426	$ 1,299	$ 467	$ 9,184	$ 2,254	$ 276	$ 116	$ 17,022
Addition to (reduction in) provision for loan losses	645	2,040	360	(4,150)	(510)	(25)	40	(1,600)
Charge-offs	-	(17)	-	-	-	-	-	(17)
Recoveries	56	26	-	-	-	21	-	103
Ending balance	$ 4,127	$ 3,348	$ 827	$ 5,034	$ 1,744	$ 272	$ 156	$ 15,508

	December 31, 2020							
		Real Estate				Consumer		
	Commercial	Single-family	Multi-family	Commercial	Construction	Home Equity lines of credit	Other	Total
Beginning balance	$ 2,054	$ 948	$ 447	$ 2,604	$ 759	$ 265	$ 61	$ 7,138
Addition to (reduction in) provision for loan losses	2,005	745	20	6,580	1,495	15	55	10,915
Charge-offs	(648)	(425)	-	-	-	(21)	-	(1,094)
Recoveries	15	31	-	-	-	17	-	63
Ending balance	$ 3,426	$ 1,299	$ 467	$ 9,184	$ 2,254	$ 276	$ 116	$ 17,022

NOTE 4 – LOANS AND LEASES (continued)

The following table presents the balance in the ALLL and the recorded investment in loans and leases by portfolio segment and based on impairment method as of December 31, 2022:

		Real Estate				Consumer		
	Commercial	Single-family	Multi-family	Commercial	Construction	Home Equity lines of credit	Other	Total
ALLL:								
Ending allowance balance attributable to loans:								
Individually evaluated for impairment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Collectively evaluated for impairment	4,764	3,914	997	3,384	2,644	333	26	16,062
Total ending allowance balance	$ 4,764	$ 3,914	$ 997	$ 3,384	$ 2,644	$ 333	$ 26	$ 16,062
Loans:								
Individually evaluated for impairment	$ 80	$ 95	$ -	$ -	$ -	$ -	$ -	$ 175
Collectively evaluated for impairment	427,343	464,962	104,148	375,092	184,122	30,748	1,727	1,588,142
Total ending loan balance	$ 427,423	$465,057	$104,148	$ 375,092	$ 184,122	$ 30,748	$ 1,727	$ 1,588,317

The following table presents the balance in the ALLL and the recorded investment in loans and leases by portfolio segment and based on impairment method as of December 31, 2021:

		Real Estate				Consumer		
	Commercial	Single-family	Multi-family	Commercial	Construction	Home Equity lines of credit	Other	Total
ALLL:								
Ending allowance balance attributable to loans:								
Individually evaluated for impairment	$ -	$ -	$ -	$ 20	$ -	$ -	$ -	$ 20
Collectively evaluated for impairment	4,127	3,348	827	5,014	1,744	272	156	15,488
Total ending allowance balance	$ 4,127	$ 3,348	$ 827	$ 5,034	$ 1,744	$ 272	$ 156	$ 15,508
Loans:								
Individually evaluated for impairment	221	$ 99	$ -	$ 2,658	$ -	$ -	$ -	$ 2,978
Collectively evaluated for impairment	336,660	346,698	76,785	356,904	83,360	24,228	2,044	1,226,679
Total ending loan balance	$ 336,881	$ 346,797	$ 76,785	$ 359,562	$ 83,360	$ 24,228	$ 2,044	$ 1,229,657

NOTE 4 – LOANS AND LEASES (continued)

The following tables present loans individually evaluated for impairment by class of loans as of and for the year ended December 31, 2022, 2021 and 2020. The unpaid principal balance is the contractual principal balance outstanding. The recorded investment is the unpaid principal balance adjusted for partial charge-offs, purchase premiums and discounts, deferred loan fees and costs. Cash payments of interest on these loans during the twelve months ended December 31, 2022, 2021 and 2020 totaled $47, $169 and $159, respectively.

At or for the year ended December 31, 2022:

	Unpaid Principal Balance	Recorded Investment	ALLL Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Real estate:					
Commercial:					
Owner occupied	$ -	$ -	$ -	$ -	$ -
Total with no allowance recorded	-	-	-	-	-
With an allowance recorded:					
Commercial [1]	371	80	-	125	1
Real estate:					
Single-family residential [1]	95	95	-	97	5
Commercial:					
Non-owner occupied	-	-	-	350	17
Total with an allowance recorded	466	175	-	572	23
Total	$ 466	$ 175	$ -	$ 572	$ 23

(1) Allowance recorded is less than $1 resulting in rounding to zero

At or for the year ended December 31, 2021:

	Unpaid Principal Balance	Recorded Investment	ALLL Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Real estate:					
Commercial:					
Owner occupied	$ -	$ -	$ -	$ -	$ -
Total with no allowance recorded	-	-	-	-	-
With an allowance recorded:					
Commercial [1]	485	221	-	241	9
Real estate:					
Single-family residential [1]	99	99	-	101	6
Commercial:					
Non-owner occupied	2,658	2,658	20	2,688	150
Total with an allowance recorded	3,242	2,978	20	3,030	165
Total	$ 3,242	$ 2,978	$ 20	$ 3,030	$ 165

(1) Allowance recorded is less than $1 resulting in rounding to zero

NOTE 4 – LOANS AND LEASES (continued)

At or for the year ended December 31, 2020:

	Unpaid Principal Balance	Recorded Investment	ALLL Allocated	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Real estate:					
Commercial:					
Owner occupied	$ -	$ -	$ -	$ -	$ -
Total with no allowance recorded	-	-	-	-	-
With an allowance recorded:					
Commercial [(1)]	533	268	-	489	10
Real estate:					
Single-family residential [(1)]	104	104	-	106	4
Commercial:					
Non-owner occupied	2,718	2,718	23	2,728	150
Total with an allowance recorded	3,355	3,090	23	3,323	164
Total	$ 3,355	$ 3,090	$ 23	$ 3,323	$ 164

(1) Allowance recorded is less than $1 resulting in rounding to zero.

The following table presents the recorded investment in nonperforming loans by class of loans as of December 31, 2022 and 2021:

	2022	2021
Loans past due over 90 days still on accrual	$ -	$ -
Nonaccrual loans:		
Commercial	99	147
Real estate:		
Single-family residential	641	656
Commercial:		
Consumer:		
Home equity lines of credit:		
Originated for portfolio	18	153
Purchased for portfolio	-	41
Other consumer	3	-
Total nonaccrual	761	997
Total nonperforming loans	$ 761	$ 997

Nonaccrual loans include both single-family mortgage, consumer loans and commercial leases that are collectively evaluated for impairment and individually classified impaired loans. There were no loans 90 days or more past due and still accruing interest at December 31, 2022 or December 31, 2021.

NOTE 4 – LOANS AND LEASES (continued)

The following table presents the aging of the recorded investment in past due loans and leases by class of loans as of December 31, 2022:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Nonaccrual Loans Not > 90 days Past Due
Commercial	$ 255	$ -	$ 99	$ 354	$ 427,069	$ -
Real estate:						
Single-family residential	966	167	563	1,696	463,361	78
Multi-family residential	-	-	-	-	104,148	-
Commercial:						
Non-owner occupied	-	-	-	-	169,686	-
Owner occupied	-	-	-	-	172,698	-
Land	-	-	-	-	32,708	-
Construction	-	-	-	-	184,122	-
Consumer:						
Home equity lines of credit:						
Originated for portfolio	29	-	18	47	30,701	-
Purchased for portfolio	-	-	-	-	-	-
Other	-	-	3	3	1,724	-
Total	$ 1,250	$ 167	$ 683	$ 2,100	$ 1,586,217	$ 78

The following table presents the aging of the recorded investment in past due loans and leases by class of loans as of December 31, 2021:

	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Loans Not Past Due	Nonaccrual Loans Not > 90 days Past Due
Commercial	$ -	$ -	$ -	$ -	$ 336,881	$ 147
Real estate:						
Single-family residential	2,144	652	563	3,359	343,438	93
Multi-family residential	-	-	-	-	76,785	-
Commercial:						
Non-owner occupied	-	-	-	-	185,130	-
Owner occupied	-	-	-	-	134,352	-
Land	-	-	-	-	40,080	-
Construction	-	-	-	-	83,360	-
Consumer:						
Home equity lines of credit:						
Originated for portfolio	2	-	153	155	23,909	-
Purchased for portfolio	-	-	41	41	123	-
Other	-	-	-	-	2,044	-
Total	$ 2,146	$ 652	$ 757	$ 3,555	$ 1,226,102	$ 240

Troubled Debt Restructurings (TDRs):

From time to time, the terms of certain loans are modified as TDRs, where concessions are granted to borrowers experiencing financial difficulties. The modification of the terms of such loans may have included one or a combination of the following: a reduction of the stated interest rate of the loan; an increase in the stated rate of interest lower than the current market rate for new debt with similar risk; an extension of the maturity date; or a change in the payment terms.

As of December 31, 2022 and December 31, 2021, TDRs totaled $175 and $2,978, respectively. The Company allocated $0 and $20 of specific reserves to loans modified in TDRs as of December 31, 2022 and 2021 respectively. The Company had not committed to lend any additional amounts as of December 31, 2022 or 2021 to customers with outstanding loans that were classified as nonaccrual TDRs.

NOTE 4 – LOANS AND LEASES (continued)

During the year ended December 31, 2022 and December 31, 2021, there were no loans modified as a TDR.

There was one TDR that went into payment default during the year ended December 31, 2022. There were no TDR's that went into payment default during the year ended December 31, 2021.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Company's internal underwriting policy.

Nonaccrual loans include loans that were modified and identified as TDRs and the loans are not performing. At December 31, 2022 and 2021, nonaccrual TDRs were as follows:

	2022	2021
Commercial	$ 80	$ 147
Total	$ 80	$ 147

Nonaccrual loans at December 31, 2022 and 2021 did not include $95 and $2,831, respectively, of TDRs where customers had established a sustained period of repayment performance, generally six months, the loans were current according to their modified terms and repayment of the remaining contractual payments was expected. These loans are included in total impaired loans.

Credit Quality Indicators:

The Company categorizes loans into risk categories 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. Management analyzes loans individually by classifying the loans as to credit risk. This analysis includes commercial, commercial real estate and multi-family residential real estate loans. Internal loan reviews for these loan types are typically performed annually, and more often for loans with higher credit risk. Adjustments to loan risk ratings are based on the reviews and at any time information is received that may affect risk ratings. The following definitions are used for risk ratings:

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 CFBank'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 of 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 there will be 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, condition and values, highly questionable and improbable.

Loans not meeting the criteria to be classified into one of the above categories are considered to be not rated or pass-rated loans. Loans listed as not rated are included in groups of homogeneous loans. Past due information is the primary credit indicator for groups of homogenous loans. Loans listed as pass-rated are loans that are subject to internal loan reviews and are determined not to meet the criteria required to be classified as special mention, substandard, doubtful or loss.

NOTE 4 – LOANS AND LEASES (continued)

The recorded investment in loans and leases by risk category and by class of loans as of December 31, 2022 and based on the most recent analysis performed follows.

	Not Rated	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$ -	$ 422,673	$ 4,651	$ 19	$ 80	$ 427,423
Real estate:						
Single-family residential	451,939	12,477	-	641	-	465,057
Multi-family residential	-	104,148	-	-	-	104,148
Commercial:						
Non-owner occupied	-	168,731	955	-	-	169,686
Owner occupied	-	171,998	700	-	-	172,698
Land	-	32,708	-	-	-	32,708
Construction	3,084	180,520	518	-	-	184,122
Consumer:						
Home equity lines of credit:						
Originated for portfolio	30,730	-	-	18	-	30,748
Purchased for portfolio	-	-	-	-	-	-
Other	1,724	-	-	3	-	1,727
	$ 487,477	$ 1,093,255	$ 6,824	$ 681	$ 80	$ 1,588,317

The recorded investment in loans and leases by risk category and class of loans as of December 31, 2021 follows.

	Not Rated	Pass	Special Mention	Substandard	Doubtful	Total
Commercial	$ -	$ 336,660	$ -	$ 74	$ 147	$ 336,881
Real estate:						
Single-family residential	346,141	-	-	656	-	346,797
Multi-family residential	-	76,785	-	-	-	76,785
Commercial:						
Non-owner occupied	-	182,472	-	2,658	-	185,130
Owner occupied	-	132,470	1,882	-	-	134,352
Land	-	40,080	-	-	-	40,080
Construction	-	82,825	535	-	-	83,360
Consumer:						
Home equity lines of credit:						
Originated for portfolio	23,911	-	-	153	-	24,064
Purchased for portfolio	123	-	-	41	-	164
Other	2,044	-	-	-	-	2,044
	$ 372,219	$ 851,292	$ 2,417	$ 3,582	$ 147	$ 1,229,657

NOTE 4 – LOANS AND LEASES (continued)

Leases:

The following lists the components of the net investment in direct financing leases:

	December 31, 2022	December 31, 2021
Total minimum lease payments to be received	$ 22,533	$ 25,488
Less: unearned income	(1,798)	(2,385)
Plus: Indirect initial costs	33	54
Net investment in direct financing leases	$ 20,768	$ 23,157

The following summarizes the future minimum lease payments receivable in subsequent fiscal years:

2023	$ 6,903
2024	6,375
2025	5,606
2026	2,975
2027	624
Thereafter	50
	$ 22,533

NOTE 5 – FORECLOSED ASSETS

There were no foreclosed assets at December 31, 2022 and December 31, 2021.

There was no activity in the valuation allowance account or any write-downs during the years ended December 31, 2022 and 2021.

There were no expenses related to foreclosed assets during the years ended December 31, 2022, 2021 and 2020.

NOTE 6 – FAIR VALUE

Fair value is the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as 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.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of each type of asset and liability:

Securities available for sale: The fair value of securities available for sale is determined using pricing models that vary based on asset class and include available trade, bid and other market information or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2).

Derivatives: The fair value of derivatives, which includes yield maintenance provisions, interest rate lock commitments and interest rate swaps, is based on valuation models using observable market data as of the measurement date (Level 2).

TBA mortgage – back securities: To mitigate the effect of the interest rate risk inherent in providing rate lock commitments to borrowers, the Company enters into either a forward sales contract to sell loans to investors when using best efforts or a trade of "to be announced (TBA)" mortgage-backed securities for mandatory delivery. The forward sales contracts lock in a price for the sale of loans with similar characteristics to the specific rate lock commitments based on a valuation model using observable market data for pricing commitments (Level 2).

NOTE 6 – FAIR VALUE (continued)

Impaired loans: The fair value of impaired loans with specific allocations of the ALLL is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value.

Appraisals for collateral-dependent impaired loans are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by a third-party appraisal management company approved by the Board of Directors annually. Once received, the loan officer or a member of the credit department reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics. Appraisals are updated as needed based on facts and circumstances associated with the individual properties. Real estate appraisals typically incorporate measures such as recent sales prices for comparable properties. Appraisers may make adjustments to the sales prices of the comparable properties as deemed appropriate based on the age, condition or general characteristics of the subject property. Management applies an additional discount to real estate appraised values, typically to reflect changes in market conditions since the date of the appraisal and to cover disposition costs (including selling expenses) based on the intended disposition method of the property. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation, and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly.

Loans held for sale: Loans held for sale are carried at fair value, as determined by outstanding commitments from third party investors (Level 2).

Assets and liabilities measured at fair value on a recurring basis, including financial assets and liabilities for which the Company has elected the fair value option, are summarized below:

	Fair Value Measurements at December 31, 2022 Using Significant Other Observable Inputs (Level 2)	
Financial Assets:		
Securities available for sale:		
Corporate debt	$	7,500
Issued by U.S. government-sponsored entities and agencies:		
U.S. Treasury		2,925
Mortgage-backed securities - residential		17
Total securities available for sale	$	10,442
Loans held for sale	$	580
Derivative assets	$	4,233
Financial Liabilities:		
Derivative liabilities	$	4,233

NOTE 6 – FAIR VALUE (continued)

		Fair Value Measurements at December 31, 2021 Using Significant Other Observable Inputs (Level 2)
Financial Assets:		
Securities available for sale:		
Corporate debt	$	9,750
Issued by U.S. government-sponsored entities and agencies:		
U.S. Treasury		6,561
Mortgage-backed securities - residential		36
Total securities available for sale	$	16,347
Loans held for sale	$	27,988
Derivative assets	$	538
Interest rate lock commitments	$	555
Financial Liabilities:		
Derivative liabilities	$	538
TBA mortgage-backed securities	$	73

The Company had no assets or liabilities measured at fair value on a recurring basis that were measured using Level 1 or Level 3 inputs at December 31, 2022 or December 31, 2021. There were no transfers of assets or liabilities measured at fair value between levels during 2022 or 2021.

Assets and liabilities measured at fair value on a non-recurring basis at December 31, 2022 are summarized below:

		Fair Value Measurements at December 31, 2022 Using Significant Unobservable Inputs (Level 3)
Impaired loans:		
Commercial	$	80
Other assets held for sale	$	1,930

There were no assets or liabilities measured at fair value on a non-recurring basis at December 31, 2021.

There was a $27 write down of an impaired collateral-dependent loan during the year ended December 31, 2022. Impaired loans that are measured for impairment using the fair value of the collateral for collateral-dependent loans had a principal balance of $80 with a valuation allowance of $0 at December 31, 2022.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at December 31, 2022:

		Fair Value	Valuation Technique(s)	Unobservable Inputs	(Range) Weighted Average
Impaired loans:					
Commercial	$	80	Comparable sales approach	Adjustment for differences between the stated value and net realizable value	64.00%
Other assets held for sale	$	1,930	Contract value less costs to sell	Sales commission	4.00%

Financial Instruments Recorded Using Fair Value Option:

The Company has elected the fair value option for loans held for sale. These loans are intended for sale and the Company believes that the fair value is the best indicator of the resolution of these loans. Loans originated as construction loans, that were subsequently transferred to held for sale, are carried at the lower of cost or market and are not included. Interest income is recorded based on the contractual terms of the loan and in accordance with the Company's policy on loans held for investment. None of these loans were 90 days or more past due or on nonaccrual as of December 31, 2022 or December 31, 2021.

NOTE 6 – FAIR VALUE (continued)

As of December 31, 2022 and December 31, 2021, the aggregate fair value, contractual balance and gain or loss on loans held for sale were as follows:

	December 31, 2022	December 31, 2021
Aggregate fair value	$ 580	$ 27,988
Contractual balance	580	27,632
Gain	-	356

The total amount of gains and losses from changes in fair value included in earnings for the years ended December 31, 2022, 2021 and 2020 for loans held for sale were:

	2022	2021	2020
Interest income	$ 172	$ 5,572	$ 6,231
Interest expense	-	-	-
Change in fair value	(356)	(8,408)	7,046
Total change in fair value	$ (184)	$ (2,836)	$ 13,277

The carrying amounts and estimated fair values of financial instruments at year-end 2022 were as follows:

		Fair Value Measurements at December 31, 2022 Using:			
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 151,787	$ 151,787	$ -	$ -	$ 151,787
Interest-bearing deposits in other financial institutions	100	100	-	-	100
Securities available for sale	10,442	-	10,442	-	10,442
Equity securities	5,000	-	5,000	-	5,000
Loans held for sale	580	-	580	-	580
Loans and leases, net	1,572,255	-	-	1,542,796	1,542,796
FHLB and FRB stock	7,942	n/a	n/a	n/a	n/a
Accrued interest receivable	8,067	70	176	7,821	8,067
Other assets held for sale	1,930	-	-	1,930	1,930
Derivative assets	4,233	-	4,233	-	4,233
Financial liabilities					
Deposits	$ (1,527,922)	$ (969,797)	$ (545,871)	$ -	$ (1,515,668)
FHLB advances and other debt	(109,461)	-	(105,715)	-	(105,715)
Advances by borrowers for taxes and insurance	(3,513)	-	-	(3,513)	(3,513)
Subordinated debentures	(14,922)	-	(14,621)	-	(14,621)
Accrued interest payable	(840)	-	(840)	-	(840)
Derivative liabilities	(4,233)	-	(4,233)	-	(4,233)

NOTE 6 – FAIR VALUE (continued)

The carrying amounts and estimated fair values of financial instruments at year-end 2021 were as follows:

	Carrying Value	Fair Value Measurements at December 31, 2021 Using: Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 166,591	$ 166,591	$ -	$ -	$ 166,591
Interest-bearing deposits in other financial institutions	100	100	-	-	100
Securities available for sale	16,347	-	16,347	-	16,347
Equity securities	5,000	-	5,000	-	5,000
Loans held for sale	27,988	-	27,988	-	27,988
Loans and leases, net	1,214,149	-	-	1,231,228	1,231,228
FHLB and FRB stock	7,315	n/a	n/a	n/a	n/a
Accrued interest receivable	4,143	2	91	3,947	4,040
Yield maintenance provisions (embedded derivatives)	538	-	538	-	538
Interest rate lock commitments	555	-	555	-	555
Financial liabilities					
Deposits	$ (1,246,352)	$ (661,818)	$ (585,214)	$ -	$ (1,247,032)
FHLB advances and other debt	(89,727)	-	(90,670)	-	(90,670)
Advances by borrowers for taxes and insurance	(2,752)	-	-	(2,752)	(2,752)
Subordinated debentures	(14,883)	-	(16,051)	-	(16,051)
Accrued interest payable	(228)	-	(228)	-	(228)
Derivative liabilities	(538)	-	(538)	-	(538)
TBA mortgage-backed securities	(73)	-	(73)	-	(73)

The methods and assumptions used to estimate fair value are described below.

Cash and Cash Equivalents and Interest-Bearing Deposits in Other Financial Institutions

The carrying amounts of cash and short-term instruments approximate fair values and are classified as Level 1.

Equity Securities

Equity securities without a readily determinable fair value are held at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. For equity securities measured under the practicability exception under Accounting Standards Update ("ASU") 2016-01, the Company performs a qualitative assessment for equity securities without readily determinable fair values considering impairment indicators to evaluate whether an impairment exists. If an impairment exists, the Company will recognize a loss based on the difference between carrying value and fair value. This method results in a Level 3 classification.

FHLB and FRB Stock

It is not practical to determine the fair value of FHLB and FRB stock due to restrictions placed on its transferability.

Loans and Leases

Fair values of loans and leases, excluding loans held for sale, are estimated utilizing an exit pricing methodology as follows: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values resulting in a Level 3 classification. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality resulting in a Level 3 classification. The discount rate for the discounted cash flow analyses includes a credit quality adjustment. Impaired loans are valued at the lower of cost or fair value as described previously.

Other Assets Held for Sale

The carrying amount of other assets held for sale approximates fair value and is classified as Level 3.

NOTE 6 – FAIR VALUE (continued)

Deposits

The fair values disclosed for demand deposits (e.g., interest and noninterest bearing checking, passbook savings, and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount) resulting in a Level 1 classification. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits resulting in a Level 2 classification.

FHLB Advances and Other Debt

The fair values of the Company's long-term FHLB and credit facility advances are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 2 classification.

The fair values of the Company's subordinated debentures are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 2 classification.

Accrued Interest Receivable/Payable

The carrying amounts of accrued interest approximate fair value resulting in a Level 1, 2 or 3 classification, consistent with the asset or liability with which they are associated.

Advances by Borrowers for Taxes and Insurance

The carrying amount of advances by borrowers for taxes and insurance approximates fair value resulting in a Level 3 classification, consistent with the liability with which they are associated.

Off-Balance-Sheet Instruments

The fair value of off-balance-sheet items is not considered material.

NOTE 7 – LOAN SERVICING

Mortgage loans serviced for others are not reported as assets. The principal balances of these loans at year-end were as follows:

	December 31, 2022	December 31, 2021
Mortgage loans serviced for Freddie Mac	$ 1,163	$ 1,598

Custodial escrow balances maintained in connection with serviced loans were $38 and $40 at year-end 2022 and 2021, respectively.

NOTE 8- PREMISES AND EQUIPMENT AND OPERATING LEASES

Year-end premises and equipment were as follows:

	December 31, 2022	December 31, 2021
Land and land improvements	$ 248	$ 1,406
Buildings	2,295	4,414
Furniture, fixtures and equipment	3,321	2,737
	5,864	8,557
Less: accumulated depreciation	(2,086)	(2,688)
	$ 3,778	$ 5,869

Depreciation expense for 2022, 2021 and 2020 totaled $496, $435, and 381, respectively.

Operating Leases:

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. On January 1, 2019, the Company adopted ASU No. 2016-02, Leases (Topic 842) and all subsequent ASUs that modified Topic 842. For the Company, Topic 842 primarily affected the accounting treatment for operating lease agreements in which the Company is the lessee.

The leases in which the Company is the lessee are comprised of real estate property for branches and offices and for equipment with terms extending through 2032. All of our leases are classified as operating leases, and therefore, were previously not recognized on the Company's consolidated balance sheets.

NOTE 8- PREMISES AND EQUIPMENT AND OPERATING LEASES (continued)

With the adoption of Topic 842, operating lease agreements are required to be recognized on the consolidated balance sheets as a right-of-use ("ROU") asset and a corresponding operating lease liability. The Company does not have any leases classified as finance leases.

The calculated amounts of the ROU assets and lease liabilities are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion which were considered, as applicable, in the calculation of the ROU assets and lease liabilities. If at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is not readily determinable in our operating leases, the Company utilizes its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term. At December 31, 2022, the weighted-average remaining lease term for the Company's operating leases was 4.3 years and the weighted-average discount rate was 5.46%.

The Company's operating lease costs were $568, $461, and $393 for the years ended December 31, 2022, 2021 and 2020, respectively. The variable lease costs totaled $301, $292, and $241 for the years ended December 31, 2022, 2021 and 2020, respectively. As the Company elected not to separate lease and non-lease components for all classes of underlying assets and instead to account for them as a single lease component, the variable lease cost primarily represents variable payments such as common area maintenance and utilities.

Future minimum operating lease payments as of December 31, 2022 are as follows:

2023	$	553
2024		458
2025		209
2026		114
2027		53
Thereafter		223
Total future minimum rental commitments		1,610
Less - amounts representing interest		(172)
Total operating lease liabilities	$	1,438

NOTE 9 – DEPOSITS

Time deposits of $100 or more were $483,719 and $508,940 at year-end 2022 and 2021, respectively. Time deposits of $250 or more were $245,099 and $236,056 at year-end 2022 and 2021, respectively.

Scheduled maturities of time deposits for the next five years are as follows:

2023	$	388,933
2024		122,517
2025		19,201
2026		20,244
2027		7,230
Thereafter		-
Total	$	558,125

Brokered deposits at year-end 2022 and 2021 totaled $291,827 and $278,092, respectively.

NOTE 10 –FHLB ADVANCES AND OTHER DEBT

FHLB advances and other debt were as follows:

	Weighted Average Rate	December 31, 2022	December 31, 2021
FHLB fixed rate advances			
Maturities:			
2022	-	-	10,000
2023	0.92%	3,500	3,500
2024	1.46%	18,500	18,500
2026	1.45%	16,000	16,000
2027	3.88%	12,500	-
Thereafter	2.64%	29,500	17,000
Total FHLB fixed rate advances		80,000	65,000
Fixed rate other debt:			
FRB PPPLF advances	0.00%	-	450
Variable rate other debt:			
Holding Company credit facility	3.85%	29,461	24,277
Warehouse facility	-	-	-
Total variable rate other debt		29,461	24,277
Total		$ 109,461	$ 89,727

Each FHLB advance is payable at its maturity date, with a prepayment penalty if repaid before maturity.

The FHLB advances were collateralized as follows:

	December 31, 2022	December 31, 2021
Single-family mortgage loans	$ 292,558	$ 203,627
Multi-family mortgage loans	43,021	21,650
Commercial real estate loans (1-4 family)	12,938	9,801
Home equity lines of credit	4,007	2,951
Securities	1,004	1,006
Cash	3,300	3,300
Total	$ 356,828	$ 242,335

Based on the collateral pledged to the FHLB, CFBank was eligible to borrow up to a total of $268,154 from the FHLB at December 31, 2022.

Payments due on FHLB advances and other debt over the next five years are as follows:

	December 31, 2022
2023	$ 3,500
2024	18,500
2025	-
2026	16,000
2027	12,500
	$ 50,500

NOTE 10 –FHLB ADVANCES AND OTHER DEBT (continued)

Prior to May 21, 2021, the Holding Company had a term loan in the original principal amount of $5,000 with an additional $10,000 revolving line-of-credit with a third-party bank. That credit facility was refinanced into a new $35,000 facility on May 21, 2021. The credit facility is revolving until May 21, 2024, at which time any then-outstanding balance will be converted to a 10-year term note on a graduated 10-year amortization. Borrowings on the credit facility bear interest at a fixed rate of 3.85% until May 21, 2026, and the interest rate then converts to a floating rate equal to PRIME with a floor of 3.25%. The purpose of the credit facility is to provide an additional source of liquidity for the Holding Company and to provide funds for the Holding Company to downstream as additional capital to CFBank to support growth. As of December 31, 2022, the Company had an outstanding balance, net of unamortized debt issuance costs, of $29,461 on the credit facility. At December 31, 2021, the Company had an outstanding balance of $24,277 on the credit facility.

At December 31, 2022, CFBank had availability in unused lines of credit at two commercial banks in amounts of $50,000 and $15,000. There were no outstanding borrowings on either line at December 31, 2022 and December 31, 2021. Interest on any principal amounts outstanding from time to time under these lines accrues daily at a variable rate based on the commercial bank's cost of funds and current market returns.

During 2019, CFBank entered into a $25,000 warehouse facility with a commercial bank. The warehouse facility was used to periodically fund loans held for sale from the close (funding) date until they were sold in the secondary market. Borrowings on the facility bore interest at the greater of (a) the 30-day LIBOR plus 2.00% or (b) 4.00% and were secured by the specific loans that were funded. This warehouse facility, which was closed during the third quarter of 2021, had no outstanding balance at December 31, 2022 and December 31, 2021.

During 2020, CFBank entered into an additional $75,000 warehouse facility with a commercial bank. The purpose of the warehouse facility was to periodically fund loans held for sale from the close (funding) date until sold in the secondary market. Borrowings on the facility bore interest at the greater of (a) the 30-day LIBOR plus 2.35% or (b) 2.90% and were secured by the specific loans that were funded. This warehouse facility, which was closed during the second quarter of 2021, had no outstanding balance at December 31, 2022 and December 31, 2021.

The CARES Act amended the SBA loan program, in which CFBank participates, to create the PPP as a guaranteed, unsecured loan program to fund operational costs of eligible businesses, organizations and self-employed persons during COVID-19. During 2020, CFBank processed 558 PPP loans totaling approximately $126 million. To support the effectiveness of the PPP, the FRB introduced the PPPLF to extend credit to financial institutions that made PPP loans, with the related PPP loans used as collateral on the borrowings. The PPPLF borrowings have a fixed interest rate of 0.35% and a maturity equal to the maturity date of the related PPP loans, with the PPP loans maturing two years from the origination date of the PPP loan. If a PPP loan pays off early, the corresponding PPPLF borrowing must be paid off as well. At December 31, 2022 and December 31, 2021, the principal balance of PPPLF advances outstanding was $0 and $450, respectively. At December 31, 2021, the Company's PPP loans and related PPPLF funding had a weighted average life of approximately 0.2 years.

Other than the PPPLF borrowing, there were no outstanding borrowings with the FRB at December 31, 2022 and December 31, 2021.

Assets pledged as collateral with the FRB were as follows:

	2022	2021
Commercial loans	$ 62,909	$ 59,605
Commercial real estate loans	84,836	72,580
	$ 147,745	$ 132,185

Based on the collateral pledged, CFBank was eligible to borrow up to $105,119 from the FRB at year-end 2022.

NOTE 11 – SUBORDINATED DEBENTURES

2003 Subordinated Debentures:

In December 2003, Central Federal Capital Trust I, a trust formed by the Holding Company, closed a pooled private offering of 5,000 trust preferred securities with a liquidation amount of $1 per security. The Holding Company issued $5,155 of subordinated debentures to the trust in exchange for ownership of all of the common stock of the trust and the proceeds of the preferred securities sold by the trust. The Holding Company is not considered the primary beneficiary of this trust (variable interest entity); therefore, the trust is not consolidated in the Company's financial statements, but rather the subordinated debentures are shown as a liability. The Holding Company's investment in the common stock of the trust was $155 and is included in other assets.

NOTE 11 – SUBORDINATED DEBENTURES (continued)

The Holding Company may redeem the subordinated debentures, in whole or in part, in a principal amount with integral multiples of $1, at 100% of the principal amount, plus accrued and unpaid interest. The subordinated debentures mature on December 30, 2033. The subordinated debentures are also redeemable in whole or in part from time to time, upon the occurrence of specific events defined within the trust indenture. There are no required principal payments on the subordinated debentures over the next five years. The Holding Company has the option to defer interest payments on the subordinated debentures for a period not to exceed five consecutive years.

The subordinated debentures have a variable rate of interest, reset quarterly, equal to the three-month London Interbank Offered Rate (LIBOR) plus 2.85%, which was 7.58% at year-end 2022 and 3.07% at year-end 2021.

2018 Fixed-to-floating rate subordinated notes:

In December 2018, the Holding Company entered into subordinated note purchase agreements with certain qualified institutional buyers and completed a private placement of $10 million of fixed-to-floating rate subordinated notes with a maturity date of December 30, 2028 pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506(b) of Regulation D promulgated thereunder.

The Notes initially bear interest at 7.00%, from and including December 20, 2018, to but excluding December 30, 2023, payable semi-annually in arrears on June 30 and December 30 of each year. From and including December 30, 2023, to but excluding December 30, 2028 or the earlier redemption of the notes, the interest rate will reset quarterly to an interest rate equal to the then current three-month LIBOR (but not less than zero) plus 4.14%, payable quarterly in arrears on March 30, June 30, September 30, and December 30 of each year. The Holding Company may, at its option, redeem the notes beginning on December 30, 2023 and on any scheduled interest payment date thereafter. After payment of approximately $388 of debt issuance costs, the Holding Company's net proceeds were approximately $9,612. At December 31, 2022, the balance of the subordinated notes, net of unamortized debt issuance costs, was $9,767.

NOTE 12 – BENEFIT PLANS

Multi-employer pension plan:

CFBank participates in the Pentegra Defined Benefit Plan for Financial Institutions (the "Pentegra DB Plan"), a multi-employer contributory trusteed pension plan. The retirement benefits to be provided by the plan were frozen as of June 30, 2003 and future employee participation in the plan was stopped. The plan was maintained for all eligible employees and the benefits were funded as accrued. The cost of funding was charged directly to operations.

The funding shortfall (surplus) of the Pentegra DB Plan at June 30, 2022 was $102 and at June 30, 2021 was ($8). CFBank's contributions for the plan years ending June 30, 2022, June 30, 2021, and June 30, 2020 totaled $19, $22, and $29, respectively. Contributions to the plan may vary from period to period due to the change in the plan's unfunded liability. The unfunded liability is primarily related to the change in plan assets and the change in plan liability from one year to the next. The change in plan assets is based on contributions deposited, benefits paid and the actual rate of return earned on those assets. The change in plan liability is based on demographic changes and changes in the interest rates used to determine plan liability. In the event the actual rate of return earned on plan assets declines, the value of the plan assets will decline. In the event the interest rates used to determine plan liability decrease, plan liability will increase. The combined effect of each change determines the change in the unfunded liability and the change in the employer contributions.

The Pentegra DB Plan is a tax-qualified defined-benefit pension plan. The Pentegra DB Plan operates as a multi-employer plan for accounting purposes and as a multiple-employer plan under the Employee Retirement Income Security Act of 1974 (ERISA) and the Internal Revenue Code. There are no collective bargaining agreements in place that require contributions to the Pentegra DB Plan.

The Pentegra DB Plan is a single plan under Internal Revenue Code Section 413(c) and, as a result, all of the assets stand behind all of the liabilities. Accordingly, under the Pentegra DB Plan contributions made by a participating employer may be used to provide benefits to participants of other participating employers.

Funded status (market value of plan assets divided by funding target) based on valuation reports as of July 1, 2022 and 2021 was 90.10% and 100.81%, respectively.

Total contributions made to the Pentegra DB Plan, as reported on Form 5500 of the Pentegra DB Plan, totaled $248,563 and $253,199 for the plan years ended June 30, 2021 and June 30, 2020, respectively. CFBank's contributions to the Pentegra DB Plan were not more than 5% of the total contributions to the Pentegra DB Plan.

NOTE 12 – BENEFIT PLANS (continued)

401(k) Plan:

The Company sponsors a 401(k) plan that allows employee contributions up to the maximum amount allowable under federal tax regulations, which are currently matched in an amount equal to 50% of the first 8% of the compensation contributed. Total expense for matching contributions for 2022, 2021 and 2020 was $301, $343 and $293, respectively.

Salary Continuation Agreement:

In 2004, CFBank entered into a nonqualified salary continuation agreement with its former Chairman Emeritus. Benefits provided under the plan are unfunded, and payments are made by CFBank. Under the plan, CFBank pays him, or his beneficiary, a benefit of $25 annually for 20 years, beginning 6 months after his retirement date, which was February 28, 2008. The expense related to this plan totaled $6, $7 and $7 in 2022, 2021 and 2020, respectively. The accrual is included in accrued interest payable and other liabilities in the consolidated balance sheets and totaled $115 at year-end 2022 and $134 at year-end 2021.

Life Insurance Benefits:

CFBank has entered into agreements with certain employees, former employees and directors to provide life insurance benefits which are funded through life insurance policies purchased and owned by CFBank. The expense related to these benefits totaled ($3), $13 and ($16) in 2022, 2021 and 2020, respectively. The accrual for CFBank's obligation under these agreements is included in accrued interest payable and other liabilities in the consolidated balance sheets and totaled $139 at year-end 2022 and $141 at year-end 2021.

Deferred Cash Incentive Agreements:

CFBank has entered into agreements with certain officers to provide deferred cash compensation as an incentive and reward for the success of CFBank. The expense related to these benefits totaled $262, $118 and $0 in 2022, 2021 and 2020, respectively. The accrual for CFBank's obligation under these agreements is included in accrued interest payable and other liabilities in the consolidated balance sheets and totaled $380 at year-end 2022 and $118 at year-end 2021.

NOTE 13 – INCOME TAXES

Income tax expense was as follows:

	December 31, 2022	December 31, 2021	December 31, 2020
Current federal	$ 4,213	$ 3,592	$ 9,720
Deferred federal [1]	215	773	(3,045)
Total	$ 4,428	$ 4,365	$ 6,675

[1] Includes tax benefit of operating loss carryforwards of $34, $34, and $34 for the years ended December 31, 2022, 2021 and 2020, respectively.

Effective tax rates differ from the federal statutory rate of 21% for 2022, 2021 and 2020 applied to income before income taxes due to the following:

	December 31, 2022	December 31, 2021	December 31, 2020
Federal Statutory rate times financial statement income	$ 4,744	$ 4,792	$ 7,619
Effect of:			
Stock compensation	(50)	(50)	(19)
Bank owned life insurance income	(126)	(112)	(30)
Gain on redemption of life insurance policies	-	(80)	-
Historic tax credits	-	-	(807)
Low income housing tax credits	(111)	(154)	(106)
Other	(29)	(31)	18
	$ 4,428	$ 4,365	$ 6,675
Effective tax rate	20%	19%	18%

NOTE 13 – INCOME TAXES (continued)

Year-end deferred tax assets and liabilities were due to the following:

	2022	2021
Deferred tax assets:		
Allowance for loan and lease losses	$ 3,458	$ 3,336
Compensation related items	573	456
Deferred loan fees	-	184
Nonaccrual interest	9	60
Net operating loss carry forward	330	364
Operating lease liabilities	302	423
Unrealized mark-to-market loss	541	39
	5,213	4,862
Deferred tax liabilities:		
FHLB stock dividend	226	226
Depreciation	268	82
Operating lease right-of-use assets	285	404
Deferred loan costs	34	-
Other	-	1
Prepaid expenses	70	105
	883	818
Net deferred tax asset	$ 4,330	$ 4,044

At December 31, 2022, the Company had a deferred tax asset recorded of approximately $4,330. At December 31, 2021, the Company had a deferred tax asset recorded of approximately $4,044. At December 31, 2022 and December 31, 2021, the Company had no unrecognized tax benefits recorded. The Company is subject to U.S. federal income tax and is no longer subject to federal examination for years prior to 2019.

Our deferred tax assets are composed of U.S. net operating losses ("NOLs"), and other temporary book to tax differences. When determining the amount of deferred tax assets that are more-likely-than-not to be realized, and therefore recorded as a benefit, the Company conducts a regular assessment of all available information. This information includes, but is not limited to, taxable income in prior periods, projected future income and projected future reversals of deferred tax items. Based on these criteria, the Company determined as of December 31, 2022 that no valuation allowance was required against the net deferred tax asset.

In 2012, a recapitalization program through the sale of $22,500 in common stock improved the capital levels of CFBank and provided working capital for the Holding Company. The result of the change in stock ownership associated with the stock offering, however, was that the Company incurred an ownership change within the guidelines of Section 382 of the Internal Revenue Code of 1986. At year-end 2022, the Company had net operating loss carryforwards of $22,089, which expire at various dates from 2024 to 2032. As a result of the ownership change, the Company's ability to utilize carryforwards that arose before the 2012 stock offering closed is limited to $163 per year. Due to this limitation, management determined it was more likely than not that $20,520 of net operating loss carryforwards would expire unutilized. As required by accounting standards, the Company reduced the carrying value of deferred tax assets, and the corresponding valuation allowance, by the $6,977 tax effect of this lost realizability.

Federal income tax laws provided additional deductions, totaling $2,250, for thrift bad debt reserves established before 1988. Accounting standards do not require a deferred tax liability to be recorded on this amount, which otherwise would have totaled $473 at year-end 2022. However, if CFBank were wholly or partially liquidated or otherwise ceases to be a bank, or if tax laws were to change, this amount would have to be recaptured and a tax liability recorded. Additionally, any distributions in excess of CFBank's current or accumulated earnings and profits would reduce amounts allocated to its bad debt reserve and create a tax liability for CFBank.

NOTE 14 – RELATED-PARTY TRANSACTIONS

Loans to principal officers, directors, and their affiliates during 2022 and 2021 were as follows:

	Year ended December 31,	
	2022	2021
Beginning balance	$ 10,137	$ 10,277
New loans	1,189	2,843
Repayments	(3,028)	(2,983)
Ending balance	$ 8,298	$ 10,137

All loans to related parties were made by CFBank in the ordinary course of business under terms equivalent to those prevailing in the market for arm's length transactions at the time of origination.

Deposits from principal officers, directors, and their affiliates totaled $4,214 and $8,282 at year-end 2022 and 2021, respectively.

NOTE 15 – STOCK-BASED COMPENSATION

The Company has two stock-based compensation plans (collectively, the "Plans"), as described below, under which awards are outstanding or may be granted in the future. Total compensation cost that has been charged against income for those Plans totaled $899, $707, and $711 for 2022, 2021 and 2020, respectively. The total income tax benefit was $189, $148, and $149 for 2022, 2021 and 2020, respectively.

Both Plans are stockholder-approved and authorize stock option grants and restricted stock awards to be made to directors, officers and employees. The 2009 Equity Compensation Plan (the "2009 Plan"), which was approved by stockholders on May 21, 2009, replaced the Company's 2003 equity compensation plan (the "2003 Plan") and provided for 36,363 shares, plus any remaining shares available to grant or that are later forfeited or expire under the 2003 Plan, to be made available to be issued as stock option grants, stock appreciation rights or restricted stock awards. On May 16, 2013, the Company's stockholders approved the First Amendment to the 2009 Plan to increase the number of shares of common stock reserved for stock option grants and restricted stock awards thereunder to 272,727. The 2009 Plan terminated in accordance with its terms on March 19, 2019 and, as a result, no further awards may be granted under the 2009 Plan.

The 2019 Equity Incentive Plan (the "2019 Plan"), which was approved by stockholders on May 29, 2019, authorizes up to 300,000 shares (plus any shares that are subject to grants under the 2009 Plan and that are later forfeited or expire), to be awarded pursuant to stock options, stock appreciation rights, restricted stock or restricted stock units. There were 115,818 shares remaining available for awards of stock option grants, stock appreciation rights, restricted stock awards or restricted stock units under the 2019 Plan at December 31, 2022.

Stock Options:

The Plans permit the grant of stock options to directors, officers and employees of the Holding Company and CFBank. Option awards are granted with an exercise price equal to the market price of the Company's common stock on the date of grant, generally have vesting periods ranging from one year to three years, and are exercisable for ten years from the date of grant. Unvested stock options immediately vest upon a change of control.

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and post-vesting termination behavior. Employee and management options are tracked separately. The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

There were no stock options granted during the years ended December 31, 2022 and December 31, 2021. There were 52,358 options exercised during the year ended December 31, 2022 and 24,996 options exercised during the year ended December 31, 2021.

NOTE 15 – STOCK-BASED COMPENSATION (continued)

A summary of stock option activity in the Plans for 2022 follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Intrinsic Value
Outstanding at beginning of year	63,992	$ 7.43		
Exercised	(52,358)	7.38		
Expired	(545)	7.87		
Cancelled or forfeited	-	-		
Outstanding at end of period	11,089	$ 7.63	0.9	$ 150
Exercisable at end of period	11,089	$ 7.63	0.9	$ 150

During the year ended December 31, 2022, stock options to purchase a total of 545 common shares were canceled, forfeited or expired. Stock options to purchase a total of 1,454 common shares were cancelled, forfeited or expired during the year ended December 31, 2021. Expense associated with unvested forfeited shares is reversed. As of December 31, 2022 and 2021, all stock options granted under the Plans were vested.

Restricted Stock Awards:

The Plans also permit the grant of restricted stock awards to directors, officers and employees. Compensation is recognized over the vesting period of the awards based on the fair value of the stock at grant date. The fair value of the stock is determined using the closing share price on the date of grant and shares generally have vesting periods of one to three years. There were 69,648 shares of restricted stock granted in 2022 and 69,960 shares of restricted stock granted in 2021.

A summary of changes in the Company's nonvested restricted shares for the year follows:

Nonvested Shares	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2022	89,895	$ 16.32
Granted	69,648	21.09
Vested	(40,433)	15.45
Forfeited	(6,697)	20.41
Nonvested at December 31, 2022	112,413	$ 19.35

As of December 31, 2022 and 2021, the unrecognized compensation cost related to nonvested shares granted under the Plans was $1,475 and $1,041, respectively.

There were 40,433 shares that vested during the year ended December 31, 2022 and 31,189 shares that vested during the year ended December 31, 2021. There were 6,697 and 8,678 shares of restricted stock forfeited during the years ended December 31, 2022 and December 31, 2021, respectively.

NOTE 16 – PREFERRED STOCK

On October 25, 2019, the Company entered into a Securities Purchase Agreement with certain accredited investors in a private placement for an aggregate offering price of approximately $25 million, pursuant to which on October 31, 2019, the Holding Company sold shares of the Company's common stock and shares of a new series of the Company's Non-Voting Convertible Perpetual Preferred Stock, Series C, par value $0.01 per share (the "Series C Preferred Stock").

At the Company's annual meeting of stockholders on May 27, 2020, the Company's shareholders adopted an amendment to the Company's Certificate of Incorporation, as amended (the "Certificate of Incorporation"), to authorize a separate class of Non-Voting Common Stock. On May 28, 2020, the Company filed with the Delaware Secretary of State a Certificate of Amendment to the Company's Certificate of Incorporation to authorize 1,260,700 shares of Non-Voting Common Stock.

NOTE 16 – PREFERRED STOCK (continued)

Effective as of the close of business on May 28, 2020, all 1,260,700 authorized shares of Non-Voting Common Stock were issued upon conversion of the 12,607 outstanding shares of the Company's Series C Preferred Stock. Pursuant to the terms of the Series C Preferred Stock, each outstanding share of Series C Preferred Stock converted automatically into 100 shares of Non-Voting Common Stock at such time.

As of December 31, 2022, there were no shares of Series C Preferred Stock outstanding and an aggregate of 1,260,700 shares of Non-Voting Common Stock outstanding.

NOTE 17 – REGULATORY CAPITAL MATTERS

CFBank is subject to regulatory capital requirements administered by federal banking agencies. Prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

Prompt corrective action regulations provide five classifications for banking organizations: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If a banking organization is classified as adequately capitalized, regulatory approval is required to accept brokered deposits. If a banking organization is classified as undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

In July 2013, the Holding Company's primary federal regulator, the FRB, published final rules (the "Basel III Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations. The rules implement the Basel Committee's December 2010 framework known as "Basel III" for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The Basel III Capital Rules provide higher capital requirements and more restrictive leverage and liquidity ratios than those previously in place. In addition, in order to avoid limitations on capital distributions, such as dividend payments and certain bonus payments to executive officers, the Basel III Capital Rules require insured financial institutions to hold a capital conservation buffer of common equity tier 1 capital above the minimum risk-based capital requirements. The capital conservation buffer was phased in over time, became fully effective on January 1, 2019, and consists of an additional amount of common equity equal to 2.5% of risk-weighted assets. The Basel III Capital Rules revise the regulatory agencies' prompt corrective action framework by incorporating the new regulatory capital minimums and updating the definition of common equity. The Basel III Capital Rules became effective for the Company on January 1, 2015, and were fully phased in effective January 1, 2019. Quantitative measures established by the Basel III Capital Rules to ensure capital adequacy require the maintenance of minimum amounts and ratios of Common Equity Tier 1 capital, Tier 1 capital and Total capital, as defined in the regulations, to risk-weighted assets, and of Tier 1 capital to adjusted quarterly average assets ("Leverage Ratio").

The Basel III Capital Rules require CFBank to maintain: 1) a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 4.5%, plus a 2.5% "capital conservation buffer" (resulting in a minimum ratio of Common Equity Tier 1 capital to risk-weighted assets of 7.0%); 2) a minimum ratio of Tier 1 capital to risk-weighted assets of 6.0%, plus the capital conservation buffer (resulting in a minimum Tier 1 capital ratio of 8.5%); 3) a minimum ratio of Total capital to risk-weighted assets of 8.0%, plus the capital conservation buffer (resulting in a minimum Total capital ratio of 10.5%); and 4) a minimum Leverage Ratio of 4.0%.

The capital conservation buffer is designed to absorb losses during periods of economic stress. Failure to maintain the minimum Common Equity Tier 1 capital ratio plus the capital conservation buffer will result in potential restrictions on a banking institution's ability to pay dividends, repurchase stock and/or pay discretionary compensation to its employees.

NOTE 17 – REGULATORY CAPITAL MATTERS (continued)

The following tables present actual and required capital ratios as of December 31, 2022 and December 31, 2021 for CFBank under the Basel III Capital Rules. Capital levels required to be considered well capitalized are based upon prompt corrective action regulations, as amended to reflect the changes under the Basel III Capital Rules.

	Actual		Minimum Capital Required-Basel III Fully Phased-In		To Be Well Capitalized Under Applicable Regulatory Capital Standards	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2022						
Total Capital to risk weighted assets	$ 193,294	12.74%	$ 159,364	10.50%	$ 151,775	10.00%
Tier 1 (Core) Capital to risk weighted assets	176,828	11.65%	129,009	8.50%	121,420	8.00%
Common equity tier 1 capital to risk-weighted assets	176,828	11.65%	106,243	7.00%	98,654	6.50%
Tier 1 (Core) Capital to adjusted total assets (Leverage ratio)	176,828	9.89%	71,502	4.00%	89,377	5.00%

	Actual		Minimum Capital Required-Basel III Fully Phased-In		To Be Well Capitalized Under Applicable Regulatory Capital Standards	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2021						
Total Capital to risk weighted assets	$ 170,392	14.02%	$ 127,588	10.50%	$ 121,512	10.00%
Tier 1 (Core) Capital to risk weighted assets	155,195	12.77%	103,286	8.50%	97,210	8.00%
Common equity tier 1 capital to risk-weighted assets	155,195	12.77%	85,059	7.00%	78,983	6.50%
Tier 1 (Core) Capital to adjusted total assets (Leverage ratio)	155,195	11.29%	54,984	4.00%	68,730	5.00%

CFBank converted from a mutual to a stock institution in 1998, and a “liquidation account” was established with an initial balance of $14,300, which was the net worth reported in the conversion prospectus. The liquidation account represents a calculated amount for the purposes described below, and it does not represent actual funds included in the consolidated financial statements of the Company. Eligible depositors who have maintained their accounts, less annual reductions to the extent they have reduced their deposits, would be entitled to a priority distribution from this account if CFBank liquidated and its assets exceeded its liabilities. Dividends may not reduce CFBank’s stockholder’s equity below the required liquidation account balance.

Dividend Restrictions:

Banking regulations require us to maintain certain capital levels and may limit the dividends paid by CFBank to the Holding Company or by the Holding Company to stockholders. The ability of the Holding Company to pay dividends on its stock is dependent upon the amount of cash and liquidity available at the Holding Company level, as well as the receipt of dividends and other distributions from CFBank to the extent necessary to fund such dividends. The Holding Company is a legal entity that is separate and distinct from CFBank, which has no obligation to make any dividends or other funds available for the payment of dividends by the Holding Company. The Holding Company also is subject to various legal and regulatory policies and guidelines impacting the Holding Company’s ability to pay dividends on its stock. In addition, the Holding Company’s ability to pay dividends on its stock is conditioned upon the payment, on a current basis, of quarterly interest payments on the subordinated debentures underlying the Company’s trust preferred securities. Finally, under the terms of the Holding Company’s fixed-to-floating rate subordinated debt, the Holding Company’s ability to pay dividends on its stock is conditioned upon the Holding Company continuing to make required principal and interest payments, and not incurring an event of default, with respect to the subordinated debt.

Additionally, CFBank does not intend to make distributions to the Holding Company that would result in a recapture of any portion of its thrift bad debt reserve as discussed in Note 13-Income Taxes.

NOTE 18 – DERIVATIVE INSTRUMENTS

Interest-rate swaps:

CFBank utilizes interest-rate swaps as part of its asset liability management strategy to help manage its interest rate risk position and does not use derivatives for trading purposes. The notional amount of the interest-rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest-rate swap agreements. CFBank was party to interest-rate swaps with a combined notional amount of $42,177, $44,887 and $46,474 at December 31, 2022, 2021 and 2020, respectively.

The objective of the interest-rate swaps is to protect the related fixed-rate commercial real estate loans from changes in fair value due to changes in interest rates. CFBank has a program whereby it lends to its borrowers at a fixed-rate with the loan agreement containing a two-way yield maintenance provision, which will be invoked in the event of prepayment of the loan, and is expected to exactly offset the fair value of unwinding the swap. The yield maintenance provision represents an embedded derivative which is bifurcated from the host loan contract and, as such, the swaps and embedded derivatives are not designated as hedges. Accordingly, both instruments are carried at fair value and changes in fair value are reported in current period earnings. CFBank currently does not have any derivatives designated as hedges.

The counterparty to CFBank's interest-rate swaps is exposed to credit risk whenever the interest-rate swaps are in a liability position. At December 31, 2022, CFBank had $2,767 in cash pledged as collateral for these derivatives. Should the liability increase beyond the collateral value, CFBank may be required to pledge additional collateral.

Additionally, CFBank's interest-rate swap instruments contain provisions that require CFBank to remain well capitalized under regulatory capital standards and to comply with certain other regulatory requirements. The interest-rate swaps may be called by the counterparty if CFBank fails to maintain well-capitalized status under regulatory capital standards or becomes subject to certain adverse regulatory events such as a regulatory cease and desist order. As of December 31, 2022, CFBank was well-capitalized under regulatory capital standards and was not subject to any adverse regulatory events specified in CFBank's interest-rate swap instruments.

Summary information about the derivative instruments is as follows:

	2022	2021	2020
Notional amount	$ 42,177	$ 44,887	$ 46,474
Weighted average pay rate on interest-rate swaps	4.34%	4.21%	4.19%
Weighted average receive rate on interest-rate swaps	6.21%	3.00%	3.08%
Weighted average maturity (years)	7.7	6.9	7.4
Fair value of derivative asset	$ 4,233	$ 538	$ 1,944
Fair value of derivative liability	$ (4,233)	$ (538)	$ (1,944)

The fair value of the yield maintenance provisions and interest-rate swaps is recorded in other assets and other liabilities, respectively, in the consolidated balance sheet. Changes in the fair value of the yield maintenance provisions and interest-rate swaps are reported currently in earnings, as other noninterest income in the consolidated statements of income. There were no net gains or losses recognized in earnings related to yield maintenance provisions and interest-rate swaps in 2022, 2021 or 2020.

Mortgage banking derivatives:

Commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market are considered derivatives. These mortgage banking derivatives are not designated in hedge relationships. Early in 2021, we strategically scaled down and repositioned its Residential Mortgage Business as a result of the shifts in the residential mortgage industry and, during the second quarter of 2022, we exited the direct-to-consumer mortgage business in favor of lending in our regional markets. This resulted in a significant decrease in the volume of our residential mortgage loan originations and, correspondingly, the amount of interest rate lock commitments, in 2021 and 2022. The Company had $3,940, $50,312, and $1,048,613 of interest rate lock commitments related to residential mortgage loans at December 31, 2022, 2021, and 2020, respectively. The fair value of these mortgage banking derivatives was reflected by a derivative asset of $0, $555, and $18,100 at December 31, 2022, 2021 and 2020, respectively, which was included in other assets in the consolidated balance sheet. Fair values were estimated based on anticipated gains on the sale of the underlying loans. Changes in the fair values of these mortgage banking derivatives are included in net gains on sales of loans.

Mortgage banking activities include two types of commitments: rate lock commitments and forward loan commitments. Rate lock commitments are loans in our pipeline that have an interest rate locked with the customer. The commitments are generally for periods of 30-60 days and are at market rates. In order to mitigate the effect of the interest rate risk inherent in providing rate lock commitments, we economically hedge our commitments by entering into either a forward loan sales contract under best efforts or a trade of "to be announced (TBA)" mortgage-backed securities ("notional securities") for mandatory delivery. The Company had approximately $0, $53,250, and $506,750 of TBA mortgage-backed securities at December 31, 2022, 2021 and 2020, respectively.

NOTE 18 – DERIVATIVE INSTRUMENTS (continued)

The fair value of these TBA mortgage-backed securities was $0, ($73) and ($2,690) at December 31, 2022, 2021 and 2020, respectively, which is included in other liabilities on the consolidated balance sheet. The changes in fair value related to movements in market rates of the rate lock commitments and the forward loan sales contracts and notional securities generally move in opposite directions, and the net impact of changes in these valuations on net income during the loan commitment period is generally inconsequential. The Company has not formally designated these derivatives as a qualifying hedge relationship and, accordingly, accounts for such forward contracts as freestanding derivatives with changes in fair value recorded to earnings each period.

The following table reflects the amount and market value of mortgage banking derivatives included in the consolidated balance sheet as of the period end:

	December 31, 2022		December 31, 2021		December 31, 2020	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Assets (Liabilities):						
Interest rate commitments	$ 3,940	$ -	$ 50,312	$ 555	$ 1,048,613	$ 18,100
TBA mortgage-back securities	-	-	53,250	(73)	506,750	(2,690)

The following table represents the notional amount of loans sold during the years ended December 31, 2022, 2021 and 2020:

	December 31, 2022	December 31, 2021	December 31, 2020
Notional amount of loans sold	$ 97,265	$ 2,358,510	$ 2,229,042

The following table represents the revenue recognized on mortgage activities for the years ended December 31, 2022, 2021 and 2020:

	December 31, 2022	December 31, 2021	December 31, 2020
Gain on loans sold	$ (64)	$ 21,646	$ 61,147
Gain (loss) from change in fair value of loans held-for-sale	(356)	(8,408)	7,046
Gain (loss) from change in fair value of derivatives	1,076	(7,322)	(9,895)
	$ 656	$ 5,916	$ 58,298

NOTE 19 – LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES

Some financial instruments, such as loan commitments, credit lines, letters of credit and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amounts of financial instruments with off-balance-sheet risk at year end were as follows:

	2022		2021	
	Fixed Rate	Variable Rate	Fixed Rate	Variable Rate
Commitments to make loans	$ 30,441	$ 169,838	$ 86,001	$ 135,429
Unused lines of credit	$ 9,364	$ 118,687	$ 33,620	$ 73,812
Standby letters of credit	$ 3,149	$ -	$ 4,851	$ -

Commitments to make loans are generally made for periods of 60 days or less, except for construction loan commitments, which are typically for a period of one year, and loans under a specific drawdown schedule, which are based on the individual contracts. The fixed-rate loan commitments had interest rates ranging from 2.0% to 8.5% and maturities ranging from 1 month to 30 years at December 31, 2022. The fixed-rate loan commitments had interest rates ranging from 2.0% to 8.0% and maturities ranging from 1 month to 30 years at December 31, 2021.

NOTE 20 – PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

Condensed financial information of CF Bankshares Inc. follows:

	2022	2021
Assets		
Cash and cash equivalents	$ 487	$ 819
Equity securities	5,000	5,000
Investment in banking subsidiary	175,123	155,391
Investment in and advances to other subsidiary	247	243
Other assets	3,027	3,374
Total assets	$ 183,884	$ 164,827
Liabilities and Equity		
Subordinated debentures	$ 14,922	$ 14,883
Other borrowings	29,461	24,277
Accrued expenses and other liabilities	253	337
Stockholders' equity	139,248	125,330
Total liabilities and stockholders' equity	$ 183,884	$ 164,827

	2022	2021	2020
Dividend income	$ 10,000	$ -	$ -
Interest income	-	414	-
Other income	675	230	178
Interest expense	1,882	1,527	1,209
Other expense	796	851	830
Loss before income tax and before undistributed subsidiary income	7,997	(1,734)	(1,861)
Tax effect	463	407	390
Loss after income tax and before undistributed subsidiary income	8,460	(1,327)	(1,471)
Equity in undistributed subsidiary income	9,704	19,780	31,079
Net income	$ 18,164	$ 18,453	$ 29,608
Comprehensive income	$ 16,297	$ 18,187	$ 29,676

NOTE 20 – PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION (continued)

	2022	2021	2020
Cash flows from operating activities			
Net Income	$ 18,164	$ 18,453	$ 29,608
Adjustments:			
Effect of subsidiaries' operations	(9,704)	(19,780)	(31,079)
Amortization, net	39	39	38
Change in other assets and other liabilities	263	(681)	(480)
Net cash used by operating activities	8,762	(1,969)	(1,913)
Cash flows from investing activities			
Investments in banking subsidiary	(11,000)	(10,000)	(5,000)
Purchase of equity securities	-	-	(5,000)
Net cash used by investing activities	(11,000)	(10,000)	(10,000)
Cash flows from financing activities			
Proceeds from other borrowings	15,184	19,277	15,000
Repayments of other borrowings	(10,000)	(4,500)	(10,500)
Proceeds from exercise of stock options	387	185	36
Acquisition of treasury shares surrendered upon vesting of restricted stock for payment of taxes and exercise proceeds	(173)	(139)	(32)
Purchase of treasury shares	(2,339)	(2,972)	(648)
Dividends paid	(1,153)	(848)	(195)
Net cash from financing activities	1,906	11,003	3,661
Net change in cash and cash equivalents	(332)	(966)	(8,252)
Beginning cash and cash equivalents	819	1,785	10,037
Ending cash and cash equivalents	$ 487	$ 819	$ 1,785

NOTE 21 – EARNINGS PER COMMON SHARE

The two-class method is used in the calculation of basic and diluted earnings per share. Under the two-class method, earnings available to common stockholders for the period are allocated between common stockholders and participating securities (certain unvested share-based awards and Series C preferred stock outstanding) according to dividends declared (or accumulated) and participation rights in undistributed earnings. The factors used in the earnings per share computation follow:

	Year Ended		
	December 31, 2022	December 31, 2021	December 31, 2020
Basic			
Net income	$ 18,164	$ 18,453	$ 29,608
Earnings allocated to participating securities (Series C preferred stock) [1]	-	-	(2,280)
Net income allocated to common stockholders	$ 18,164	$ 18,453	$ 27,328
Weighted average common shares outstanding including unvested share-based payment awards	6,508,064	6,605,278	6,072,829
Less: Unvested share-based payment awards-2019 Plan	(111,011)	(97,122)	(43,732)
Average shares	6,397,053	6,508,156	6,029,097
Basic earnings per common share	$ 2.84	$ 2.84	$ 4.53
Diluted			
Net earnings allocated to common stockholders	$ 18,164	$ 18,453	$ 27,328
Add back: Preferred Dividends on Series B stock and accretion of discount	-	-	-
Net earnings allocated to common stockholders	$ 18,164	$ 18,453	$ 27,328
Weighted average common shares outstanding for basic earnings per common share	6,397,053	6,508,156	6,029,097
Add: Dilutive effects of assumed exercises of stock options	27,096	45,169	34,158
Add: Dilutive effects of unvested share-based payment awards-2019 Plan	111,011	97,122	43,732
Average shares and dilutive potential common shares	6,535,160	6,650,447	6,106,987
Diluted earnings per common share	$ 2.78	$ 2.77	$ 4.47

[1] 12,607 outstanding shares of Series C preferred stock were converted into a total of 1,260,700 shares of the Company's Non-Voting Common Stock effective as of the close of business on May 28, 2020.

The following securities were anti-dilutive and not considered in computing diluted earnings per common share.

	2022	2021	2020
Stock options	-	-	331

NOTE 22 - CONTINGENT LIABILITIES
General Litigation:

The Company is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position, results of operations and cash flows of the Company.

NOTE 23 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes within each classification of accumulated other comprehensive income, net of tax, for the years ended December 31, 2022, 2021 and 2020 and summarizes the significant amounts reclassified out of each component of accumulated other comprehensive income:

Changes in Accumulated Other Comprehensive Income by Component
For the Year Ended December 31, 2022, 2021 and 2020 [1]

	Unrealized Gains and Losses on Available-for-Sale Securities		
	2022	2021	2020
Accumulated other comprehensive gain (loss), beginning of period	$ (170)	$ 96	$ 28
Other comprehensive gain (loss) before reclassifications	(1,867)	(266)	68
Less amount reclassified from accumulated other comprehensive loss [2]	-	-	-
Net current-period other comprehensive income (loss)	(1,867)	(266)	68
Accumulated other comprehensive income (loss), end of period	$ (2,037)	$ (170)	$ 96

(1) All amounts are net of tax. Amounts in parentheses indicate a reduction of other comprehensive income.
(2) There were no amounts reclassified out of other comprehensive income for the years ended December 31, 2022, 2021 and 2020.

NOTE 24 - BRANCH SALE

On December 29, 2020, CFBank entered into a Branch Purchase and Assumption Agreement (the “P&A Agreement”) with Consumers National Bank (“Consumers”) providing for the acquisition by Consumers of two branches of CFBank in Columbiana County, Ohio – CFBank’s drive-up branch location in Wellsville, Ohio and CFBank’s branch location in Calcutta, Ohio (the “Branches”).

On July 16, 2021, CFBank completed its sale to Consumers of certain assets and liabilities associated with the Branches. Pursuant to the terms of the P&A Agreement, Consumers assumed certain deposit liabilities and acquired certain loans, as well as cash, real property, personal property and other fixed assets associated with the Branches.

During the third quarter of 2021, the Company recognized a combined gain on sale of deposits of $1.9 million related to the sale of the Branches.

NOTE 25- OTHER ASSETS HELD FOR SALE

During the third quarter of 2022, the Company began marketing its Worthington headquarters building for sale as it prepared to move its headquarters to New Albany, Ohio. On October 20, 2022, the Company entered into a contract to sell the building for $2,010. As a result, impairment expense of $542 was recorded during September 2022 to adjust the building and land value to the offered price, less costs to sell, and the associated assets were transferred to other assets held for sale on the consolidated balance sheet.

NOTE 26- SUBSEQUENT EVENT

On February 13, 2023, the lease on the Company’s New Albany headquarters and branch location commenced. As a result, an operating lease right-of-use asset and operating lease liability of approximately $4,267 and $4,267, respectively was recognized.

CF Bankshares Inc. and CFBank
Board of Directors

Robert E. Hoeweler
Chief Executive Officer, Hoeweler Holdings
Chairman of the Board, CF Bankshares Inc. and CFBank

Thomas P. Ash
Retired, formerly Director of Governmental Relations
Buckeye Association of School Administrators

Edward W. Cochran
Attorney

James H. Frauenberg
Principal Owner,
Addison Holdings LLC,

Sundeep Rana
Managing Principal
Castle Creek Capital Partners VII, L.P.

David L. Royer
Executive Vice President of Development,
Continental Real Estate Companies

Timothy T. O'Dell
President and Chief Executive Officer, CF Bankshares Inc. and
Chief Executive Officer, CFBank

CF Bankshares Inc. Officers

Timothy T. O'Dell
President and Chief Executive Officer

Kevin J. Beerman
Executive Vice President and Chief Financial Officer

Barbara Pyke
Corporate Secretary

CFBank Executive Officers

Timothy T. O'Dell
Chief Executive Officer

Bradley J. Ringwald
President

Kevin J. Beerman
Executive Vice President and Chief Financial Officer

Marianne N. McKinney
Executive Vice President and Chief Operating Officer

C. Timothy Meder
Executive Vice President and Chief Commercial Credit Officer

CFBank Office Locations
(Markets Served)

Columbus, Ohio (Greater Columbus)
(Opened March 1, 2023)*
4960 E. Dublin Granville Road, Suite 400
Columbus, Ohio 43081
614-334-7979

Worthington, Ohio (Greater Columbus)
(Closed February 28, 2023)*
7000 North High Street
Worthington, Ohio 43085
614-334-7979

Columbus, Ohio (Greater Columbus)*
1942 Polaris Parkway
Columbus, Ohio 43240
614-505-5605

Columbus, Ohio (Greater Columbus)
(relocated to the New Albany Branch on March 1, 2023)**
8101 North High Street, Suite 180
Columbus, Ohio 43235
614-639-6333

Woodmere, Ohio (Greater Cleveland)*
28879 Chagrin Blvd.
Woodmere, Ohio 44122
216-468-3100

Cleveland, Ohio (Greater Cleveland)*

2715 Detroit Ave
Cleveland, Ohio 44113
216-877-8181

Blue Ash, Ohio (Cincinnati)*

10300 Alliance Road #150
Cincinnati, Ohio 45242
513-427-3005

Cincinnati, Ohio (Cincinnati)*
4770 Red Bank Expressway
Cincinnati, Ohio 45227
513-964-7014

Fairlawn, Ohio (Akron/Canton)*

3009 Smith Road, Suite 100
Fairlawn, Ohio 44333
330-666-7979

Indianapolis, Indiana (Indianapolis)*
4729 East 82nd Street
Indianapolis, Indiana 46250
314-668-0484

* Full service branch
** Loan production office

Corporate Data

Annual Report

A COPY OF THE ANNUAL REPORT ON FORM 10-K FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS AVAILABLE WITHOUT CHARGE UPON WRITTEN REQUEST TO:

Kevin J. Beerman
Executive Vice President and Chief Financial Officer
CF Bankshares Inc.
4960 E. Dublin Granville Road, Suite 400
Columbus, Ohio 43081
Phone: 614-505-5770
Fax: 614-505-5761
Email: Kevinbeerman@cfbankmail.com

Annual Meeting

The Annual Meeting of Shareholders of CF Bankshares Inc. will be held "virtually" through a live webcast at 10:00 a.m., local time, on Wednesday, June 7, 2023.

Shareholder Services

Computershare, Inc. serves as transfer agent for CF Bankshares Inc. shares. Communications regarding change of address, transfer of shares or lost certificates should be sent to:

Computershare, Inc.
250 Royall Street
Canton, MA 02021
Phone: 1-800-368-5948

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www.cf.bank