REFINITIV

DELTA REPORT

10-Q

CFBK - CF BANKSHARES INC.

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

The following comparison report has been automatically generated

TOTAL DELTAS	1926
CHANGES	513
DELETIONS	575
ADDITIONS	838

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2023 March 31, 2024

Or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to______________

Commission File Number 0-25045

CF BANKSHARES INC.

(Exact name of registrant as specified in its charter)

Delaware	34-1877137
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

4960 E. Dublin Granville Road, Suite #400, Columbus, Ohio 43081

(Address of principal executive offices) (Zip Code)

(614) 334-7979

(Registrant's telephone number, including area code)

______________N/A_______________________

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
(Voting) Common Stock, $.01 par value	CFBK	The NASDAQ Capital Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes [X] No [ ]

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

Large Accelerated Filer [ ] Accelerated Filer [ ] Non-accelerated Filer [X] Smaller Reporting Company [X]

Emerging Growth Company [ ]

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

As of November 1, 2023 May 13, 2024, there were 5,294,363 5,125,421 shares of the registrant's (Voting) Common Stock outstanding and 1,260,700 shares of the registrant's Non-Voting Common Stock outstanding.

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CF BANKSHARES INC.

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CF BANKSHARES INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands except per share data)

	September 30, 2023 (unaudited)	December 31, 2022	March 31, 2024 (unaudited)	December 31, 2023
ASSETS				
Cash and cash equivalents	$ 229,763	$ 151,787	$ 236,892	$ 261,595
Interest-bearing deposits in other financial institutions	100	100	100	100
Securities available for sale	8,480	10,442	7,597	8,092
Equity securities	5,000	5,000	5,000	5,000
Loans held for sale, at fair value	1,355	580	2,241	1,849
Loans and leases, net of allowance for credit losses on loans of $17,032 and $16,062	1,659,774	1,572,255		
Loans and leases, net of allowance of $18,198 and $16,865, respectively			1,695,731	1,694,133
FHLB and FRB stock	8,499	7,942	8,491	8,482
Premises and equipment, net	3,940	3,778	3,685	3,812
Other assets held for sale	-	1,930		
Operating lease right-of-use assets	5,138	1,357	5,041	5,221
Bank owned life insurance	26,103	25,641	26,470	26,266
Accrued interest receivable and other assets	44,300	39,362	48,225	44,065
Total assets	$ 1,992,452	$ 1,820,174	$2,039,473	$2,058,615
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits				
Noninterest bearing	$ 214,334	$ 263,241	$ 236,841	$ 235,916
Interest bearing	1,470,659	1,264,681	1,486,229	1,508,141
Total deposits	1,684,993	1,527,922	1,723,070	1,744,057
FHLB advances and other debt	109,987	109,461	111,004	109,995
Advances by borrowers for taxes and insurance	1,737	3,513	1,093	2,179
Operating lease liabilities	5,216	1,438	5,127	5,302
Accrued interest payable and other liabilities	24,298	23,670	26,209	26,747
Subordinated debentures	14,951	14,922	14,971	14,961
Total liabilities	1,841,182	1,680,926	1,881,474	1,903,241
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: 5,660,504 at September 30, 2023 and 5,601,289 at December 31, 2022	57	56		
Voting common stock, $0.01 par value; shares issued: 5,473,026 at March 31, 2024 and 5,665,958 at December 31, 2023			55	57
Non-voting common stock, $0.01 par value;				
shares issued: 1,260,700 at September 30, 2023 and December 31, 2022	13	13		
shares issued: 1,260,700 at March 31, 2024 and December 31, 2023			13	13
Series D preferred stock, $0.01 par value; 5,000 shares authorized;				
2,000 shares issued at March 31, 2024 and 0 shares issued at December 31, 2023			-	-
Additional paid-in capital	90,731	89,813	91,303	91,068
Retained earnings	72,668	61,095	79,201	76,517
Accumulated other comprehensive loss	(2,384)	(2,037)	(2,281)	(2,290)
Treasury stock, at cost; 371,595 shares of voting common stock at September 30, 2023 and 365,165 shares of voting common stock at December 31, 2022	(9,815)	(9,692)		
Treasury stock, at cost; 395,611 shares of voting common stock at March 31, 2024 and 381,098 shares of voting common stock at December 31, 2023			(10,292)	(9,991)
Total stockholders' equity	151,270	139,248	157,999	155,374
Total liabilities and stockholders' equity	$ 1,992,452	$ 1,820,174	$2,039,473	$2,058,615

See accompanying notes to unaudited consolidated financial statements.

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CF BANKSHARES INC.

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands except per share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Interest and dividend income						
Loans and leases, including fees	$ 25,121	$ 16,876	$ 71,143	$43,746	$26,010	$22,338
Securities	101	219	529	664	129	215
FHLB and FRB stock dividends	166	98	425	238	165	121
Federal funds sold and other	2,778	813	6,470	1,215	2,782	1,502
	28,166	18,006	78,567	45,863	29,086	24,176
Interest expense						
Deposits	15,421	3,992	39,500	8,177	16,650	10,419
FHLB advances and other debt	783	446	2,314	1,340	785	742
Subordinated debentures	295	252	867	711	367	282
	16,499	4,690	42,681	10,228	17,802	11,443
Net interest income	11,667	13,316	35,886	35,635	11,284	12,733
Provision for credit losses						
Provision for credit losses-loans	1,198	150	1,402	150	1,317	267
Provision for credit losses-unfunded commitments	(5)	-	40	-	(80)	(30)
	1,193	150	1,442	150	1,237	237
Net interest income after provision for credit losses	10,474	13,166	34,444	35,485	10,047	12,496
Noninterest income						
Service charges on deposit accounts	396	268	1,079	823	559	304
Net gains on sales of residential mortgage loans	48	-	85	678		

Net gains (losses) on sales of residential mortgage loans					90	(3)
Net gains on sales of commercial loans	12	134	12	277	167	-
Swap fee income	444	24	616	42	-	30
Earnings on bank owned life insurance	157	151	462	446	204	150
Other	244	128	744	293	(115)	238
	1,301	705	2,998	2,559	905	719
Noninterest expense						
Salaries and employee benefits	3,420	4,112	11,184	11,311	3,508	3,986
Occupancy and equipment	427	324	1,264	955	434	381
Data processing	532	1,126	1,568	2,175	615	549
Franchise and other taxes	308	178	935	839	286	299
Professional fees	635	896	1,873	2,148	663	606
Director fees	162	171	496	465	125	170
Postage, printing and supplies	31	45	123	126	44	55
Advertising and marketing	53	108	307	287	14	183
Telephone	61	66	197	180	51	64
Loan expenses	151	296	510	502	447	172
Depreciation	145	134	426	375	130	133
FDIC premiums	568	312	1,590	690	600	503
Regulatory assessment	63	70	181	201	65	58
Other insurance	55	45	154	135	56	47
Impairment of property and equipment	-	570	-	570		
Other	149	146	816	389	149	485
	6,760	8,599	21,624	21,348	7,187	7,691
Income before incomes taxes	5,015	5,272	15,818	16,696	3,765	5,524
Income tax expense	984	1,023	3,116	3,203	695	1,076
Net income	$ 4,031	$ 4,249	$ 12,702	$13,493	$ 3,070	$ 4,448
Earnings allocated to participating securities (Series D preferred stock)					(57)	-
Net income attributable to common stockholders					$ 3,013	$ 4,448
Earnings per common share:						
Basic	$ 0.63	$ 0.66	$ 1.98	$ 2.11	$ 0.48	$ 0.69
Diluted	$ 0.62	$ 0.65	$ 1.97	$ 2.06	$ 0.47	$ 0.68

See accompanying notes to unaudited consolidated financial statements.

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CF BANKSHARES INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands except per share data)

(Unaudited)

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
Net income	$ 4,031	$ 4,249	$ 12,702	$13,493	$3,070	$4,448
Other comprehensive income (loss):						
Unrealized holding gains (losses) arising during the period related to securities available for sale, net of tax of $4 and ($57) and ($92) and ($397)	17	(217)	(347)	(1,484)		
Unrealized holding gains (losses) arising during the period related to securities available for sale, net of tax of $2 and ($57)					9	(216)
Other comprehensive income (loss), net of tax	17	(217)	(347)	(1,484)	9	(216)

Comprehensive income	$ 4,048	$ 4,032	$ 12,355	$12,009 $3,079 $4,232

See accompanying notes to unaudited consolidated financial statements.

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CF BANKSHARES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands except per share data)

(Unaudited)

Three months ended September 30, 2023	Common Stock	Non-voting Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance at July 1, 2023	$ 57	$ 13	$ 90,422	$ 69,022	$ (2,401)	$ (9,772)	$ 147,341
Net income	-	-	-	4,031	-		4,031
Other comprehensive income	-	-	-	-	17	-	17
Restricted stock expense, net of forfeitures	-	-	294	-	-	-	294
Stock options exercised	-	-	15	-	-	-	15
Acquisition of 1,428 treasury shares surrendered upon vesting of restricted stock for payment of taxes	-	-	-	-	-	(24)	(24)
Acquisition of 1,053 treasury shares surrendered upon exercise of stock options for payment of exercise price	-	-	-	-	-	(19)	(19)
Cash dividends declared on common stock ($0.06 per share)	-	-	-	(385)	-	-	(385)
Balance at September 30, 2023	$ 57	$ 13	$ 90,731	$ 72,668	$ (2,384)	$ (9,815)	$ 151,270

Nine months ended September 30, 2023	Common Stock	Non-voting Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 2022	$ 56	$ 13	$ 89,813	$ 61,095	$ (2,037)	$ (9,692)	$ 139,248
Cumulative effect of ASC 326 adoption	-	-	-	(39)	-	-	(39)
Balance at January 1, 2023	56	13	89,813	61,056	(2,037)	(9,692)	139,209
Net income	-	-	-	12,702	-	-	12,702
Other comprehensive loss	-	-	-	-	(347)	-	(347)
Issuance of 59,784 stock based incentive plan shares, net of forfeitures	1	-	(1)	-	-	-	-
Restricted stock expense, net of forfeitures	-	-	875	-	-	-	875
Stock options exercised		-	44	-	-	-	44
Acquisition of 4,875 treasury shares surrendered upon vesting of restricted stock for payment of taxes	-	-	-	-	-	(96)	(96)
Acquisition of 1,555 treasury shares surrendered upon exercise of stock options for payment of exercise price	-	-	-	-	-	(27)	(27)
Cash dividends declared on common stock ($0.17 per share)	-	-	-	(1,090)	-	-	(1,090)
Balance at September 30, 2023	$ 57	$ 13	$ 90,731	$ 72,668	$ (2,384)	$ (9,815)	$ 151,270

See accompanying notes to consolidated financial statements.

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CF BANKSHARES INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in thousands except per share data)

(Unaudited)

Three months ended September 30, 2022	Common Stock	Non-voting Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance at July 1, 2022	$ 56	$ 13	$ 89,061	$ 52,814	$ (1,437)	$ (7,816)	$ 132,691
Net income	-	-	-	4,249	-	-	4,249
Other comprehensive loss	-	-	-	-	(217)	-	(217)
Issuance of 4,000 stock based incentive plan shares, net of forfeitures	-	-	-	-	-	-	-
Restricted stock expense, net of forfeitures	-	-	246	-	-	-	246
Acquisition of 1,244 treasury shares surrendered upon vesting of restricted stock for payment of taxes	-	-	-	-	-	(25)	(25)
Purchase of 83,333 treasury shares	-	-	-	-	-	(1,751)	(1,751)
Cash dividends declared on common stock ($0.05 per share)	-	-	-	(321)	-	-	(321)
Balance at September 30, 2022	$ 56	$ 13	$ 89,307	$ 56,742	$ (1,654)	$ (9,592)	$ 134,872

Three months ended March 31, 2024	Voting Common Stock	Non-Voting Common Stock	Series D Preferred Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2024	57	13	-	91,068	76,517	(2,290)	(9,991)	155,374
Net income	-	-	-	-	3,070	-	-	3,070
Other comprehensive income	-	-	-	-	-	9	-	9
Issuance of 7,068 stock based incentive plan shares, net of forfeitures	-	-	-	-	-	-	-	-
Restricted stock expense, net of forfeitures	-	-	-	233	-	-	-	233
Acquisition of 5,663 treasury shares surrendered upon vesting of restricted stock for payment of taxes	-	-	-	-	-	-	(122)	(122)
Purchase of 8,850 treasury shares	-	-	-	-	-	-	(179)	(179)
Conversion of 200,000 shares of voting common stock to 2,000 shares of Series D Preferred Stock	(2)	-	-	2	-	-	-	-
Cash dividends declared on common stock ($0.06 per share)	-	-	-	-	(386)	-	-	(386)
Balance at March 31, 2024	$ 55	$ 13	$ -	$ 91,303	$ 79,201	$ (2,281)	$ (10,292)	$ 157,999

Nine Months ended September 30, 2022	Common Stock	Non-voting Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance at January 1, 2022	$ 55	$ 13	$ 88,528	$ 44,084	$ (170)	$ (7,180)	$ 125,330
Net income	-	-	-	13,493	-	-	13,493
Other comprehensive loss	-	-	-	-	(1,484)	-	(1,484)
Issuance of 69,648 stock based incentive plan shares, net of forfeitures	1	-	(1)	-	-	-	-
Restricted stock expense, net of forfeitures	-	-	648	-	-	-	648
Stock options exercised	-	-	132	-	-	-	132
Acquisition of 3,424 treasury shares surrendered upon vesting of restricted stock for payment of taxes	-	-	-	-	-	(73)	(73)
Purchase of 110,988 treasury shares	-	-	-	-		(2,339)	(2,339)
Cash dividends declared on common stock ($0.13 per share)	-	-	-	(835)	-	-	(835)
Balance at September 30, 2022	$ 56	$ 13	$ 89,307	$ 56,742	$ (1,654)	$ (9,592)	$ 134,872

Three months ended March 31, 2023	Voting Common Stock	Non-Voting Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance at December 31, 2022	$ 56	$ 13	$ 89,813	$ 61,095	$ (2,037)	$ (9,692)	$ 139,248
Cumulative effect of ASC 326 adoption	-	-	-	(39)	-	-	(39)
Balance at January 1, 2023	56	13	89,813	61,056	(2,037)	(9,692)	139,209
Net income	-	-	-	4,448	-	-	4,448
Other comprehensive loss	-	-	-	-	(216)	-	(216)
Issuance of 58,784 stock based incentive plan shares, net of forfeitures	1	-	(1)	-	-	-	-
Restricted stock expense, net of forfeitures	-	-	283	-	-	-	283
Acquisition of 3,447 treasury shares surrendered upon vesting of restricted stock for payment of taxes	-	-	-	-	-	(71)	(71)
Cash dividends declared on common stock ($0.05 per share)	-	-	-	(320)	-	-	(320)
Balance at March 31, 2023	$ 57	$ 13	$ 90,095	$ 65,184	$ (2,253)	$ (9,763)	$ 143,333

See accompanying notes to unaudited consolidated financial statements.

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CF BANKSHARES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands, except per share data)

(Unaudited)

	Three months ended March 31, 2024	Three months ended March 31, 2023
Net Income	$ 3,070	$ 4,448
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses	1,237	237
Depreciation	130	133
Accretion, net	(272)	(205)
Deferred income tax (benefit) expense	(277)	141
Originations of loans held for sale	(9,037)	(1,991)
Proceeds from sale of loans held for sale	8,734	1,977
Net (gains) losses on sales of residential mortgage loans	(90)	3
Net gains on sales of commercial loans	(167)	-
Loss on disposal of premises and equipment	-	28
Earnings on bank owned life insurance	(204)	(150)
Stock-based compensation expense	233	283
Net change in:		
Accrued interest receivable and other assets	1,015	1,024
Operating lease right-of-use asset	180	124
Operating lease liability	(175)	(133)
Accrued interest payable and other liabilities	(5,538)	(140)
Net cash (used by) from operating activities	(1,161)	5,779
Cash flows used by investing activities:		
Available-for-sale securities:		
Maturities, prepayments and calls	503	504
Loan and lease originations and payments, net	(6,384)	(43,837)
Proceeds from the sale of commercial loans	4,011	-
Additions to premises and equipment	(3)	(501)
Purchase of FRB and FHLB stock	(9)	(1,261)

Other adjustments	100	130
Net cash used by investing activities	(1,782)	(44,965)
Cash flows from financing activities:		
Net change in deposits	(20,987)	75,919
Proceeds from FHLB advances and other debt	1,000	37,015
Repayments on FHLB advances and other debt	-	(9,515)
Net change in advances by borrowers for taxes and insurance	(1,086)	(1,381)
Cash dividends paid on common stock	(386)	(320)
Acquisition of treasury shares surrendered upon vesting of restricted stock for payment of taxes and exercise of stock options for exercise proceeds	(122)	(71)
Purchase of treasury shares	(179)	-
Net cash (used by) from financing activities	(21,760)	101,647
Net change in cash and cash equivalents	(24,703)	62,461
Beginning cash and cash equivalents	261,595	151,787
Ending cash and cash equivalents	$ 236,892	$ 214,248

See accompanying notes to unaudited consolidated financial statements.

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CF BANKSHARES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands, except per share data)

(Unaudited)

	Three months ended March 31, 2024	2023
Supplemental cash flow information:		
Interest paid	$ 17,150	$ 10,621
Supplemental noncash disclosures:		
Investment payable on limited partnerships	$ 5,000	-
Initial recognition of operating lease asset	-	$ 4,267
Right-of-use asset obtained in exchange for new operating lease liability	-	$ 4,267

	Nine months ended September 30, 2023	2022
Net Income	$ 12,702	$ 13,493
Adjustments to reconcile net income to net cash from operating activities:		
Provision for credit losses	1,442	150
Depreciation	426	375
Amortization, net	(671)	(674)
Deferred income tax (benefit) expense	(97)	57
Originations of loans held for sale	(8,809)	(94,548)
Proceeds from sale of loans held for sale	8,119	121,540
Net gains on sales of residential mortgage loans	(85)	(678)
Net gains on sales of commercial loans	(12)	(277)
Loss on sale of other assets held for sale	13	-
Impairment of property and equipment	-	570
Loss on disposal of premises and equipment	60	-
Earnings on bank owned life insurance	(462)	(446)
Stock-based compensation expense	875	648
Net change in:		
Accrued interest receivable and other assets	(3,116)	(6,915)
Operating lease right-of-use asset	487	426
Operating lease liability	(489)	(444)
Accrued interest payable and other liabilities	(312)	(299)
Net cash from operating activities	10,071	32,978

Cash flows used by investing activities:		
Available-for-sale securities:		
Maturities, prepayments and calls	1,510	3,013
Loan and lease originations and payments, net	(88,571)	(263,938)
Purchase of loans and leases	-	(3,698)
Proceeds from the sale of loans	361	10,451
Additions to premises and equipment	(648)	(798)
Purchase of FRB and FHLB stock	(557)	(318)
Purchase of other investments	(1,200)	-
Return of investment-joint ventures	492	398
Proceeds from the sale of other assets held for sale	1,892	-
Net cash used by investing activities	(86,721)	(254,890)
Cash flows from financing activities:		
Net change in deposits	157,071	243,631
Proceeds from FHLB advances and other debt	37,060	33,500
Repayments on FHLB advances and other debt	(36,560)	(20,450)
Net change in advances by borrowers for taxes and insurance	(1,776)	(179)
Cash dividends paid on common stock	(1,090)	(835)
Proceeds from exercise of stock options	44	132
Acquisition of treasury shares surrendered upon vesting of restricted stock for payment of taxes and exercise of stock options for exercise proceeds	(123)	(73)
Purchase of treasury shares	-	(2,339)
Net cash from financing activities	154,626	253,387
Net change in cash and cash equivalents	77,976	31,475
Beginning cash and cash equivalents	151,787	166,591
Ending cash and cash equivalents	$ 229,763	$ 198,066

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CF BANKSHARES INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands, except per share data)

(Unaudited)

	Nine months ended September 30,	
	2023	2022
Supplemental cash flow information:		
Interest paid	$ 41,018	$ 9,818
Income tax paid	3,175	2,450
Supplemental noncash disclosures:		
Loans transferred from held for sale to portfolio	$ -	$ 1,674
Transfer of premises and equipment to other assets held for sale	-	1,930
Investment payable on limited partnerships	940	3,097
Initial recognition of operating lease liability	4,267	-
Right-of-use asset obtained in exchange for new operating lease liability	4,267	-

See accompanying notes to unaudited consolidated financial statements.

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CF BANKSHARES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Dollars in thousands, except per share data)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation:

The consolidated financial statements consist of CF Bankshares Inc. (the “Holding Company”) and its wholly-owned subsidiary, CFBank, National Association (“CFBank”). The Holding Company and CFBank are sometimes collectively referred to herein as the “Company.” Intercompany transactions and balances are eliminated in consolidation. The accompanying unaudited interim consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) and in compliance with U.S. generally accepted accounting principles (“GAAP”). Because this report is based on an interim period, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted.

In the opinion of the management of the Company, the accompanying unaudited interim consolidated financial statements include all adjustments necessary for a fair presentation of the Company’s financial condition and the results of operations for the periods presented. These adjustments are of a normal recurring nature, unless otherwise disclosed in this Form 10-Q. The financial performance reported for the Company for the nine three months ended September 30, 2023 March 31, 2024 is not necessarily indicative of the results that may be expected for the full year. This information should be read in conjunction with the Company’s latest Annual Report to Stockholders and Annual Report on Form 10-K on file with the SEC. Reference is made to the accounting policies of the Company described in Note 1 to the Audited Consolidated Financial Statements contained in the Company’s 2022 2023 Annual Report to Stockholders included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 (referred to herein as the “2022 “2023 Audited Financial Statements”). The Company has consistently followed those policies in preparing this Form 10-Q.

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 credit losses on loans and leases. 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 status is reversed against interest income in the period in which it is placed on 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.

Adoption of ASC 326: Effective January 1, 2023, the Company adopted Accounting Standard Codification 326 (“ASC 326”) *“Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.”* Results for the periods beginning after January 1, 2023 are presented under the new “Current Expected Credit Losses” methodology under ASC 326, while prior period amounts continue to be reported in accordance with the “incurred loss” model under previously applicable GAAP.

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CF BANKSHARES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Dollars in thousands, except per share data)

Allowance for credit losses on investment securities available for sale: For investment securities available for sale in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For investment securities available for sale that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Company considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded, limited by to the amount that the fair value is less than the amortized cost basis. Unrealized losses that have not been recorded through an allowance for credit losses are recognized in other comprehensive income. Adjustments to the allowance for credit losses are reported in the income statement as a component of the provision for credit loss. The Company has made the accounting policy election to exclude accrued interest receivable on investment securities available for sale from the estimate of credit losses. Investment securities available for sale are charged off against the allowance or, in the absence of any allowance, written down through the income statement when deemed uncollectible or when either of the aforementioned criteria regarding intent or requirement to sell is met. The Company did not record an allowance for credit losses on its investment securities available for sale as the unrealized losses were attributable to changes in interest rates, not credit quality

(Dollars in thousands, except per share data)

Allowance for Credit Losses - – Loans and Leases ("ACL - Loans"): The ACL - Loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on loans over the contractual term. Loans and leases are collectively referred to as loans for the purpose of discussing the allowance for credit losses. Loans are charged off against the allowance when the uncollectibility of the loan is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off. Adjustments to the ACL- Loans are reported in the income statement as a component of provision for credit loss. The Company has made the accounting policy election to exclude accrued interest receivable on loans from the estimate of credit losses. Further information regarding the policies and methodology used to estimate the ACL - Loans is detailed in Note 4 - *Loans and Leases* to the Consolidated Financial Statements.

Allowance for Credit Losses - Off-Balance Sheet Credit Exposures: The allowance for credit losses on off-balance sheet credit exposures is a liability account representing expected credit losses over the contractual period for which the Company is exposed to credit risk resulting from a contractual obligation to extend credit. No allowance is recognized if the Company has the unconditional right to cancel the obligation. Off-balance sheet credit exposures primarily consist of amounts available under outstanding lines of credit and letters of credit. For the period of exposure, the estimate of expected credit losses considers both the likelihood that funding will occur and the amount expected to be funded over the estimated remaining life of the commitment or other off-balance sheet exposure. The likelihood and expected amount of funding are based on historical utilization rates. The amount of the allowance represents management's best estimate of expected credit losses on commitments expected to be funded over the contractual life of the commitment. The allowance for off-balance sheet credit exposures is adjusted through the income statement as a component of provision for credit loss.

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. The Company uses 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. payment.

Low Income Housing Tax Credits (LIHTC): CFBank has invested in low income housing tax credits 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 LIHTC. 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.

Investment in Real Estate Entity: CFBank made an equity investment as a non-managing member in the real estate entity that owns and operates the building that houses the Company's headquarters. Upon applying ASC Accounting Standards Codification ("ASC") 810, the Company determined that the Bank CFBank is not the primary beneficiary of the real estate entity, a variable interest entity. Therefore, the real estate entity is not consolidated in the Company's financial statements and is instead accounted for using the equity method of accounting. As a result, the investment of $1.2 million is shown in Accrued interest receivable and other assets on the Consolidated Financial Statements. Balance Sheets. The maximum exposure to loss related to this investment was $1.2 million at September 30, 2023 March 31, 2024.

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Earnings Per Common Share: The following table sets forth two-class method is used in the computation 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 (Series D Preferred Stock) according to dividends declared (or accumulated) and participation rights in undistributed earnings. There were no anti-dilutive securities during the three and nine months ended September 30, 2023 March 31, 2024 and 2022.

2023. The factors used in the earnings per share computation follow:

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
	(unaudited)		(unaudited)		(unaudited)	
Basic						
Net income	$ 4,031	$ 4,249	$ 12,702	$ 13,493	$ 3,070	$ 4,448
Earnings allocated to participating securities					(57)	-

(Dollars in thousands, except per share data)

Net income allocated to common shareholders					$ 3,013	$ 4,448
Weighted average common shares outstanding including unvested share-based payment awards	6,549,570	6,518,633	6,545,494	6,515,929	6,418,671	6,535,946
Less: Unvested share-based payment awards-2019 Plan	(120,372)	(125,102)	(128,611)	(107,587)	(88,773)	(133,090)
Average shares	6,429,198	6,393,531	6,416,883	6,408,342	6,329,898	6,402,856
Basic earnings per common share	$ 0.63	$ 0.66	$ 1.98	$ 2.11	$ 0.48	$ 0.69
Diluted						
Net income allocated to common shareholders					$ 3,013	$ 4,448
Add: Earnings allocated to participating securities					57	-
Net income	$ 4,031	$ 4,249	$ 12,702	$ 13,493	$ 3,070	$ 4,448
Weighted average common shares outstanding for basic earnings per common share	6,429,198	6,393,531	6,416,883	6,408,342	6,329,898	6,402,856
Add: Dilutive effects of assumed exercises of stock options	2,999	29,158	4,471	33,762	-	6,752
Add: Dilutive effects of assumed preferred stock conversion					120,879	-
Add: Dilutive effects of unvested share-based payment awards-2019 Plan	24,378	125,102	18,577	107,587	27,400	133,090
Average shares and dilutive potential common shares	6,456,575	6,547,791	6,439,931	6,549,691	6,478,177	6,542,698
Diluted earnings per common share	$ 0.62	$ 0.65	$ 1.97	$ 2.06	$ 0.47	$ 0.68

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 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 notes, 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 notes.

Recent and Future Accounting Changes Adopted in 2023:

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 a new Current Expected Credit Losses ("CECL") methodology that replaces the previous "incurred loss" model for measuring credit losses, which encompassed allowances for current known Pronouncements and inherent losses within the portfolio. CECL provides for an "expected loss" model for measuring credit losses, which encompasses allowances for losses expected to be incurred over the life of the portfolio. The new CECL model 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 historically are still permitted, although the inputs to those techniques will reflect the full amount of expected credit losses. Organizations continue to use judgment to determine which loss estimation method is appropriate for their circumstances. ASU 2016-13 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, ASU 2016-13 amended the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 was effective for the Company on January 1, 2023.

The CECL methodology under ASU 2016-13 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 allowance for credit losses: 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 was utilized as the historical loss period due to its inclusion of several economic cycles and relevance to real estate secured assets.

Upon implementation of ASU 2016-13, the expected loss estimate is 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 Company's adoption of ASU 2016-13, effective January 1, 2023, was a one-time cumulative-effect adjustment increasing our reserves for loans and unfunded commitments by $49.

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 allowance for loan and lease losses (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 did not have any material changes to its business practices as a result of implementing ASU 2016-13. Developments:

In March 2022, the FASB issued ASU 2022-02 *"Financial"Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures."* This ASU eliminated the accounting guidance on troubled debt restructurings ("TDRs") for creditors in ASC 310-40 and required 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 added enhanced disclosures for creditors with respect to loan refinancings and restructurings for borrowers experiencing financial difficulty. The amended guidance also required disclosure of current period gross charge-offs by year of origination within the vintage disclosures required by ASC 326. The Company adopted ASU 2022-02 on January 1, 2023. The adoption of ASU 2022-02 did not have a material impact to our Consolidated Financial Statements.

Future Accounting Matters: 11

In March 2020, the FASB issued ASU No. 2020-04, *Reference"Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*Reporting". The amendments in this update provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. They provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in As subsequently amended, this update were is effective for all entities as December 31, 2024. The adoption of March 12, 2020 through December 31, 2022. In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*. The amendments in this update refine the scope for certain optional expedients and exceptions for contract modifications and hedge accounting to apply to derivative contracts and certain hedging relationships affected by the discounting transition. The amendments in this update were effective for all entities as of March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU No. 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*. The amendment in this update extends the period of time preparers can utilize reference rate reform relief guidance in Topic 848, discussed above. ASU No. 2022-06 defers the sunset date from December 31, 2022 to December 31, 2024. The Company does 2020-04 did not expect the updates within Topic 848 to have a material impact on our consolidated financial statements. Consolidated Financial Statements.

In March 2023, the FASB issued ASU No. 2023-02, *Investments"Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using Proportional Amortization Method*Method". The ASU is intended to improve the accounting and disclosures for investments in tax credit structures. It allows reporting entities to elect to adopt for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. For public business entities, the amendments are were effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The Company is currently evaluating the impact of the ASU on the Company's consolidated financial statements, but adoption of the standard is ASU No. 2023-02 did not expected to have a significant material impact on the Company's financial statements or disclosures. our Consolidated Financial Statements.

Future Accounting Matters:

In August 2023, FASB issued ASU 2023-05, *Business"Business Combinations - Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*Measurement". The amendments in this ASU require that a joint venture, upon formation, apply a new basis of accounting and initially measure assets and liabilities at fair value, with exceptions to fair value measurement that are consistent with the business combinations guidance. This update ASU will be effective prospectively for all joint venture formations with a formation date on or after

January 1, 2025. January 1, 2025. Early adoption is permitted. The Company is currently evaluating the impact of the ASU on the Company's Consolidated Financial Statements.

(Dollars in thousands, except per share data)

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures." The amendments in this ASU apply to all public entities that are required to report segment information in accordance with FASB ASC Topic 280, Segment Reporting. The amendments in the ASU are intended to improve reportable segment disclosure requirements primarily through enhanced disclosures about significant segment expenses. The amendments require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss. Public entities are required to disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. In addition, public entities must provide all annual disclosures about a reportable segment's profit or loss and assets currently required by FASB ASC Topic 280, Segment Reporting, in interim periods. The amendments clarify that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity's consolidated financial statements. The amendments require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. Finally, the amendments require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in the ASU and all existing segment disclosures in ASC Topic 280. The ASU is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. A public entity should apply the amendments retrospectively to all prior periods presented in the financial statements. Upon transition, the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The adoption of this ASU is not expected to have a material impact on the Company's Consolidated Financial Statements and disclosures as the Company has one operating segment.

In December 2023, FASB issued ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The FASB issued ASU 2023-09 to address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. ASU 2023-09 is to be applied on a prospective basis and is effective for annual periods beginning after December 15, 2024 with early adoption permitted. ASU 2023-09 will impact income tax disclosures, and the Company does not expect a material impact to the Company's Consolidated Financial Statements.

General Litigation

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

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NOTE 2 – REVENUE RECOGNITION

GAAP requires 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 from contracts with customers, including revenue generated from financial instruments, such as our loans, letters of credit, derivatives and investment securities, as well as revenue generated from our mortgage activities related to net gains on sale of loans.

All of the Company's revenue from contracts with customers is recognized within Noninterest Income. income. Descriptions of revenue-generating activities which are presented in our income statements Consolidated Statements of Income as components of Noninterest Income 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). Payments 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 Company's available-for-sale securities portfolio at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 and the corresponding amounts of unrealized gains and losses recognized in accumulated other comprehensive loss:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
September 30, 2023 (unaudited)								

(Dollars in thousands, except per share data)

March 31, 2024 (unaudited)								
Corporate debt	$ 9,980	$ -	$ 2,980	$ 7,000	$ 9,981	$ -	$ 2,881	$7,100
Issued by U.S. government-sponsored entities and agencies:								
U.S. Treasury	1,511	-	38	1,473	501	-	6	495
Mortgage-backed securities - residential (1)	7	-	-	7	2	-	-	2
Total	$ 11,498	$ -	$ 3,018	$ 8,480	$ 10,484	$ -	$ 2,887	$7,597

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

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Corporate debt	$ 9,980	$ -	$ 2,880	$ 7,100
Issued by U.S. government-sponsored entities and agencies:				
U.S. Treasury	1,007	-	19	988
Mortgage-backed securities - residential (1)	4	-	-	4
Total	$ 10,991	$ -	$ 2,899	$ 8,092

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

There was no impairment recognized in accumulated other comprehensive loss for securities available for sale at March 31, 2024 or March 31, 2023.

There were no sales of securities during the three months ended March 31, 2024 and 2023.

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The amortized cost and fair value of debt securities at March 31, 2024 and December 31, 2023 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.

	March 31, 2024 (unaudited)		December 31, 2023	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 501	$ 495	$ 1,007	$ 988
Due from one to five years	-	-	-	-
Due from five to ten years	9,981	7,100	9,980	7,100
Mortgage-backed securities - residential	2	2	4	4
Total	$ 10,484	$ 7,597	$ 10,991	$ 8,092

Fair value of securities pledged as collateral was as follows:

	March 31, 2024 (unaudited)	December 31, 2023
Pledged as collateral for:		
FHLB advances	$ -	$ 497
Public deposits	496	492
Total	$ 496	$ 989

At March 31, 2024 and December 31, 2023, 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 March 31, 2024 and December 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position.

March 31, 2024 (unaudited)	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	$ -	$ -	$ 7,100	$ 2,881	$ 7,100	$ 2,881
Issued by U.S. government-sponsored entities and agencies:						
U.S. Treasury	-	-	496	6	496	6
Mortgage-backed securities - residential [1]	-	-	1	-	1	-
Total temporarily impaired	$ -	$ -	$ 7,597	$ 2,887	$ 7,597	$ 2,887

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

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December 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
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

There was no impairment recognized in accumulated other comprehensive loss for securities available for sale at September 30, 2023 or September 30, 2022.

There were no sales of securities during the three and nine months ended September 30, 2023 and 2022.

The amortized cost and fair value of debt securities at September 30, 2023 and December 31, 2022 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.

	September 30, 2023 (unaudited)		December 31, 2022	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 1,511	$ 1,473	$ 2,001	$ 1,961
Due from one to five years	-	-	1,024	964
Due from five to ten years	9,980	7,000	9,978	7,500
Mortgage-backed securities - residential	7	7	17	17
Total	$ 11,498	$ 8,480	$ 13,020	$ 10,442

Fair value of securities pledged as collateral was as follows:

	September 30, 2023 (unaudited)	December 31, 2022
Pledged as collateral for:		
FHLB advances	$ 988	$ 967
Public deposits	486	479
Total	$ 1,474	$ 1,446

At September 30, 2023 and December 31, 2022, there were no holdings of securities of any one issuer in an amount greater than 10% of stockholders' equity.

(Dollars in thousands, except per share data)

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The following table summarizes securities with unrealized losses at September 30, 2023 and December 31, 2022, aggregated by major security type and length of time in a continuous unrealized loss position.

September 30, 2023 (unaudited)	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	$ -	$ -	$ 7,000	$ 2,980	$ 7,000	$ 2,980
Issued by U.S. government-sponsored entities and agencies:						
U.S. Treasury	-	-	1,473	38	1,473	38
Mortgage-backed securities - residential (1)	2	-	5	-	7	-
Total temporarily impaired	$ 2	$ -	$ 8,478	$ 3,018	$ 8,480	$ 3,018

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

December 31, 2022	Less than 12 Months		12 Months or More		Total							
December 31, 2023							Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate debt	$ -	$ -	$ 7,500	$ 2,478	$ 7,500	$ 2,478	$ -	$ -	$7,100	$ 2,880	$7,100	$ 2,880
Issued by U.S. government-sponsored entities and agencies:												
U.S. Treasury	1,482	19	$ 1,443	81	2,925	100	-	-	$ 988	19	988	19
Mortgage-backed securities - residential (1)	17	-	-	-	17	-	1	-	3	-	4	-
Total temporarily impaired	$ 1,499	$ 19	$ 8,943	$ 2,559	$ 10,442	$ 2,578	$ 1	$ -	$8,091	$ 2,899	$8,092	$ 2,899

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

The unrealized losses at September 30, 2023 and December 31, 2022 March 31, 2024 were related to one corporate debt security, two mortgage-backed securities one Mortgage-backed security and multiple one U.S. Treasury. The unrealized losses at December 31, 2023 were related to one Corporate debt security, one Mortgage-backed security and two 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 it was likely that it would not be required to sell these securities before their anticipated recovery, the Company did has not consider these securities to be impaired recorded an allowance for credit losses at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

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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.

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(unaudited)		(unaudited)	
Commercial (1)	$ 427,992	$ 427,423	$ 430,549	$ 439,895

(Dollars in thousands, except per share data)

Real estate:				
Single-family residential	477,031	465,057	475,181	478,224
Multi-family residential	124,802	104,148	128,779	130,778
Commercial	392,516	375,092	461,826	433,026
Construction	217,281	184,122	178,398	190,722
Consumer:				
Home equity lines of credit	35,583	30,748	36,079	35,960
Other	1,601	1,727	3,117	2,393
Subtotal	1,676,806	1,588,317	1,713,929	1,710,998
Less: ACL – Loans	(17,032)	(16,062)	(18,198)	(16,865)
Loans and leases, net	$ 1,659,774	$ 1,572,255	$1,695,731	$1,694,133

(1) Includes $15,315 $11,892 and $20,768 $13,497 of commercial leases at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, respectively.

Allowance for Credit Losses on Loans (ACL – Loans)

As discussed in Note 1, effective January 1, 2023, the Company adopted ASC 326. Results for the periods beginning after January 1, 2023 are presented under ASC 326, while prior period amounts continue to be reported in accordance with the "incurred loss" model under previously applicable GAAP.

The ACL - Loans is a valuation account that is deducted from the amortized cost basis of loans and leases to present the net amount expected to be collected on loans over the contractual term. The ACL - Loans is adjusted by the provision for credit losses, which is reported in earnings, and reduced by charge offs for loans, net of recoveries. Provision for credit losses on loans reflects the totality of actions taken on all loans for a particular period including any necessary increases or decreases in the allowance related to changes in credit loss expectations associated with specific loans or pools of loans. Loans are charged off against the allowance when the uncollectibility of the loan is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off.

The ACL - Loans represents the Company's best estimate of current expected credit losses (CECL) on loans using relevant available information, from internal and external sources, related to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. The CECL calculation is performed and evaluated quarterly and losses are estimated over the expected life of the loan. The level of the ACL - Loans is believed to be adequate to absorb all expected future losses inherent in the loan portfolio at the measurement date.

In calculating the ACL - Loans, the loan portfolio was pooled into loan segments with similar risk characteristics. Common characteristics include the type or purpose of the loan, underlying collateral and historical/expected credit loss patterns. In developing the loan segments, the Company analyzed the degree of correlation in how loans within each portfolio respond when subjected to varying economic conditions and scenarios as well as other portfolio stress factors.

The expected credit losses are measured over the life of each loan segment utilizing the average charge-off methodology combined with economic forecast models to estimate the current expected credit loss inherent in the loan portfolio. This approach is also leveraged to estimate the expected credit losses associated with unfunded loan commitments incorporating expected utilization rates.

The Company sub-segmented certain commercial portfolios by risk level where appropriate. The Company utilized a one-year reasonable and supportable economic forecast period.

The Company qualitatively adjusts model results for risk factors that are not inherently considered in the historical losses, but are nonetheless relevant in assessing the expected credit losses within the loan portfolio. These adjustments may increase or decrease the estimate of expected credit losses based upon the assessed level of risk for each qualitative factor. The various risks that may be considered in making qualitative adjustments include, among other things, the impact of (i) changes in economic conditions, (ii) changes in the nature and volume of the loan portfolio, (iii) changes in the existence, growth and effect of any concentrations in credit, (iv) changes in lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries, (v) changes in the quality of the credit review function, (vi) changes in the experience, ability and depth of lending management and staff, (vii) changes in the volume and severity of past due and adversely classified loans and the volume of non-accrual loans, (viii) changes in the value of underlying collateral for collateral-dependent loans, and (ix) other environmental factors such as regulatory, legal and technological considerations, as well as competition.

In some cases, management may determine that an individual loan exhibits unique risk characteristics which differentiate the loan from other loans within the loan segments. In such cases, the loans are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. Specific reserve allocations of reserves in the allowance for credit losses are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, the relative risk grade of the loan and economic conditions affecting the borrower's industry, among other things. A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. In such cases, expected credit losses are based on the fair value of the collateral at the measurement date, adjusted for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. The fair value of collateral supporting collateral dependent loans is evaluated on a quarterly basis.

The following tables present the activity in the ACL - Loans by portfolio segment for the three and nine months ended September 30, 2023 March 31, 2024 and 2023 (unaudited).

	Three Months Ended September 30, 2023 (unaudited)							
		Real Estate				Consumer		
	Commercial	Single-family	Multi-family	Commercial	Construction	Home equity lines of credit	Other	Total
Allowance for credit losses								
Balances, July 1, 2023	$ 5,339	$ 3,101	$ 949	$ 4,079	$ 2,101	$ 323	$ 68	$ 15,960
Provision of credit losses	1,294	24	136	(251)	(55)	(10)	60	1,198
Recoveries on loans	-	9	-	-	-	2	-	11
Loans charged off	(137)	-	-	-	-	-	-	(137)
Balances, September 30, 2023	$ 6,496	$ 3,134	$ 1,085	$ 3,828	$ 2,046	$ 315	$ 128	$ 17,032

	Nine Months Ended September 30, 2023 (unaudited)								Three Months Ended March 31, 2024 (unaudited)							
		Real Estate				Consumer				Real Estate				Consumer		
	Commercial	Single-family	Multi-family	Commercial	Construction	Home equity lines of credit	Other	Total	Commercial	Single-family	Multi-family	Commercial	Construction	Home equity lines of credit	Other	Total
Allowance for credit losses																
Balances, December 31, 2022	$ 4,764	$ 3,914	$ 997	$ 3,384	$ 2,644	$ 333	$ 26	$ 16,062								
Impact of adoption of ASC 326	877	(958)	66	726	(1,019)	(129)	28	(409)								
Balances, January 1, 2023 Post-ASC 326 adoption	5,641	2,956	1,063	4,110	1,625	204	54	15,653								
Balances, January 1, 2024									$ 5,884	3,371	1,231	4,105	1,707	334	233	16,865
Provision of credit losses	912	147	22	(282)	421	108	74	1,402	1,628	(48)	(84)	193	(428)	(1)	57	1,317
Recoveries on loans	85	31	-	-	-	3	3	122	6	8	-	-	-	2	-	16
Loans charged off	(142)	-	-	-	-	-	(3)	(145)	-	-	-	-	-	-	-	-
Balances, September 30, 2023	$ 6,496	$ 3,134	$ 1,085	$ 3,828	$ 2,046	$ 315	$ 128	$ 17,032								
Balances, March 31, 2024									$ 7,518	$ 3,331	$ 1,147	$ 4,298	$ 1,279	$ 335	$ 290	$ 18,198

(Dollars in thousands, except per share data)

Allowance for Loan and Lease Losses under prior GAAP (Incurred Loss Model)

Prior to the adoption of ASC 326 on January 1, 2023, the Company maintained an allowance for loan and lease losses (ALLL) in accordance with the Incurred Loss Model as disclosed in the Company's 2022 Annual Report on Form 10-K.

The following table presents the activity in the allowance for loan and lease losses (ALLL) by portfolio segment for the three and nine months ended September 30, 2022.

	Three months ended September 30, 2022 (unaudited)							
		Real Estate				Consumer		
	Commercial	Single-family	Multi-family	Commercial	Construction	Home Equity lines of credit	Other	Total
Beginning balance	$ 4,727	$ 3,715	$ 787	$ 3,984	$ 1,894	$ 279	$ 146	$ 15,532
Addition to (reduction in) provision for loan losses	-	-	185	-	-	-	(35)	150
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	2	-	-	-	3	-	5
Ending balance	$ 4,727	$ 3,717	$ 972	$ 3,984	$ 1,894	$ 282	$ 111	$ 15,687

	Three Months Ended March 31, 2023 (unaudited)							
		Real Estate				Consumer		
	Commercial	Single-family	Multi-family	Commercial	Construction	Home equity lines of credit	Other	Total
Allowance for credit losses								
Balances, December 31, 2022	$ 4,764	$ 3,914	$ 997	$ 3,384	$ 2,644	$ 333	$ 26	$ 16,062
Impact of adoption of ASC 326	877	(958)	66	726	(1,019)	(129)	28	(409)
Balances, January 1, 2023 Post-ASC 326 adoption	5,641	2,956	1,063	4,110	1,625	204	54	15,653
Provision of credit losses	(198)	235	(18)	13	54	127	54	267
Recoveries on loans	-	3	-	-	-	-	-	3
Loans charged off	(5)	-	-	-	-	-	(3)	(8)
Balances, March 31, 2023	$ 5,438	$ 3,194	$ 1,045	$ 4,123	$ 1,679	$ 331	$ 105	$ 15,915

	Nine months ended September 30, 2022 (unaudited)							
		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	600	350	145	(1,050)	150	-	(45)	150
Charge-offs	-	-	-	-	-	-	-	-
Recoveries	-	19	-	-	-	10	-	29
Ending balance	$ 4,727	$ 3,717	$ 972	$ 3,984	$ 1,894	$ 282	$ 111	$ 15,687

Determining fair value for collateral dependent loans requires obtaining a current independent appraisal of the collateral and applying a discount factor, which includes selling costs if applicable, to the value. The fair value of real estate is generally based on appraisals by qualified licensed appraisers. The appraisers typically determine the value of the real estate by utilizing an income or market valuation approach. If an appraisal is not available, the fair value may be determined by using a cash flow analysis. The fair value of other collateral such as business assets is typically ascertained by assessing, either singularly or some combination of, asset appraisals, accounts receivable aging reports, inventory listings and or customer financial statements. Both appraised values and values based on borrower's financial information are discounted as considered appropriate based on age and quality of the information and current market conditions.

(Dollars in thousands, except per share data)

The table tables below presents present the amortized cost basis of collateral dependent loans by loan class and their respective collateral types, which are individually evaluated to determine expected credit losses.

	September 30, 2023 (unaudited)				March 31, 2024 (unaudited)			
	Residential Real Estate	Other	Total	Allowance on Collateral Dependent Loans	Residential Real Estate	Other	Total	Allowance on Collateral Dependent Loans
Commercial	$ -	$ 611	$ 611	$ 611	$ -	$3,434	$3,434	$ 2,099
Real estate:								
Single-family residential	92	-	92	-	89	-	89	-
Total	$ 92	$ 611	$ 703	$ 611	$ 89	$3,434	$3,523	$ 2,099

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		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	$ - [(1)]	$ - [(1)]	$ -	$ -	$ -	$ -	$ -	$ -
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

	December 31, 2023			
	Residential Real Estate	Other	Total	Allowance on Collateral Dependent Loans
Commercial	$ -	$ 449	$ 449	$ 44
Real estate:				
Single-family residential	90	-	90	-
Total	$ 90	$ 449	$ 539	$ 44

(1)

Allowance recorded in an amount less than $1 has been rounded down to zero.

The following table presents loans individually evaluated for impairment by class of loans as of December 31, 2022. 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, and deferred loan fees and costs. The table also presents the average recorded investment and accrual basis interest income recognized during the three and nine months ended September 30, 2022. Cash payments of interest during the three and nine months ended September 30, 2022 totaled $5 and $46, respectively.

	As of December 31, 2022			Three months ended September 30, 2022 (unaudited)		Nine months ended September 30, 2022 (unaudited)	
	Unpaid Principal Balance	Recorded Investment	ALLL Allocated	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:							
Commercial:							
Owner occupied	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total with no allowance recorded	-	-	-	-	-	-	-
With an allowance recorded:							
Commercial (1)	371	80	-	112	-	134	1
Real estate:							
Single-family residential (1)	95	95	-	97	1	98	4
Commercial:							
Non-owner occupied	-	-	-	-	-	466	17
Total with an allowance recorded	466	175	-	209	1	698	22
Total	$ 466	$ 175	$ -	$ 209	$ 1	$ 698	$ 22

(1)Allowance The following table presents the recorded investment in an amount less than $1 has been rounded down to zero. non-accrual loans by class of loans at March 31, 2024 (unaudited):

	Non-Accrual Loans	Non-Accrual loans with no Allowance for Credit Losses
Commercial	$ 6,603	$ 235
Real estate:		
Single-family residential	995	995
Consumer:		
Home equity lines of credit:	16	16
Other consumer	281	281
Total nonaccrual loans	$ 7,895	$ 1,527

The following table presents the recorded investment in non-accrual loans by class of loans at September 30, 2023 (unaudited): December 31, 2023.

	Non-Accrual Loans	Non-Accrual loans with no Allowance for Credit Losses
Commercial	$ 3,933	$ 374
Real estate:		
Single-family residential	631	631
Consumer:		
Other consumer	30	30
Total nonaccrual loans	$ 4,594	$ 1,035

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

	December 31, 2022
Loans past due 90 or more days still on accrual	$ -
Nonaccrual loans:	
Commercial	99
Real estate:	
Single-family residential	641
Consumer:	
Home equity lines of credit:	
Originated for portfolio	18
Purchased for portfolio	3
Total nonaccrual	761
Total nonaccrual and nonperforming loans	$ 761

(Dollars in thousands, except per share data)

	Non-Accrual Loans	Non-Accrual loans with no Allowance for Credit Losses
Commercial	$ 5,048	$ 1,658
Real estate:		
Single-family residential	627	627
Consumer:		
Home equity lines of credit:	17	17
Other consumer	30	30
Total nonaccrual loans	$ 5,722	$ 2,332

Nonaccrual loans include both smaller balance single-family mortgage loans, 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 September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023.

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The following table presents the aging of the recorded investment in past due loans and leases by class of loans as of September 30, 2023 March 31, 2024 (unaudited):

	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or more Past Due	Total Past Due	Loans Not Past Due	Nonaccrual Loans < 90 days Past Due	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or more Past Due	Total Past Due	Loans Not Past Due	Nonaccrual Loans Not 90 days or more Past Due
Commercial	$ 419	$ 1,109	$ 284	$ 1,812	$ 426,180	$ 3,649	$376	$ -	$3,669	$4,045	$ 426,504	$ 2,934
Real estate:												
Single-family residential	-	-	563	563	476,468	68	-	-	936	936	474,245	59
Multi-family residential	-	-	-	-	124,802	-	-	-	-	-	128,779	-
Commercial:												
Non-owner occupied	-	-	-	-	188,819	-	-	-	-	-	249,688	-
Owner occupied	-	-	-	-	182,486	-	-	-	-	-	195,858	-
Land	-	-	-	-	21,211	-	-	-	-	-	16,280	-
Construction	-	-	-	-	217,281	-	-	-	-	-	178,398	-
Consumer:												
Home equity lines of credit:	14	-	-	14	35,569	-	4	80	16	100	35,979	-
Other	-	-	30	30	1,571	-	-	251	30	281	2,836	251
Total	$ 433	$ 1,109	$ 877	$ 2,419	$ 1,674,387	$ 3,717	$380	$331	$4,651	$5,362	$1,708,567	$ 3,244

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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 December 31, 2023:

(Dollars in thousands, except per share data)

	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or more Past Due	Total Past Due	Loans Not Past Due	Nonaccrual Loans < 90 days Past Due	30 - 59 Days Past Due	60 - 89 Days Past Due	90 Days or more Past Due	Total Past Due	Loans Not Past Due	Nonaccrual Loans Not 90 days or more Past Due
Commercial	$ 255	$ -	$ 99	$ 354	$ 427,069	$ -	$ 98	$ -	$ 622	$ 720	$ 439,175	$ 4,426
Real estate:												
Single-family residential	966	167	563	1,696	463,361	78	165	372	563	1,100	477,124	64
Multi-family residential	-	-	-	-	104,148	-	-	-	-	-	130,778	-
Commercial:												
Non-owner occupied	-	-	-	-	169,686	-	-	-	-	-	228,548	-
Owner occupied	-	-	-	-	172,698	-	-	-	-	-	183,773	-
Land	-	-	-	-	32,708	-	-	-	-	-	20,705	-
Construction	-	-	-	-	184,122	-	-	-	-	-	190,722	-
Consumer:												
Home equity lines of credit:												
Originated for portfolio	29	-	18	47	30,701	-	97	-	17	114	35,846	-
Purchased for portfolio	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	3	3	1,724	-	-	-	30	30	2,363	-
Total	$ 1,250	$ 167	$ 683	$ 2,100	$ 1,586,217	$ 78	$360	$372	$1,232	$1,964	$1,709,034	$ 4,490

Troubled Debt Restructurings (TDRs):

Prior to the adoption of ASU 2022-02, from time to time, the terms of certain loans were modified as TDRs, where concessions were granted to borrowers experiencing financial difficulties. The modification of the terms of those loans 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, TDRs totaled $175. The Company allocated $0 of specific reserves to loans whose terms had been modified in TDRs as of December 31, 2022. The Company had not committed to lend any additional amounts as of December 31, 2022 to customers with outstanding loans classified as nonaccrual TDRs.

During the three and nine months ended September 30, 2022, there were no loans modified as a TDR.

There were no TDR’s that went into payment default during the quarter ended September 30, 2022. A loan is considered to be in payment default once it is 90 days contractually past due under the modified terms, at which time the loan is re-evaluated to determine whether an impairment loss should be recognized, either through a write-off or specific valuation allowance, so that the loan is reported, net, at the present value of estimated future cash flows, or at the fair value of collateral, less cost to sell, if repayment is expected solely from the collateral.

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, nonaccrual TDRs were as follows:

	December 31, 2022
Commercial	$ 80

Nonaccrual loans at December 31, 2022 did not include $95 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 were included in total impaired loans.

Loan Modifications:

The Company adopted ASU 2022-02 during the first quarter of 2023. This amendment eliminated the TDR recognition and measurement guidance and, instead, required that an entity evaluate (consistent with the accounting for other loan modifications) whether the modification represents a new loan or a continuation of an existing loans. The amendments also enhanced existing disclosure requirements and introduced new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty.

(Dollars in thousands, except per share data)

During the three and nine months ended September 30, 2023 March 31, 2024 and March 31, 2023, the Company modified one commercial loan, totaling $2.9 million, where the borrower was did not modify any loans to borrowers experiencing financial difficulty. The loan was modified to defer principal and interest payments for up to one year. For any period where the payments are deferred, the note will accrue at a higher rate of interest. The loan was not past due during the three and nine months ended September 30, 2023. difficulties.

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 performed at least annually, and more often for loans with higher credit risk. Adjustments to loan risk ratings are made 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, conditions and values, highly questionable and improbable.

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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 primarily groups of homogeneous loans. Past due information is the primary credit indicator for groups of homogenous loans. Loans listed as pass-rated loans 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 or doubtful.

The following table summarizes the risk grading of the Company's loan portfolio by loan class and by year of origination for the years indicated as of September 30, 2023 March 31, 2024. Consumer and Single-family residential loans are not risk graded. For purposes of this disclosure, those loans are classified in the following manner: loans that are 89 days or less past due and accruing are "performing" loans and loans greater than 89 days past due or in nonaccrual are "nonperforming" loans.

	Term Loans (amortized cost basis by origination year)								
(unaudited)	2024	2023	2022	2021	2020	2019	Prior	Revolving loans amortized cost basis	Revolving loans converted to term
Commercial and Industrial									
Pass	$ 23,387 5,747	$ 87,837 32,481	$ 96,210 85,273	$ 46,519 87,262	$ 3,579 44,919	$ 13,070 12,724	$ 146,564 148,832	$ 500 484	$ 417,666 417,722
Special Mention		1,488							1,488
Substandard	-	1,012	7,736	-	90	-	-	-	8,838
Total Commercial and industrial loans	23,387 2,800	90,337 -	103,946 84	46,519	3,669	13,070	146,564	500	427,992
Current period gross charge-offs	-	-	142 2,884						
Substandard	-	-	385	7,560	-	-	50	1,500	9,495
Doubtful	-	-	448	-	-	-	-	-	142 448

Total Commercial	5,747	32,481	86,106	97,622	44,919	12,808	148,882	1,984	430,549
Real estate loans:									
Single-family residential									
Payment performance									
Performing	35,743 3,575	133,221 40,235	234,245 129,604	46,331 230,204	9,740 45,000	17,120 25,568	-	-	476,400 474,186
Nonperforming	-	-	- 372	-	-	631 623	-	-	631 995
Total Single-family residential loans	35,743 3,575	133,221 40,235	234,245 129,976	46,331 230,204	9,740 45,000	17,751 26,191	-	-	477,031 475,181
Multi-family residential									
Pass	21,105 -	8,802 24,833	51,294 8,750	7,339 52,209	15,831 7,283	20,431 35,704	-	-	124,802 128,779
Total Multi-family residential loans	21,105 -	8,802 24,833	51,294 8,750	7,339 52,209	15,831 7,283	20,431 35,704	-	-	124,802 128,779
Commercial:									
Non-owner occupied									
Pass	27,512 11,136	27,303 54,975	48,354 33,976	15,308 69,310	20,277 14,866	48,466	1,092 64,920	-	188,312 -
Special Mention	-	-	-	-	507 -	505	-	-	-
Total Non-owner occupied loans	27,512 11,136	27,303 54,975	48,354 33,976	15,308 69,310	20,784 14,866	48,466	1,092 65,425	-	188,819 -
Owner occupied									
Pass	17,495 3,488	55,577 22,404	50,712 63,456	20,013 49,091	18,962 19,570	18,979	69 37,170	-	181,807 -
Special Mention	-	-	-	-	-	679	-	-	-
Total Owner occupied loans	17,495 3,488	55,577 22,404	50,712 63,456	20,013 49,091	19,641 19,570	18,979	69 37,849	-	182,486 -
Land									
Pass	7,724 2,791	6,510 5,646	6,416 1,564	5,723	-	152	409 556	-	-
Total Land loans	7,724 2,791	6,510 5,646	6,416 1,564	5,723	-	152	409 556	-	-
Construction									
Pass	19,896 5,776	70,592 37,213	100,104 71,024	9,662 60,755	3,630	-	213	16,814 -	-
Total Construction loans	19,896 5,776	70,592 37,213	100,104 71,024	9,662 60,755	3,630	-	213	16,814 -	-
Total Real Estate loans	26,766	185,306	308,746	467,292	90,349	165,725	-	-	1,244,184
Consumer:									
Home equity lines of credit:									
Payment performance									
Performing	-	-	-	-	-	-	33,103 33,377	2,480 2,686	35,583 36,063

(Dollars in thousands, except per share data)

	2023	2022	2021	2020	2019	Prior	Revolving loans amortized cost basis	Revolving loans converted to term	Total
Nonperforming	-	-	-	-	-	-	-	16	16
Total Home equity lines of credit	-	-	-	-	-	-	33,103 33,377	2,480 2,702	35,583 36,079
Other									
Payment performance									-
Performing	-	-	-	13 -	10	211	2,615	-	284 2,836
Nonperforming	1,274 -	-	1,571 -	-	-	-	281	-	281
Total Other consumer loans	-	-	-	-	10	211	2,896	-	3,117
Total loans	$ 32,513	$ 217,787	$ 394,852	$ 564,914	$ 135,278	$ 178,744	$ 185,155	$ 4,686	$ 1,713,929
Total current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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The following table summarizes the risk grading of the Company’s loan portfolio by loan class and by year of origination for the years indicated as of December 31, 2023. Consumer and Single-family residential loans are not risk graded. For purposes of this disclosure, those loans are classified in the following manner: loans that are 89 days or less past due and accruing are “performing” loans and loans greater than 89 days past due or in nonaccrual are “nonperforming” loans.

	Term Loans (amortized cost basis by origination year)								
	2023	2022	2021	2020	2019	Prior	Revolving loans amortized cost basis	Revolving loans converted to term	Total
Commercial									
Pass	$ 32,965	$ 86,433	$ 90,297	$ 45,670	$ 3,189	$ 9,888	$ 159,065	$ 1,078	$ 428,585
Special Mention	-	-	2,807	-	84	-	-	-	2,891
Substandard	-	384	7,537	-	-	-	50	-	7,971
Doubtful	-	448	-	-	-	-	-	-	448
Total Commercial	32,965	87,265	100,641	45,670	3,273	9,888	159,115	1,078	439,895
Current period gross charge-offs	-	564	211	-	-	-	-	-	775
Real estate loans:									
Single-family residential									
Payment performance									
Performing	42,655	131,416	231,379	45,785	9,584	16,778	-	-	477,597
Nonperforming	-	-	-	-	-	627	-	-	627
Total Single-family residential loans	42,655	131,416	231,379	45,785	9,584	17,405	-	-	478,224
Multi-family residential									
Pass	24,839	8,776	53,815	7,311	15,772	20,265	-	-	130,778
Total Multi-family residential loans	24,839	8,776	53,815	7,311	15,772	20,265	-	-	130,778
Commercial:									
Non-owner occupied									
Pass	57,092	27,068	61,990	15,085	20,101	45,725	982	-	228,043

Special Mention	-	-	-	-	505	-	-	-	505
Total Non-owner occupied loans	57,092	27,068	61,990	15,085	20,606	45,725	982	-	228,548
Owner occupied									
Pass	20,353	55,169	50,210	19,775	18,751	18,768	68	-	183,094
Special Mention	-	-	-	-	679	-	-	-	679
Total Owner occupied loans	20,353	55,169	50,210	19,775	19,430	18,768	68	-	183,773
Land									
Pass	7,932	6,037	6,177	-	149	410	-	-	20,705
Total Land loans	7,932	6,037	6,177	-	149	410	-	-	20,705
Construction									
Pass	31,739	78,602	61,435	4,174	-	-	14,772	-	190,722
Total Construction loans	31,739	78,602	61,435	4,174	-	-	14,772	-	190,722
Total Real Estate loans	184,610	307,068	465,006	92,130	65,541	102,573	15,822	-	1,232,750
Consumer:									
Home equity lines of credit:									
Payment performance									
Performing	-	-	-	-	-	-	33,510	2,433	35,943
Nonperforming	-	-	-	-	-	-	-	17	17
Total Home equity lines of credit	-	-	-	-	-	-	33,510	2,450	35,960
Other									
Payment performance									
Performing	-	-	-	12	-	216	2,135	-	2,363
Nonperforming	-	-	-	-	-	-	-	30	30
Total Other consumer loans	-	-	-	13 12	-	284 216	1,274 2,135	30	1,601 2,393
Current period gross charge-offs	-	-	-	-	-	3	-	-	3
Total loans	$ 152,862 217,575	$ 392,342 394,333	$ 595,071 565,647	$ 145,185 137,812	$ 69,817 68,814	$ 119,603 112,677	$ 198,916 210,582	$ 3,010 3,558	$ 1,676,806 1,710,998
Total current period gross charge-offs	$ -	$ - 564	$ 142 211	$ -	$ -	$ 3	$ -	$ -	$ 145 778

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CF BANKSHARES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Dollars in thousands, except per share data)

The recorded investment in loans and leases by risk category and by class of loans and leases as of December 31, 2022 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

(Dollars in thousands, except per share data)

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

Direct Financing Leases:

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

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(unaudited)		(unaudited)	
Total minimum lease payments to be received	$ 16,356	$ 22,533	$ 12,587	$ 14,343
Less: Unearned income	(1,061)	(1,798)	(709)	(863)
Plus: Indirect initial costs	20	33	14	17
Net investment in direct financing leases	$ 15,315	$ 20,768	$ 11,892	$ 13,497

The following summarizes the future minimum lease payments receivable in fiscal year 2023 2024 and in subsequent fiscal years:

2023, excluding the nine months ended September 30, 2023	$ 1,713	
2024	5,953	
2024, excluding the three months ended March 31, 2024		$ 4,277
2025	5,283	5,015
2026	2,805	2,703
2027	552	543
2028		49
Thereafter	50	-
Total future minimum payments	$ 16,356	$12,587

NOTE 5 – 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.

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 2034. All of our leases are classified as operating leases. 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 amount 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. The Company uses the discount 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 September 30, 2023 March 31, 2024, the weighted-average remaining lease term for the Company's operating leases was 9.1 8.8 years and the weighted-average discount rate was 7.34% 7.24%. At December 31, 2023, the weighted-average remaining lease term for the Company's operating leases was 8.9 years and the weighted-average discount rate was 7.21%.

The Company's operating lease costs were $175 and $487 $180 for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $139 and $426 $124 for the three and nine months ended September 30, 2022, respectively. March 31, 2023. The variable lease costs totaled $175 and $548 $191 for the three and nine months ended September 30, 2023, respectively, March 31, 2024 and $86 and $233 $164 for the three and nine months ended September 30, 2022, respectively. March 31, 2023. 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.

(Dollars in thousands, except per share data)

Future minimum operating lease payments as of September 30, 2023 March 31, 2024 are as follows:

2023, excluding the nine months ended September 30, 2023	$ 269	
2024	1,000	
2024, excluding the three months ended March 31, 2024		$ 765
2025	761	820
2026	677	737
2027	627	687
2028		700
Thereafter	4,025	3,407
Total future minimum rental commitments	7,359	7,116
Less - amounts representing interest	(2,143)	(1,989)
Total operating lease liabilities	$ 5,216	$ 5,127

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 – backed 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).

(Dollars in thousands, except per share data)

Impaired loans: The fair value of collateral dependent impaired loans with specific allocations of reserves in the ACL - Loans 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.

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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 if warranted 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 September 30, 2023 using Significant Other Observable Inputs (Level 2)	Fair Value Measurements at March 31, 2024 using Significant Other Observable Inputs (Level 2)
	(unaudited)	(unaudited)
Financial Assets:		
Securities available for sale:		
Corporate debt	$ 7,000	$ 7,100
Issued by U.S. government-sponsored entities and agencies:		
U.S. Treasury	1,473	495
Mortgage-backed securities - residential	7	2
Total securities available for sale	$ 8,480	$ 7,597
Loans held for sale	$ 1,355	$ 2,241
Derivative assets	$ 4,845	$ 4,161
Financial Liabilities:		
Derivative liabilities	$ 4,845	$ 4,161

(Dollars in thousands, except per share data)

	Fair Value Measurements at December 31, 2022 using Significant Other Observable Inputs (Level 2)	Fair Value Measurements at December 31, 2023 using Significant Other Observable Inputs (Level 2)
Financial Assets:		
Securities available for sale:		
Corporate debt	$ 7,500	$ 7,100
Issued by U.S. government-sponsored entities and agencies:		
U.S. Treasury	2,925	988
Mortgage-backed securities - residential	17	4
Total securities available for sale	$ 10,442	$ 8,092
Loans held for sale	$ 580	$ 1,849
Derivative assets	$ 4,233	$ 4,710
Financial Liabilities:		
Derivative liabilities	$ 4,233	$ 4,710

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 September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023. There were no transfers of assets or liabilities measured at fair value between levels during the periods ended September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

There were no assets or liabilities measured at fair value on a non-recurring basis at September 30, 2023 March 31, 2024. Assets and liabilities measured at fair value on a non-recurring basis at December 31, 2022 December 31, 2023 are summarized below:

	Fair Value Measurements at December 31, 2022 Using / Fair Value Measurements at December 31, 2023 Using	Fair Value Measurements at December 31, 2023 Using
	Significant Unobservable Inputs (Level 3)	
Impaired loans:		
Commercial	$ 80	$ 403
Total impaired loans	$ 80	$ 403

There were no write-downs of impaired collateral dependent loans during the nine three months ended September 30, 2023 March 31, 2024 or 2022. 2023.

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, 2023:

	Fair Value	Valuation Technique(s)	Unobservable Inputs	(Range) Weighted Average
Impaired loans:				
Commercial	$ 403	Comparable sales approach	Adjustment for differences between the stated value and net realizable value	10.43%

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

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CF BANKSHARES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Dollars in thousands, except per share data)

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the aggregate fair value, contractual balance and gain or loss on loans held for sale were as follows:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(unaudited)		(unaudited)	
Aggregate fair value	$ 1,355	$ 580	$ 2,241	$ 1,849
Contractual balance	1,355	580	2,241	1,849
Gain (loss)	$ -	$ -	$ -	$ -

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CF BANKSHARES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

The total amount of gains and losses from changes in fair value included in earnings for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 for loans held for sale were:

	Three months ended September 30,		Nine months ended September 30,		Three months ended March 31,	
	2023	2022	2023	2022	2024	2023
	(unaudited)		(unaudited)		(unaudited)	
Interest income	$ 10	$ -	$ 23	$ 165	$ 28	$ 3
Interest expense	-	-	-	-	-	-
Change in fair value	-	-	-	(356)	-	-
Total change in fair value	$ 10	$ -	$ 23	$ (191)	$ 28	$ 3

The carrying amounts and estimated fair values of financial instruments at September 30, 2023 March 31, 2024 were as follows:

	Fair Value Measurements at September 30, 2023 Using:					Fair Value Measurements at March 31, 2024 Using:				
(unaudited)	Carrying Value	Level 1	Level 2	Level 3	Total	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets										
Cash and cash equivalents	$ 229,763	$ 229,763	$ -	$ -	$ 229,763	$ 236,892	$ 236,892	$ -	$ -	$ 236,892
Interest-bearing deposits in other financial institutions	100	100	-	-	100	100	100	-	-	100
Securities available for sale	8,480	-	8,480	-	8,480	7,597	-	7,597	-	7,597
Equity Securities	5,000	-	5,000	-	5,000					
Equity securities						5,000	-	5,000	-	5,000
Loans held for sale	1,355	-	1,355	-	1,355	2,241	-	2,241	-	2,241
Loans and leases, net	1,659,774	-	-	1,615,539	1,615,539	1,695,731	-	-	1,661,501	1,661,501
FHLB and FRB stock	8,499	n/a	n/a	n/a	n/a	8,491	n/a	n/a	n/a	n/a
Accrued interest receivable	9,225	278	125	8,822	9,225	9,198	320	186	8,692	9,198

(Dollars in thousands, except per share data)

Derivative assets	4,845	-	4,845	-	4,845	4,161	-	4,161	-	4,161
Financial liabilities										
Deposits	$ (1,684,993)	$ (1,037,736)	$ (639,030)	$ -	$ (1,676,766)	$(1,723,070)	$(1,064,255)	$(654,738)	$ -	$(1,718,993)
FHLB advances and other borrowings	(109,987)	-	(105,280)	-	(105,280)	(111,004)	-	(108,839)	-	(108,839)
Advances by borrowers for taxes and insurance	(1,737)	-	-	(1,737)	(1,737)	(1,093)	-	-	(1,093)	(1,093)
Subordinated debentures	(14,951)	-	(14,712)	-	(14,712)	(14,971)	-	(17,249)	-	(17,249)
Accrued interest payable	(2,503)	-	(2,503)	-	(2,503)	(3,332)	-	(3,332)	-	(3,332)
Derivative liabilities	(4,845)	-	(4,845)	-	(4,845)	(4,161)	-	(4,161)	-	(4,161)

The carrying amounts and estimated fair values of financial instruments at December 31, 2022 December 31, 2023 were as follows:

	Fair Value Measurements at December 31, 2022 Using:					Fair Value Measurements at December 31, 2023 Using:				
	Carrying Value	Level 1	Level 2	Level 3	Total	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets										
Cash and cash equivalents	$ 151,787	$ 151,787	$ -	$ -	$ 151,787	$ 261,595	$ 261,595	$ -	$ -	$ 261,595
Interest-bearing deposits in other financial institutions	100	100	-	-	100	100	100	-	-	100
Securities available for sale	10,442	-	10,442	-	10,442	8,092	-	8,092	-	8,092
Equity Securities	5,000	-	5,000	-	5,000					
Equity securities						5,000	-	5,000	-	5,000
Loans held for sale	580	-	580	-	580	1,849	-	1,849	-	1,849
Loans and leases, net	1,572,255	-	-	1,542,796	1,542,796	1,694,133	-	-	1,670,885	1,670,885
FHLB and FRB stock	7,942	n/a	n/a	n/a	n/a	8,482	n/a	n/a	n/a	n/a
Accrued interest receivable	8,067	70	176	7,821	8,067	9,210	171	125	8,914	9,210
Other assets held for sale	1,930	-	-	1,930	1,930					
Derivative assets	4,233	-	4,233	-	4,233	4,710	-	4,710	-	4,710
Financial liabilities										
Deposits	$ (1,527,922)	$ (969,797)	$ (545,871)	$ -	$ (1,515,668)	$(1,744,057)	$(1,080,605)	$(659,492)	$ -	$(1,740,097)
FHLB advances and other borrowings	(109,461)	-	(105,715)	-	(105,715)	(109,995)	-	(108,294)	-	(108,294)
Advances by borrowers for taxes and insurance	(3,513)	-	-	(3,513)	(3,513)	(2,179)	-	-	(2,179)	(2,179)
Subordinated debentures	(14,922)	-	(14,621)	-	(14,621)	(14,961)	-	(17,345)	-	(17,345)
Accrued interest payable	(840)	-	(840)	-	(840)	(2,680)	-	(2,680)	-	(2,680)
Derivative liabilities	(4,233)	-	(4,233)	-	(4,233)	(4,710)	-	(4,710)	-	(4,710)

NOTE 7 – 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 (which is classified as a 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.

(Dollars in thousands, except per share data)

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.

Prior to July 1, 2023, the subordinated debentures had a variable rate of interest, which reset quarterly, equal to the three-month London Interbank Offered Rate (LIBOR) plus 2.85%. At December 31, 2022 the rate was 7.58%. Effective July 1, 2023, the rate of interest on the subordinated debentures resets quarterly to the three-month Secured Overnight Financing Rate (SOFR) plus 3.112%, which was 8.39% 8.41% at September 30, 2023 March 31, 2024 and 8.44% at December 31, 2023.

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. After payment of approximately $388 of debt issuance costs, the Holding Company's net proceeds were approximately $9,612.

The subordinated notes initially bear bore 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

December 30, 2028 or the earlier redemption of the notes, the interest rate will reset resets quarterly to an interest rate equal to the then current three-month SOFR (but not less than zero) plus 4.402%, 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. At September 30, 2023 March 31, 2024, the balance of the subordinated notes, net of unamortized debt issuance costs, was $9,796. $9,816.

NOTE 8 – FHLB ADVANCES AND OTHER DEBT

Federal Home Loan Bank ("FHLB") advances and other debt were as follows:

	Weighted Average Rate	September 30, 2023 (unaudited)	December 31, 2022	Weighted Average Rate	March 31, 2024 (unaudited)	December 31, 2023
FHLB fixed rate advances:						
Maturities:						
2023		$ -	$ 3,500			
2024	1.46%	18,500	18,500	1.46%	$ 18,500	$ 18,500
2026	1.45%	16,000	16,000	1.45%	16,000	16,000
2027	3.88%	12,500	12,500	3.88%	12,500	12,500
2028	1.69%	17,000	-	1.69%	17,000	17,000
Thereafter	3.94%	12,500	29,500			
2029				3.94%	12,500	12,500
Total FHLB fixed rate advances		$ 76,500	$ 80,000		$ 76,500	$ 76,500
Variable rate other debt:						
Holding Company credit facility	3.85%	33,487	29,461	3.85%	34,504	33,495
Total		$ 109,987	$ 109,461		$ 111,004	$ 109,995

Each FHLB advance is payable at its maturity date, with a prepayment penalty for fixed-rate advances.

Prior to May 21, 2021, the The Holding Company had has a term loan in the original principal amount of $5,000 with an additional $10,000 revolving line-of-credit $35,000 credit facility with a third-party bank. That credit facility was refinanced into a new $35 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 3.25%. 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. At September 30, 2023 March 31, 2024, the Company had an outstanding balance, net of unamortized debt issuance costs, of $33,487 $34,504 on the facility.

At September 30, 2023 March 31, 2024, 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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. 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.

There were no outstanding borrowings with the Federal Reserve Bank ("FRB") at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

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CF BANKSHARES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share data)

NOTE 9 – STOCK-BASED COMPENSATION

The Company has two a stock-based compensation plans (collectively, the "Plans"), plan, 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 the plan totaled $294 and $875, respectively, $233 for the three and nine months ended September 30, 2023 March 31, 2024 and $246 and $648, respectively, $283 for the three and nine months ended September 30, 2022 March 31, 2023. The total income tax effect was $62 and $184, respectively, $49 for the three and nine months ended September 30, 2023 March 31, 2024 and $52 and $136, respectively, $59 for the three and nine months ended September 30, 2022 March 31, 2023.

Both Plans are stockholder-approved plans and authorize stock options, restricted stock and certain other types of incentive 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 were later forfeited or expired 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, and replaced the Company's 2009 Equity Compensation Plan (the "2009" Plan"). The 2019 Plan, 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 76,330 69,262 shares remaining available for awards under the 2019 Plan at September 30, 2023 March 31, 2024.

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CF BANKSHARES INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(Dollars in thousands, except per share data)

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.

(Dollars in thousands, except per share data)

There were no options granted during the nine months ended September 30, 2023 and September 30, 2022 outstanding at March 31, 2024. There were 5,635 options exercised during the nine months ended September 30, 2023 and 18,180 options exercised during the nine months ended September 30, 2022.

A summary of stock option activity in the Plans for the nine months ended September 30, 2023 follows (unaudited):

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Intrinsic Value
Outstanding at beginning of year	11,089	$ 7.63		
Exercised	(5,635)	7.71		
Expired	-	-		
Cancelled or forfeited	-	-		
Outstanding at end of period	5,454	$ 7.54	0.1	$ 50
Exercisable at end of period	5,454	$ 7.54	0.1	$ 50

There were no stock options canceled, forfeited or expired granted during the nine three months ended September 30, 2023 or March 31, 2024 and March 31, 2023. There were no options exercised during the nine three months ended September 30, 2022 March 31, 2024 and March 31, 2023. As of September 30, 2023, all outstanding stock options granted under the Plans were vested.

Restricted Stock Awards:

The Plans 2019 Plan also permit permits 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 year to three years. There were 59,784 7,068 shares of restricted stock granted under the 2019 Plan during the nine three months ended September 30, 2023 March 31, 2024. There were 69,648 58,784 shares of restricted stock granted during the nine three months ended September 30, 2022 March 31, 2023.

A summary of changes in the Company's nonvested restricted stock awards as of September 30, 2023 March 31, 2024 follows (unaudited):

Nonvested Shares	Shares	Weighted Average Grant-Date Fair Value	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2023	112,413	$ 19.35		
Nonvested at January 1, 2024			119,026	$ 19.99
Granted	59,784	20.15	7,068	21.85
Vested	(46,967)	18.60	(47,908)	19.36
Forfeited	(6,204)	20.32	-	-
Nonvested at September 30, 2023	119,026	$ 19.99		
Nonvested at March 31, 2024			78,186	$ 20.55

As of September 30, 2023 March 31, 2024 and 2022, 2023, the unrecognized compensation cost related to nonvested restricted stock awards granted under the Plans 2019 Plan was $1,678 $1,303 and $1,731, $2,337, respectively.

There were 6,204 no shares of restricted stock forfeited during the nine three month period ended September 30, 2023 March 31, 2024, and 6,431 2,170 shares of restricted stock forfeited during the nine three months ended September 30, 2022 March 31, 2023. There were 46,967 47,908 shares of restricted stock that vested during the nine three months ended September 30, 2023 March 31, 2024, and 30,187 31,177 shares of restricted stock that vested during the nine three months ended September 30, 2022 March 31, 2023.

NOTE 10 – REGULATORY CAPITAL MATTERS

(Dollars in thousands, except per share data)

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.

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In July 2013, the Holding Company's primary federal regulator, the Board of Governors of the Federal Reserve System (the "Federal Reserve"), 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. 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 consists of an additional amount of common equity equal to 2.5% of risk-weighted assets. 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%.

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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.

The following tables present actual and required capital ratios as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023 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		To Be Well Capitalized Under Applicable Regulatory Capital Standards		Actual		Minimum Capital Required-Basel III		To Be Well Capitalized Under Applicable Regulatory Capital Standards	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2023 (unaudited)												
March 31, 2024												
Total Capital to risk weighted assets	$ 209,827	13.36%	$ 164,926	10.50%	$ 157,072	10.00%	$220,286	13.50%	$171,336	10.50%	$163,177	10.00%
Tier 1 (Core) Capital to risk weighted assets	191,893	12.22%	133,511	8.50%	125,658	8.00%	200,847	12.31%	138,700	8.50%	130,541	8.00%
Common equity tier 1 capital to risk-weighted assets	191,893	12.22%	109,951	7.00%	102,097	6.50%	200,847	12.31%	114,224	7.00%	106,065	6.50%

(Dollars in thousands, except per share data)

Tier 1 (Core) Capital to adjusted total assets (Leverage ratio)	191,893	9.83%	78,091	4.00%	97,614	5.00%	200,847	10.05%	79,936	4.00%	99,920	5.00%

	Actual		Minimum Capital Required-Basel III		To Be Well Capitalized Under Applicable Regulatory Capital Standards		Actual		Minimum Capital Required-Basel III		To Be Well Capitalized Under Applicable Regulatory Capital Standards	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2022												
December 31, 2023												
Total Capital to risk weighted assets	$ 193,294	12.74%	$ 159,364	10.50%	$ 151,775	10.00%	$215,164	13.30%	$169,909	10.50%	$161,818	10.00%
Tier 1 (Core) Capital to risk weighted assets	176,828	11.65%	129,009	8.50%	121,420	8.00%	196,977	12.17%	137,546	8.50%	129,455	8.00%
Common equity tier 1 capital to risk-weighted assets	176,828	11.65%	106,243	7.00%	98,654	6.50%	196,977	12.17%	113,273	7.00%	105,182	6.50%
Tier 1 (Core) Capital to adjusted total assets (Leverage ratio)	176,828	9.89%	71,502	4.00%	89,377	5.00%	196,977	9.76%	80,727	4.00%	100,908	5.00%

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CFBank converted from a mutual to a stock institution in 1998, and a “liquidation account” was established in the amount 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 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 12 - *Income Taxes*.

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NOTE 11 – DERIVATIVE INSTRUMENTS

Interest-rate swaps:

The Bank enters into interest rate swaps with certain qualifying commercial loan customers to meet their interest rate risk management needs. The Bank simultaneously enters into interest rate swaps with dealer counterparties, with identical notional amounts and offsetting terms. The net result of these interest rate swaps is that the customer pays a fixed rate of interest and the Bank receives a floating rate. These back-to-back loan swaps are derivative financial instruments and are reported at fair value in “accrued interest receivable and other assets" and "accrued interest payable and other liabilities" in the Consolidated Balance Sheets. Changes in the fair value of loan swaps are recorded in other noninterest income and sum to zero because of the offsetting terms of swaps with borrowers and swaps with dealer counterparties.

(Dollars in thousands, except per share data)

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 $73,320 $81,327 at September 30, 2023 March 31, 2024 and $42,177 $81,858 at December 31, 2022 December 31, 2023.

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 September 30, 2023 March 31, 2024, CFBank had $2,859 $3,431 in cash pledged as collateral for these derivatives. Should the liability increase beyond the collateral value, CFBank will 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 September 30, 2023, March 31, 2024 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.

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Summary information about the derivative instruments is as follows:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(unaudited)		(unaudited)	
Notional amount	$ 73,320	$ 42,177	$ 81,327	$ 81,858
Weighted average pay rate on interest-rate swaps	5.21%	4.34%	5.37%	5.36%
Weighted average receive rate on interest-rate swaps	7.69%	6.21%	7.79%	7.80%
Weighted average maturity (years)	8.9	7.7	8.0	8.2
Fair value of derivative asset	$ 4,845	$ 4,233	$ 4,161	$ 4,710
Fair value of derivative liability	(4,845)	(4,233)	(4,161)	(4,710)

The fair value of the yield maintenance provisions and interest-rate swaps is recorded in Accrued interest receivable and other assets and Accrued interest payable and other liabilities, respectively, in the Consolidated Balance Sheets. 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 for the nine months ended September 30, 2023 or 2022.

Mortgage banking derivatives:

Mortgage banking activities include two types of commitments: rate lock commitments and forward loan sales 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 to 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 a forward loan sales contract under best efforts. 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 our 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. The Company had $3,942 $7,947 of interest lock commitments related to residential mortgage loans at September 30, 2023 March 31, 2024 and approximately $3,940 $5,345 of interest rate lock commitments related to residential mortgage loans at December 31, 2022 December 31, 2023. The fair value of these interest lock commitments was immaterial at September 30, 2023 March 31, 2024 and December 31, 2022.

Mortgage banking activities included two types of commitments: rate lock commitments and forward loan commitments. Rate lock commitments were loans in our pipeline that had an interest rate locked with the customer. The commitments were generally for periods of 30-60 days and were at market rates. In order to mitigate the effect of the interest rate risk inherent in providing rate lock commitments, we economically hedged 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 no TBA mortgage-backed securities at September 30, 2023 and December 31, 2022 December 31, 2023.

The following table reflects the amount and market value of mortgage banking derivatives included in the Consolidated Balance Sheets as of the period end (in thousands):

	September 30, 2023		December 31, 2022		March 31, 2024		December 31, 2023	
	(unaudited)				(unaudited)			
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
Assets (Liabilities):								
Interest rate commitments	$ 3,942	$ -	$ 3,940	$ -	$ 7,947	$ -	$ 5,345	$ -

The following table represents the notional amount of loans sold during the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (unaudited):

	Three Months ended September 30,		Nine Months ended September 30,	
	2023	2022	2023	2022
Notional amount of loans sold	$ 3,646	$ -	$ 8,809	$ 94,548

	Three Months ended March 31,	
	2024	2023
Notional amount of loans sold	$ 9,037	$ 1,991

The following table represents the revenue gain (loss) recognized on mortgage activities for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 (unaudited):

	Three Months ended September 30,		Nine Months ended September 30,		Three Months ended March 31,	
	2023	2022	2023	2022	2024	2023
Gain (loss) on loans sold	48	-	85	(42)	90	(3)
Gain (loss) from change in fair value of loans held-for-sale	-	-	-	(356)	-	-
Gain from change in fair value of derivatives	-	-	-	1,076		
	$ 48	$ -	$ 85	$ 678	$ 90	$ (3)

NOTE 12 – INCOME TAXES

At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, the Company had a deferred tax asset recorded in the amount of approximately $4,637 $4,219 and $4,330, $3,942, respectively. At September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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. 2020.

(Dollars in thousands, except per share data)

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 September 30, 2023 March 31, 2024 that no valuation allowance was required against the net deferred tax asset.

In 2012, the Company completed a recapitalization program pursuant to which the Holding Company sold $22,500 in common stock, which 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 September 30, 2023 March 31, 2024, the Company had net operating loss carryforwards of $22,089, $21,927, which expire at various dates from 2024 to 2032. 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 is more likely than not that $20,520 of net operating loss carryforwards will expire unutilized. As required by ASC 740, 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. ASC 740 does not require a deferred tax liability to be recorded on this amount, which otherwise would have totaled $473 at September 30, 2023 March 31, 2024. 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.

The Company records income tax expense based on the federal statutory rate adjusted for the effect of low income housing credits, bank owned life insurance, dividends on equity securities and other miscellaneous items. The effective tax rate was approximately 19.6% and 19.7%, respectively, 18.5% for the three and nine months ended September 30, 2023 March 31, 2024 and 19.4% and 19.2%, respectively, 19.5% for the three and nine months ended September 30, 2022 March 31, 2023, which management believes were reasonable estimates for the effective tax rates for such periods.

The following table summarizes the major components creating differences between income taxes at the federal statutory tax rate and the effective tax rate recorded in the Consolidated Statements of Income for the three and nine months ended September 30, 2023 March 31, 2024 and 2022: 2023:

	For the three months ended September 30,		For the nine months ended September 30,		For the three months ended March 31,	
	2023	2022	2023	2022	2024	2023
	(unaudited)		(unaudited)		(unaudited)	
Statutory tax rate	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Increase (decrease) resulting from:						
Restricted stock	0.0%	0.0%	0.0%	(0.3%)	(0.5%)	(0.3%)
Tax exempt earnings on bank owned life insurance	(0.7%)	(0.6%)	(0.6%)	(0.6%)	(1.1%)	(0.6%)
Dividends on equity securities	(0.2%)	(0.2%)	(0.2%)	(0.2%)	(0.3%)	(0.2%)
Low income housing credits	(0.5%)	(0.9%)	(0.5%)	(0.8%)	(0.7%)	(0.5%)
Other, net	0.0%	0.1%	0.0%	0.1%	0.1%	0.1%
Effective tax rate	19.6%	19.4%	19.7%	19.2%	18.5%	19.5%

NOTE 13- ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table summarizes the changes within each classification of accumulated other comprehensive loss, net of tax, for the three and nine months ended September 30, 2023 March 31, 2024 and 2022 2023 and summarizes the significant amounts reclassified out of each component of accumulated other comprehensive loss:

Changes in Accumulated Other Comprehensive Loss by Component [1]

	Three months ended September 30, 2023	Three months ended September 30, 2022	Nine months ended September 30, 2023	Nine months ended September 30, 2022	Three months ended March 31, 2024	Three months ended March 31, 2023
	(unaudited)		(unaudited)		(unaudited)	
	Unrealized Gains and (Losses) on Available-for-Sale Securities		Unrealized Gains and (Losses) on Available-for-Sale Securities		Unrealized Gains and (Losses) on Available-for-Sale Securities	
Accumulated other comprehensive loss, beginning of period	$ (2,401)	$ (1,437)	$ (2,037)	$ (170)	$ (2,290)	$ (2,037)
Other comprehensive gain (loss) before reclassifications [2]	17	(217)	(347)	(1,484)	9	(216)
Net current-period other comprehensive gain (loss)	17	(217)	(347)	(1,484)	9	(216)
Accumulated other comprehensive loss, end of period	$ (2,384)	$ (1,654)	$ (2,384)	$ (1,654)	$ (2,281)	$ (2,253)

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

NOTE 14- PREFERRED STOCK

Series D Preferred Stock:

On February 6, 2024, the Company issued an aggregate of 2,000 shares of its newly-designated series of non-voting convertible perpetual preferred stock, series D, par value $0.01 per share (the “Series D Preferred Stock”) to an existing stockholder of the Company in exchange for 200,000 shares of (Voting) Common Stock.

Each share of Series D Preferred Stock will be convertible either (i) automatically into 100 shares of the Company’s Non-Voting Common Stock if and when the Company’s shareholders approve an amendment to the Company’s Certificate of Incorporation to increase the number of authorized shares of Non-Voting Common Stock to permit the conversion of all outstanding shares of Series D Preferred Stock into shares of Non-Voting Common Stock (which shareholder approval and amendment the Company may, but is not obligated, to seek); (ii) unless previously converted into shares of Non-Voting Common Stock, into 100 shares of (Voting) Common Stock at the request of the holder, provided that upon such conversion the holder, together with all affiliates of the holder, will not own or control in aggregate more than 9.9% of the outstanding (Voting) Common Stock (or of any class of voting securities issued by the Company); or (iii) unless previously converted into shares of Non-Voting Common Stock, into 100 shares of (Voting) Common Stock upon transfer of such shares of Series D Preferred Stock to a non-affiliate of the holder in specified permitted transactions. The holders of Series D Preferred Stock are not entitled to any liquidation preferences. The holders of Series D Preferred Stock participate with common shareholders pro rata in dividends on an as-converted basis.

NOTE 15- 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 Columbus, 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. The sale of the building was completed in May 2023.

(Dollars in thousands, except per share data)

NOTE 16- TAX CREDIT INVESTMENTS

The Company has investments in various limited partnerships that sponsor affordable housing projects and federal historic projects. The purpose of the investments is to earn an adequate return of capital through the receipt of tax credits and to assist the Company in achieving goals associated with the Community Reinvestment Act. These investments are included in other assets on the Consolidated Balance Sheet, with any unfunded commitments included in other liabilities. The investments are amortized as a component of income tax expense.

The following table summarizes the Company's tax credit investments as of March 31, 2024 and December 31, 2023.

	March 31, 2024		December 31, 2023	
Investment Type	Investment	Unfunded Commitment	Investment	Unfunded Commitment
Low Income Housing Tax Credit (LIHTC)	$ 20,225	$ 12,226	$ 15,578	$ 10,539
Historic Tax Credit (HTC)	2,025	1,573	2,025	1,573
Total	$ 22,250	$ 13,799	$ 17,603	$ 12,112

The following table summarizes the amortization expense and tax credits recognized for the Company's tax credit investments for the three months ended March 31, 2024 and 2023, respectively:

	Three Months Ended March 31,	
Amortization expense	2024	2023
LIHTC	$ 353	$ 130
HTC	-	-
Total	$ 353	$ 130
Tax credits recognized		
LIHTC	$ 355	$ 130
HTC	-	-
Total	$ 355	$ 130

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FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and other reports and materials we have filed or may file with the Securities and Exchange Commission ("SEC") contain or may contain forward-looking statements within the meaning of the safe harbor provisions of the U.S. Private Securities Reform Act of 1995, 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 common share, 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 detailed from time to time in our reports filed with the SEC, including those identified in "Item 1A. Risk Factors" of Part I of our Annual Report on Form 10-K filed with SEC for the year ended December 31, 2022, as supplemented by "Item 1A. Risk Factors" of Part II of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 December 31, 2023.

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 quarterly report speak only as of the date of the report. 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 status with the Federal Reserve Board (the “Federal Reserve”). 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. services presence. In all of our 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 is differentiated seeks to differentiate itself from its competitors by our penchant for 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. CFBank also offers its clients the convenience of online banking, mobile banking and remote deposit capabilities.

Most of our deposits and loans come from our market area. Our principal market area for deposits and loans includes the following counties in Ohio and Indiana: Franklin County, Ohio through our offices in Columbus, Ohio (formerly located in Worthington, Ohio until March 1, 2023); Ohio; Delaware County, Ohio through our Polaris office in Columbus, Ohio; Cuyahoga County, Ohio through our office in Woodmere, Ohio and our Ohio City office in Cleveland, Ohio; Summit County, Ohio through our office in Fairlawn, Ohio; Hamilton County, Ohio 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.

CECL Implementation. Recent Regulatory Developments. In June 2016, March 2024, CFBank’s primary federal regulator, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13 “Financial Instruments – Credit Losses (Topic 326): Measurement OCC, publicly released its Community Reinvestment Act (CRA) rating of Credit Losses on Financial Instruments.” This ASU requires “Needs to Improve” for CFBank as a new Current Expected Credit Losses (“CECL”) methodology that replaces the previous "incurred loss" model for measuring credit losses, which encompassed allowances for current known and inherent losses within the portfolio. CECL provides for an "expected loss" model for measuring credit losses, which encompasses allowances for losses expected to be incurred over the life result of the portfolio. OCC’s regularly scheduled evaluation covering 2020 through 2022. The new CECL model requires Company believes that 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 “Needs to better inform their credit loss estimates. Many of the loss estimation techniques applied historically are still permitted, although the inputs Improve” rating was primarily attributable to those techniques will reflect the full amount of expected credit losses. Organizations continue to use judgment to determine which loss estimation method is appropriate for their circumstances. ASU 2016-13 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, ASU 2016-13 amended the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 was effective for the Company on January 1, 2023.

The CECL methodology required under ASU 2016-13 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 allowance for credit losses: 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 was utilized as the historical loss period due to its inclusion of several economic cycles and relevance to real estate secured assets.

Upon implementation of ASU 2016-13, the expected loss estimate is 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 Company’s adoption of ASU 2016-13 effective January 1, 2023 was a one-time cumulative-effect adjustment increasing our reserves for loans and unfunded commitments by $49,000.

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 allowance for loan and lease losses (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.

COVID-19 Pandemic. 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 Federal Reserve's Paycheck Protection Program Liquidity Facility ("PPPLF"), which carried a low interest rate of 0.35%. At September 30, 2023 and December 31,2022, there were no loans pledged as collateral and all PPPLF borrowings were paid off. CFBank's loans outstanding through the PPP totaled $0 at September 30, 2023 and $50,000 at December 31, 2022. PPP loans are given a zero risk-weight in regulatory risk-based capital ratios. Also, to the extent the PPP loans were funded through the PPPLF, they were also excluded from average assets for purposes of calculating CFBank's regulatory leverage ratio. During the pandemic, CFBank also granted payment deferrals on loans totaling approximately $100 million (or approximately 12% of outstanding loan balances). At September 30, 2023, 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 legacy direct-to-consumer residential mortgage loans. In response, the Company business. Beginning in 2021, CFBank strategically scaled down and repositioned its Residential Mortgage Business residential mortgage business and exited the direct-to-consumer mortgage business in favor of portfolio lending in our regional markets markets. The Company believes that this change in our residential mortgage business and focus, together with servicing retained. Our Commercial Banking Business continues changes in our branch network and other actions taken since 2021, have remediated these legacy issues. While CFBank's CRA rating remains "Needs to experience strong growth Improve," the Company is subject to additional requirements and has become the primary driver conditions with respect to certain activities, including acquisitions of our earnings and performance. mergers with other financial institutions and commencement of new activities. CFBank's next CRA evaluation is expected to commence in 2026.

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 credit 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 credit losses on loans and leases. 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 included in this Quarterly Report on Form 10-Q.

Financial Condition

General. Assets totaled $2.0 billion at September 30, 2023 March 31, 2024 and increased $172.3 million decreased $19.1 million, or 9.5% 0.9%, from $1.8 billion $2.1 billion at December 31, 2022 December 31, 2023. The increase decrease was primarily due to a $78.0 million increase $24.7 million decrease in cash and cash equivalents and an $87.5 million increase in net loan balances. equivalents.

Cash and cash equivalents. Cash and cash equivalents totaled $229.8 million $236.9 million at September 30, 2023 March 31, 2024, and increased $78.0 million decreased $24.7 million, or 51.4% 9.4%, from $151.8 million $261.6 million at December 31, 2022 December 31, 2023. The increase decrease in cash and cash equivalents was primarily attributed to an increase a decrease in net deposit balances, partially offset by increases in net loan balances.

Securities. Securities available for sale totaled $8.5 million $7.6 million at September 30, 2023 March 31, 2024, and decreased $1.9 million, $495,000, or 18.8% 6.1%, compared to $10.4 million $8.1 million at December 31, 2022 December 31, 2023. The decrease was due to principal maturities and unrealized losses. maturities.

Loans held for sale. Loans held for sale totaled $1.4 million $2.2 million at September 30, 2023 March 31, 2024, and increased $775,000, $392,000, or 133.6% 21.2%, from $580,000 $1.8 million at December 31, 2022 December 31, 2023.

Loans and Leases. Net loans and leases totaled $1.7 billion at September 30, 2023 March 31, 2024, and increased $87.5 million $1.6 million, or 5.6% 0.1%, from $1.6 billion $1.7 billion at December 31, 2022 December 31, 2023. The increase in net loans and leases from December 31, 2022 December 31, 2023 was primarily due to a $33.2 million increase in construction loan balances, a $20.7 million increase in multi-family loan balances, a $17.4 million $28.8 million increase in commercial real estate loan balances, partially offset by a $12.0 million increase $12.3 million decrease in construction loan balances, a $9.3 million decrease in commercial loan balances, a $3.0 million decrease in single-family residential loan balances, and a $4.8 million increase $2.0 million decrease in home equity lines of credit. multi-family loan balances. The increases in the aforementioned loan balances were primarily related to increased sales activity and new relationships. The decrease in construction loan balances was primarily related to loans that were converted to permanent loans upon the completion of construction.

Allowance for Credit Losses on Loans. The allowance for credit losses on loans ("ACL – Loans") totaled $17.0 million $18.2 million at September 30, 2023 March 31, 2024, and increased $970,000, $1.3 million, or 6.0% 7.9%, from $16.1 million $16.9 million at December 31, 2022 December 31, 2023. The increase in the ACL - Loans is due to $1.4 million $1.3 million in loan provision expense partially offset by a $409,000 reduction attributable to a one-time "Day 1" adjustment upon adoption of CECL coupled with $16,000 in recoveries on January 1, 2023 and $23,000 in net charge-offs charged off loans during the nine three months ended September 30, 2023 March 31, 2024. The increase in the ACL – Loans was primarily driven by reserves placed on two an individually evaluated loans, loan, which were was also placed on nonaccrual status during the quarter ended September 30, 2023 March 31, 2024. The ratio of the ACL - Loans to total loans was 1.02% 1.06% at September 30, 2023 March 31, 2024, compared to 1.01% 0.99% at December 31, 2022 December 31, 2023.

The ACL - Loans is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on loans over the contractual term. Loans are charged off against the allowance when the uncollectibility of the loan is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off. Adjustments to the ACL- Loans are reported in the income statement as a component of provision for credit loss. The Company has made the accounting policy election to exclude accrued interest receivable on loans from the estimate of credit losses. Further information regarding the policies and methodology used to estimate the ACL - Loans is detailed in Note 1 – *Summary of Significant Accounting Policies* and Note 4 - *Loans and Leases* to the Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.

Individually evaluated loans totaled $3.7 million $6.4 million at September 30, 2023 March 31, 2024, and increased $3.5 million $2.9 million, or 1982.0% 85.0%, from $175,000 $3.5 million at December 31, 2022 December 31, 2023. The increase was primarily due to two newly identified commercial loans during the third first quarter 2023 2024 totaling $3.6 million $3.0 million, partially offset by one commercial loan returning to collectively evaluated and principal payments during the nine months ended September 30, 2023. payments. The amount of the ACL - Loans specifically calculated for individually evaluated loans totaled $1.3 million $2.7 million at September 30, 2023 March 31, 2024 and $176 $697,000 at December 31, 2022 December 31, 2023.

The reserve on individually evaluated 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 individually evaluated loan to determine whether it should have a 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 reserve, as the ultimate liquidation of the collateral and/or projected cash flows may be different from management's estimates.

Nonperforming loans, which are include nonaccrual loans and loans at least 90 days past due but still accruing interest, totaled $4.6 million $7.9 million at September 30, 2023 March 31, 2024, and increased $3.8 million $2.2 million from $761,000 $5.7 million at December 31, 2022 December 31, 2023. The increase in nonaccrual loans was primarily driven by the two one commercial loans noted above, loan, totaling $3.6 million $1.5 million, a commercial equipment lease, totaling $62,000, a single-family residential loan, totaling $372,000, and a consumer loan totaling $251,000, becoming nonaccrual during the third first quarter of 2023, partially offset by one commercial loan and one consumer loan being charged off and payoffs on nonperforming loans during the nine months ended September 30, 2023. 2024. The ratio of nonperforming loans to total loans was 0.27% 0.46% at September 30, 2023 March 31, 2024 compared to 0.05% 0.33% at December 31, 2022 December 31, 2023.

The Company adopted ASU 2022-02, *Financial Instruments- Credit Losses (Topic 326): Troubled Debt Restructuring and Vintage Disclosures*, during the first quarter of 2023. This amendment eliminated the Troubled Debt Restructuring ("TDR") recognition and measurement guidance and, instead, required that an entity evaluate (consistent with the accounting for other loan modifications) whether the modification represents a new loan or a continuation of an existing loans. The amendments also enhanced existing disclosure requirements and introduced new requirements related to certain modifications of receivables made to borrowers experiencing financial difficulty. During the three and nine months ended September 30, 2023 March 31, 2024 and March 31, 2023, the Company modified one commercial loan, totaling $2.9 million, where the borrower was experiencing financial difficulty. The loan was modified to defer principal and interest payments for up to one year. For any period where the payments are deferred, the note will accrue at a higher rate of interest. The loan was not past due during the three and nine months ended September 30, 2023.

Prior to the adoption of ASU 2022-02, nonaccrual loans included some loans that were modified and identified as TDRs and were not performing. TDRs included in nonaccrual loans totaled $80,000 at December 31, 2022.

Nonaccrual loans at December 31, 2022 did not include $95,000 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 were included in total impaired loans. See Notes 1 and 4 to the Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information regarding impaired loans and nonperforming modify any loans.

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 to our Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information regarding the regulatory asset classifications.

The level of total criticized and classified loans increased by $4.6 million $2.1 million, or 60.5% 16.2%, during the nine three months ended September 30, 2023 March 31, 2024. Loans designated as special mention decreased $4.2 million, $7,000, or 60.8% 0.2%, and totaled $2.6 million $4.1 million at September 30, 2023 March 31, 2024, compared to $6.8 million $4.1 million at December 31, 2022 December 31, 2023. Loans classified as substandard increased $8.8 million $2.1 million, or 24.8%, and totaled $9.5 million $10.8 million at September 30, 2023 March 31, 2024, compared to $681,000 $8.6 million at December 31, 2022 December 31, 2023. Loans designated as doubtful totaled $0 $448,000 at September 30, 2023 compared to $80,000 at December 31, 2022 March 31, 2024 and December 31, 2023. See Note 4 to our Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information regarding risk classification of loans.

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 increased $319,000 $3.4 million and totaled $2.4 million $5.4 million at September 30, 2023 March 31, 2024, compared to $2.1 $2.0 million at December 31, 2022 December 31, 2023. Past due loans totaled 0.1% 0.3% of the loan portfolio at September 30, 2023 March 31, 2024, compared to 0.1% at December 31, 2022 December 31, 2023. See Note 4 to our Consolidated Financial Statements included in this Quarterly Report on Form 10-Q 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 $130.5 million $110.7 million, or 30.5% 25.7%, of CFBank's commercial portfolio at September 30, 2023 March 31, 2024, compared to $117.9 $147.5 million, or 27.6% 33.5%, at December 31, 2022 December 31, 2023. Interest only home equity lines of credit totaled $33.1 million $33.4 million, or 92.9% 92.5%, of the total home equity lines of credit at September 30, 2023 March 31, 2024, compared to $30.5 $33.6 million, or 99.2% 93.4%, at December 31, 2022 December 31, 2023.

We believe the ACL - Loans is adequate to absorb probable incurred current expected credit losses in the loan portfolio as of September 30, 2023 March 31, 2024; 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 ACL - Loans. 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. The Company held no foreclosed assets at September 30, 2023 March 31, 2024 or December 31, 2022 December 31, 2023. 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.

Deposits. Deposits totaled $1.7 billion at September 30, 2023 March 31, 2024, an increase a decrease of $157.1 million $21.0 million, or 10.3% 1.2%, when compared to $1.5 billion $1.7 billion at December 31, 2022 December 31, 2023. The increase decrease when compared to December 31, 2022 December 31, 2023, is primarily due to a $99.6 million increase $21.9 million decrease in money market account balances and an $89.1 million increase in certificate of deposit interest-bearing account balances, partially offset by a $29.7 million $925,000 increase in noninterest-bearing account balances. The decrease in checking interest-bearing account balances and was primarily due to a $1.9 million $51.1 million decrease in savings brokered account balances. Noninterest-bearing balances, partially offset by an increase of $28.5 million in core deposit accounts totaled $214.3 million at September 30, 2023 and decreased $48.9 million from $263.2 million at December 31, 2022. balances.

At September 30, 2023 March 31, 2024, approximately 28.0% 29.8% of our deposit balances exceeded the FDIC insurance limit of $250,000, as compared to approximately 31.6% 29.2% at December 31, 2022 December 31, 2023.

CFBank is a participant in the Certificate of Deposit Account Registry Service® (CDARS) and Insured Cash Sweep (ICS) programs offered through IntraFi. 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 $426.9 million $389.3 million at September 30, 2023 March 31, 2024, and increased $135.1 million decreased $51.1 million, or 46.3% 11.6%, from $291.8 $440.4 million at December 31, 2022 December 31, 2023. Customer balances in the CDARS reciprocal and ICS reciprocal programs, which do not qualify as brokered, totaled $240.9 million $272.6 million at September 30, 2023 March 31, 2024, and increased $83.0 million $34.8 million, or 52.6% 14.7%, from $157.9 $237.8 million at December 31, 2022 December 31, 2023.

FHLB advances and other debt*.* FHLB advances and other debt totaled $110.0 million $111.0 million at September 30, 2023 March 31, 2024, an increase of $526,000, $1.0 million, or 0.5% 0.9%, when compared to $109.5 million $110.0 million at December 31, 2022 December 31, 2023. The increase was due to a $4.0 million $1.0 million increase on the Company's line of credit with a third party financial institution, partially offset by a $3.5 million decrease in FHLB advances. institution.

Prior to May 21, 2021, the The Holding Company had has 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 $35.0 million credit facility was refinanced into a new $35.0 million facility on May 21, 2021. facility. The credit facility is revolving until May 21, 2024, at which time any then-outstanding balance is 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 September 30, 2023 March 31, 2024, the Company had an outstanding balance of $33.5 million $34.5 million on the facility.

At March 31, 2024, 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 March 31, 2024 or December 31, 2023.

At September 30, 2023, 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 September 30, 2023 or December 31, 2022.

Subordinated debentures*.* Subordinated debentures totaled $15.0 million at both September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. In December 2018, the Holding Company entered into subordinated note purchase agreements with certain qualified institutional buyers and completed a private placement of $10.0 million of fixed-to-floating rate subordinated notes, resulting in net proceeds of $9,612,000 after deducting 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 on the subordinated debentures were current at September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023.

Stockholders' equity. Stockholders' equity totaled $151.3 million $158.0 million at September 30, 2023 March 31, 2024, an increase of $12.1 million $2.6 million, or 8.6% 1.7%, from $139.2 million $155.4 million at December 31, 2022 December 31, 2023. The increase in total stockholders' equity during the nine three months ended September 30, 2023 March 31, 2024 was primarily attributed to net income, partially offset by a $347,000 increase $386,000 in other comprehensive loss. The other comprehensive loss was the result of the mark-to-market adjustment of our investment portfolio. dividend payments.

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 earnings; 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 Quarterly Report on Form 10-Q.

Currently, the Holding Company has excess cash or sources of liquidity to cover its expenses for the foreseeable future, and could inject capital into CFBank if necessary. Also, CFBank has the flexibility to manage its balance sheet size as a result of the short duration of the loans held for sale, as well as to deploy those assets into higher earning assets to improve net interest income as the opportunity presents itself.

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

General. Net income for the three months ended September 30, 2023 March 31, 2024 totaled $4.0 million $3.1 million (or $0.62 $0.47 per diluted common share) compared to net income of $4.2 million $4.4 million (or $0.65 $0.68 per diluted common share) for the three months ended September 30, 2022 March 31, 2023. The decrease in net income was primarily the result of a decrease in net interest income and an increase in provision for credit losses expense, partially offset by a decrease in noninterest expense and an increase in noninterest income.

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 in the sections 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.

Net interest income totaled $11.7 million $11.3 million for the quarter ended September 30, 2023 March 31, 2024 and decreased $1.6 million $1.4 million, or 12.4% 11.4%, compared to net interest income of $13.3 million $12.7 million for the quarter ended September 30, 2022 March 31, 2023. The decrease was primarily due to a $11.8 million $6.4 million, or 251.8% 55.6%, increase in interest expense, partially offset by a $10.2 million $4.9 million, or 56.4% 20.3%, increase in interest income. The increase in interest expense was attributed to a 274bps 127bps increase in the average cost of funds on interest-bearing liabilities, coupled with a $307.5 million $166.4 million, or 24.6% 11.8%, increase in average interest-bearing liabilities. The increase in interest income was primarily attributed to a 150bps $176.3 million, or 10.2%, increase in average interest-earning assets outstanding, coupled with a 51bps increase in the average yield on interest-earning assets, coupled with a $278.0 million, or 17.6%, increase in average interest-earning assets outstanding. assets. The net interest margin of 2.50% 2.36% for the quarter ended September 30, 2023 March 31, 2024 decreased 86bps 57bps compared to the net interest margin of 3.36% 2.93% for the third first quarter of 2022. 2023.

Interest income totaled $28.2 million $29.1 million for the quarter ended September 30, 2023 March 31, 2024, and increased $10.2 million $4.9 million, or 56.4% 20.3%, compared to $18.0 million $24.2 million for the quarter ended September 30, 2022 March 31, 2023. The increase in interest income was primarily attributed to a 138bps 51bps increase in the average yield on loans and leases and loans held for sale, coupled with a $217.7 million $107.2 million, or 15.3% 6.8%, increase in average loans and leases outstanding and loans held for sale.

Interest expense totaled $16.5 million $17.8 million for the quarter ended September 30, 2023 March 31, 2024, and increased $11.8 million $6.4 million, or 251.8% 55.6%, compared to $4.7 million $11.5 million for the quarter ended September 30, 2022 March 31, 2023. The increase in interest expense was primarily attributed to a 293bps 134bps increase in the average rate of interest-bearing deposits, coupled with a $276.0 million $165.2 million, or 23.9% 12.8%, increase in average interest-bearing deposits.

Provision for credit losses. There was $1.2 million in provision for credit losses expense for the quarter ended March 31, 2024, which reflected an increase of $1.0 million, or 421.9%, compared to a $237,000 provision for the quarter ended March 31, 2023. The increase in the provision for credit losses during the quarter ended March 31, 2024 was primarily driven by a reserve placed on an individually evaluated loan, which was also placed on nonaccrual status during the quarter ended March 31, 2024. Net recoveries for the quarter ended March 31, 2024 totaled $16,000, compared to net-charge offs of $5,000 for the quarter ended March 31, 2023.

Provision for credit losses. There was $1.2 million in provision for credit losses expense for the quarter ended September 30, 2023, which reflected an increase of $1.0 million, or 695.3%, compared to $150,000 provision for the quarter ended September 30, 2022. The increase in the provision for credit losses during the quarter ended September 30, 2023 was primarily driven by reserves placed on two individually evaluated loans, which were also placed on nonaccrual status during the quarter ended September 30, 2023. Net charge-offs for the quarter ended September 30, 2023 totaled $126,000, compared to net recoveries of $5,000 for the quarter ended September 30, 2022.

The following table presents information regarding net charge-offs (recoveries) for the three months ended September 30, 2023 March 31, 2024 and 2022. 2023.

	For the three months ended September 30,				For the three months ended March 31,	
	2023		2022		2024	2023
(unaudited)	(Dollars in thousands)				(Dollars in thousands)	
Commercial	$	137	$	-	$ (6)	$ 5
Single-family residential real estate		(9)		(2)	(8)	(3)
Home equity lines of credit		(2)		(3)	(2)	-
Other consumer loans					-	3
Total	$	126	$	(5)	$ (16)	$ 5

Noninterest income. Noninterest income for the quarter ended September 30, 2023 March 31, 2024 totaled $1.3 million $905,000 and increased $596,000, $186,000, or 84.5% 25.9%, compared to $705,000 $719,000 for the quarter ended September 30, 2022 March 31, 2023. The increase was primarily due to a $420,000 increase in swap fee income and a $128,000 $255,000 increase in service charges on deposit accounts. accounts, a $167,000 increase in the net gain on sales of commercial loans, partially offset by a $299,000 decrease in other noninterest income.

Noninterest expense. Noninterest expense for the quarter ended September 30, 2023 March 31, 2024 totaled $6.8 million $7.2 million and decreased $1.8 million, $504,000, or 21.4% 7.0%, compared to $8.6 million $7.7 million for the quarter ended September 30, 2022 March 31, 2023. The decrease in noninterest expense was primarily due to a $692,000 $478,000 decrease in salaries and employee benefits, a $594,000 decrease in data processing, and a $570,000 decrease in the impairment of property and equipment. benefits. The decrease in salaries and employee benefits was primarily due to a decrease in the number of employees coupled with lower payroll taxes. The decrease in data processing was due to the core processing system conversion that occurred in the third quarter of 2022, which included some one-time conversion costs. The decrease in the impairment of property and equipment was related to the pending contract in the third quarter of 2022 for the sale of the Company's Worthington headquarters building, which was completed in May 2023.

Income tax expense. Income tax expense was $984,000 $695,000 for the quarter ended September 30, 2023 March 31, 2024, a decrease of $39,000 $381,000 compared to $1.0 million $1.1 million for the quarter ended September 30, 2022 March 31, 2023. The effective tax rate for the quarter ended September 30, 2023 March 31, 2024 was approximately 19.6% 18.5%, as compared to approximately 19.4% 19.5% for the quarter ended September 30, 2022 March 31, 2023.

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 September 30, 2023 March 31, 2024 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, bank owned life insurance and other miscellaneous items.

General. Net income for the nine months ended September 30, 2023 totaled $12.7 million (or $1.97 per diluted common share) and decreased $791,000, or 5.9%, compared to net income of $13.5 million (or $2.06 per diluted common share) for the nine months ended September 30, 2022. The decrease in net income was primarily the result of an increase in provision for credit losses expense, partially offset by an increase in noninterest income.

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 in the sections 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.

Net interest income totaled $35.9 million for the nine months ended September 30, 2023 and increased $251,000, or 0.7%, compared to net interest income of $35.6 million for the nine months ended September 30, 2022. The increase in net interest income was primarily due to a $32.7 million, or 71.3%, increase in interest income, partially offset by a $32.5 million, or 317.3%, increase in interest expense. The increase in interest income was primarily attributed to a 171bps increase in average yield on interest-earning assets, coupled with a $309.3 million, or 20.7%, increase in average interest-earning assets outstanding. The increase in interest expense was attributed to a 264bps increase in average yield on interest-bearing liabilities, coupled with a $324.3 million, or 27.7%, increase in average interest-bearing liabilities. The net interest margin of 2.65% for the nine months ended September 30, 2023 decreased 52bps compared to the net interest margin of 3.17% for the nine months ended September 30, 2022.

Interest income totaled $78.6 million for the nine months ended September 30, 2023, and increased $32.7 million, or 71.3%, compared to $45.9 million for the nine months ended September 30, 2022. The increase in interest income was primarily attributed to a 151bps increase in the average yield on loans and leases and loans held for sale, coupled with a $279.6 million, or 20.9%, increase in average loans and leases outstanding and loans held for sale.

Interest expense totaled $42.7 million for the nine months ended September 30, 2023, and increased $32.5 million, or 317.3%, compared to $10.2 million for the nine months ended September 30, 2022. The increase in interest expense was primarily attributed to a 283bps increase in the average rate of interest-bearing deposits, coupled with a $295.6 million, or 27.5%, increase in average interest-bearing deposits.

Provision for credit losses. There was $1.4 million in provision for credit losses expense for the nine months ended September 30, 2023, which reflected an increase of $1.3 million, or 861.3%, compared to $150,000 for the nine months ended September 30, 2022. The increase in the provision for credit losses during the quarter ended September 30, 2023 was primarily driven by reserves placed on two individually evaluated loans, which were also placed on nonaccrual status during the quarter ended September 30, 2023. Net charge-offs for the nine months ended September 30, 2023 totaled $23,000, compared to net recoveries of $29,000 for the nine months ended September 30, 2022.

The following table presents information regarding net charge-offs (recoveries) for the nine months ended September 30, 2023 and 2022

	For the nine months ended September 30,	
	2023	2022
(unaudited)	(Dollars in thousands)	
Commercial	$ 57	$ -
Single-family residential real estate	(31)	(19)
Home equity lines of credit	(3)	(10)
Total	$ 23	$ (29)

Noninterest income. Noninterest income for the nine months ended September 30, 2023 totaled $3.0 million and increased $439,000, or 17.2%, compared to $2.6 million for the nine months ended September 30, 2022. The increase was primarily due to a $574,000 increase in swap fee income and a $467,000 increase in other noninterest income related to commercial loan servicing fees, partially offset by a $593,000 decrease in in net gain on sale of residential mortgage loans. The decrease in the net gain on sale of residential mortgage loans was the result of the Company’s decision to scale down and exit the direct-to-consumer mortgage business in favor of portfolio lending with servicing retained.

Noninterest expense. Noninterest expense for the nine months ended September 30, 2023 totaled $21.6 million and increased $276,000 or 1.3%, compared to $21.3 million for the nine months ended September 30, 2022. The increase in noninterest expense was primarily due to a $900,000 increase in FDIC premiums, partially offset by a $607,000 decrease in data processing. The increase in FDIC expense was related to increased assets and deposit levels and assessment rates. The decrease in data processing was due to the core processing system conversion that occurred in the third quarter of 2022, which included some one-time conversion costs.

Income tax expense. Income tax expense was $3.1 million for the nine months ended September 30, 2023, a decrease of $87,000 compared to $3.2 million for the nine months ended September 30, 2022. The effective tax rate for the nine months ended September 30, 2023 was approximately 19.7%, as compared to approximately 19.2% for the nine months ended September 30, 2022.

Our deferred tax assets are composed of 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 September 30, 2023 that no valuation allowance was required against the net deferred tax asset.

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CF BANKSHARES INC.

PART 1. Item 2

MANAGEMENT DISCUSSION AND ANALYSIS

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, bank owned life insurance and other miscellaneous items.

Average Balances, Interest Rates and Yields. The following tables present, 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 Three Months Ended September 30,						For Three Months Ended March 31,					
	2023			2022			2024			2023		
	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	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
	(Dollars in thousands)						(Dollars in thousands)					
Interest-earning assets:												
Securities (1) (2)	$ 13,802	$ 101	2.40%	$ 17,044	$ 219	4.64%	$ 13,077	$ 129	3.23%	$ 15,197	$ 215	4.84%
Loans and leases and loans held for sale (3)	1,642,029	25,121	6.12%	1,424,326	16,876	4.74%	1,694,701	26,010	6.14%	1,587,536	22,338	5.63%
Other earning assets	197,434	2,778	5.63%	135,240	813	2.40%	196,600	2,782	5.66%	125,780	1,502	4.78%
FHLB and FRB stock	8,568	166	7.75%	7,192	98	5.45%	8,488	165	7.78%	8,064	121	6.00%
Total interest-earning assets	1,861,833	28,166	6.04%	1,583,802	18,006	4.54%	1,912,866	29,086	6.07%	1,736,577	24,176	5.56%
Noninterest-earning assets	95,186			78,222			91,328			87,766		
Total assets	$ 1,957,019			$ 1,662,024			$ 2,004,194			$1,824,343		
Interest-bearing liabilities:												
Deposits	$ 1,430,568	15,421	4.31%	$ 1,154,605	3,992	1.38%	$ 1,453,397	16,650	4.58%	$1,288,161	10,419	3.24%
FHLB advances and other borrowings	124,930	1,078	3.45%	93,397	698	2.99%	125,724	1,152	3.67%	124,610	1,024	3.29%
Total interest-bearing liabilities	1,555,498	16,499	4.24%	1,248,002	4,690	1.50%	1,579,121	17,802	4.51%	1,412,771	11,443	3.24%
Noninterest-bearing liabilities	251,509			279,383			267,714			269,780		
Total liabilities	1,807,007			1,527,385			1,846,835			1,682,551		
Equity	150,012			134,639			157,359			141,792		
Total liabilities and equity	$ 1,957,019			$ 1,662,024			$ 2,004,194			$1,824,343		
Net interest-earning assets	$ 306,335			$ 335,800			$ 333,745			$ 323,806		
Net interest income/interest rate spread		$ 11,667	1.80%		$ 13,316	3.04%		$11,284	1.56%		$12,733	2.32%
Net interest margin			2.50%			3.36%			2.36%			2.93%
Average interest-earning assets to average interest-bearing liabilities	119.69%			126.91%			121.13%			122.92%		

(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 ACL - Loans and includes nonperforming loans.

	For Nine Months Ended September 30,					
	2023			2022		
	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]	$ 14,463	$ 529	4.08%	$ 18,353	$ 664	4.52%
Loans and leases and loans held for sale (3)	1,619,225	71,143	5.86%	1,339,590	43,746	4.35%
Other earning assets	163,281	6,470	5.28%	131,020	1,215	1.24%
FHLB and FRB stock	8,590	425	6.60%	7,280	238	4.36%
Total interest-earning assets	1,805,559	78,567	5.79%	1,496,243	45,863	4.08%
Noninterest-earning assets	91,831			76,937		
Total assets	$ 1,897,390			$ 1,573,180		
Interest-bearing liabilities:						
Deposits	$ 1,369,656	39,500	3.85%	$ 1,074,075	8,177	1.02%
FHLB advances and other borrowings	125,016	3,181	3.39%	96,255	2,051	2.84%
Total interest-bearing liabilities	1,494,672	42,681	3.81%	1,170,330	10,228	1.17%
Noninterest-bearing liabilities	256,898			271,961		
Total liabilities	1,751,570			1,442,291		
Equity	145,820			130,889		
Total liabilities and equity	$ 1,897,390			$ 1,573,180		
Net interest-earning assets	$ 310,887			$ 325,913		
Net interest income/interest rate spread		$ 35,886	1.98%		$ 35,635	2.91%
Net interest margin			2.65%			3.17%
Average interest-earning assets to average interest-bearing liabilities	120.80%			127.85%		

(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 ACL - Loans and includes nonperforming loans.

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.

	Three Months Ended September 30, 2023 Compared to Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023 Compared to Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023
	Increase (decrease)	Increase (decrease)	Increase (decrease)

	due to			due to			due to		
	Rate	Volume	Net	Rate	Volume	Net	Rate	Volume	Net
	(Dollars in thousands)			(Dollars in thousands)			(Dollars in thousands)		
Interest-earning assets:									
Securities [1]	$ (85)	$ (33)	$ (118)	$ (43)	$ (92)	$ (135)	$ (61)	$ (25)	$ (86)
Loans and leases	5,407	2,838	8,245	17,109	10,288	27,397	2,104	1,568	3,672
Other earning assets	1,464	501	1,965	4,886	369	5,255	315	965	1,280
FHLB and FRB Stock	47	21	68	139	48	187	37	7	44
Total interest-earning assets	6,833	3,327	10,160	22,091	10,613	32,704	2,395	2,515	4,910
Interest-bearing liabilities:									
Deposits	10,273	1,156	11,429	28,496	2,827	31,323	4,756	1,475	6,231
FHLB advances and other borrowings	119	261	380	444	686	1,130	119	9	128
Total interest-bearing liabilities	10,392	1,417	11,809	28,940	3,513	32,453	4,875	1,484	6,359
Net change in net interest income	$ (3,559)	$ 1,910	$ (1,649)	$ (6,849)	$ 7,100	$ 251	$ (2,480)	$ 1,031	$ (1,449)

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

Critical Accounting Policies

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 2022 2023 Audited 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 believe there have been no significant changes during the nine three months ended September 30, 2023 March 31, 2024 to the items that we disclosed as our critical accounting policies and estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the year ended December 31, 2022, with the exception of the adoption of ASU No. 2016-13, on January 1, 2023 December 31, 2023. Certain accounting policies were revised and certain accounting policy elections were implemented, related to the adoption of CECL. CECL replaces the previous "incurred loss" model for measuring credit losses, which encompassed allowances for current known and inherent losses within the portfolio, with an "expected loss" model for measuring credit losses, which encompasses allowances for losses expected to be incurred over the life of the portfolio. The new CECL model requires the measurement of all expected credit losses for financial assets measured at amortized cost and certain off-balance sheet credit exposures based on historical experiences, current conditions, and reasonable and supportable forecasts. CECL also requires enhanced disclosures related to the significant estimates and judgments used in estimating credit losses, as well as credit quality and underwriting standards of an organization's portfolio. In addition, CECL includes certain changes to the accounting for investment

securities available for sale depending on whether management intends to sell the securities or believes that it is more likely than not they will be required to sell. See Note 1 – *Summary of Significant Accounting Policies* and Note 4 – *Loans and Leases* to the Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for details of the accounting policy changes related to the adoption of CECL

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.

The following table summarizes CFBank's cash available from liquid assets and borrowing capacity at September 30, 2023March 31, 2024 and December 31, 2022December 31, 2023.

		September 30, 2023		December 31, 2022	March 31, 2024	December 31, 2023
		(Dollars in thousands)			(Dollars in thousands)	
Cash, unpledged securities and deposits in other financial institutions	$	230,683	$	154,410	$237,292	$262,004
Additional borrowing capacity at the FHLB		184,641		187,854	191,683	183,654
Additional borrowing capacity at the FRB		143,623		105,119	144,457	136,240
Unused commercial bank lines of credit		65,000		65,000	65,000	65,000
Total	$	623,947	$	512,383	$638,432	$646,898

Cash, unpledged securities and deposits in other financial institutions increased $76.3 milliondecreased $24.7 million, or 49.4%9.4%, to $230.7 million$237.3 million at September 30, 2023March 31, 2024, compared to $154.4 million$262.0 million at December 31, 2022December 31, 2023. The increasedecrease is primarily attributed to an increasea decrease in deposits, partially offset by an increase in loans and leases.

CFBank's additional borrowing capacity with the FHLB decreased $3.3 millionincreased $8.0 million, or 1.7%4.4%, to $184.6 million$191.7 million at September 30, 2023March 31, 2024, compared to $187.9$183.7 million at December 31, 2022December 31, 2023.

CFBank's additional borrowing capacity at the FRB increased $38.5 million$8.3 million, or 36.6%6.0%, to $143.6$144.5 million at March 31, 2024 from $136.2 million at September 30, 2023 from $105.1 million at December 31, 2022December 31, 2023. 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 September 30, 2023March 31, 2024 and at December 31, 2022December 31, 2023.

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.

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CF BANKSHARES INC.
PART 1. Item 2
MANAGEMENT DISCUSSION AND ANALYSIS

CFBank relies on competitive interest rates, customer service, and relationships with customers to retain deposits. The FDIC provides deposit insurance coverage up 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 and sources of liquidity at September 30, 2023March 31, 2024 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.

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Currently, annual debt service on the subordinated debentures underlying the Company's trust preferred securities is approximately $430,000. $435,000. Prior to July 1, 2023, the subordinated debentures had a variable rate of interest, which reset quarterly, equal to the three-month London Interbank Offered Rate (LIBOR) plus 2.85%. Effective July 1, 2023, the rate of interest on the subordinated debentures resets quarterly to the three-month Secured Overnight Financing Rate (SOFR) plus 3.112%, which was 8.39% 8.41% at September 30, 2023 March 31, 2024.

Currently, the annual debt service on the Company's $10 million of fixed-to-floating rate subordinated notes is $700,000. $970,000. The subordinated notes have initially bore a fixed rate of 7.00% until December 2023, at which time and now the interest rate will reset resets quarterly to a rate equal to the then current three-month SOFR plus 4.402% , which was 9.70% at March 31, 2024.

Prior to May 21, 2021, the The Holding Company had has a term loan in the original principal amount of $5.0 million with an additional $10.0 million revolving line-of-credit $35.0 million credit facility 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 September 30, 2023 March 31, 2024, the Company had an outstanding balance, net of unamortized debt issuance costs, of $33.5 million $34.5 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 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. 2023. 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.

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QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management believes that, as of September 30, 2023 March 31, 2024, there has been no material change in the Company's market risk from the information contained in the Company's Annual Report on Form 10-K filed with the SEC for the year ended December 31, 2022 December 31, 2023.

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CF BANKSHARES INC.

PART 1. Item 4

CONTROLS AND PROCEDURES

Evaluation of disclosure controls and procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act of 1934 (Exchange Act) reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were effective as of and for the quarter ended September 30, 2023 March 31, 2024.

Changes in internal control over financial reporting. We made no changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) in the third first quarter of 2023 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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CF BANKSHARES INC.

PART II. Item 1 to 6

OTHER INFORMATION

Item 1. Legal Proceedings

The Holding Company and CFBank may, from time to time, be involved in various legal proceedings in the normal course of business. Periodically, there have been various claims and lawsuits involving CFBank, such as claims to enforce liens, condemnation proceedings on properties in which CFBank holds security interests, claims involving the making and servicing of real property loans and other claims and lawsuits incident to our banking business.

We are not a party to any pending legal proceeding that management believes would have a material adverse effect on our financial condition or results of operations, if decided adversely to us.

Item 1A. Risk Factors

There are certain risks and uncertainties in our business that could cause our actual results to differ materially from those anticipated. A detailed discussion of our risk factors is included in "Item 1A. Risk Factors" of Part I of the Company's Annual Report on Form 10-K for the year ended December 31, 2022, December 31, 2023. There were no material changes to those risk factors as supplemented by "Item IA. Risk Factors" of Part II of presented in the Company's Quarterly Annual Report on Form 10-Q 10-K for the quarter year ended March 31, 2023 December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds and Issuer Purchases of Equity Securities

(a) None.

(b) Not applicable.

(c) The following table provides information concerning purchases of the Holding Company's shares of common stock made by or on behalf of the Company or any "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended, during the three months ended September 30, 2023 March 31, 2024.

Period	Total number of common shares purchased	Average price paid per common share	Total number of common shares purchased as part of publicly announced plans or programs (3)	Maximum number of common shares that may yet be purchased under the plans or programs
July 1, 2023 through July 31, 2023	1,428 (1)	16.64	-	250,000
August 1, 2023 through August 31, 2023	-	-	-	250,000
September 1, 2023 through September 30, 2023	1,053 (2)	18.01	-	250,000
Total	2,481	$ 17.22	-	250,000

Period	Total number of common shares purchased		Average price paid per common share	Total number of common shares purchased as part of publicly announced plans or programs [3]	Maximum number of common shares that may yet be purchased under the plans or programs
January 1, 2024 through January 31, 2024	6,247	(1)	20.61	5,050	235,447
February 1, 2024 through February 29, 2024	5,265	(2)	21.28	800	234,647
March 1, 2024 through March 31, 2024	3,000		20.03	3,000	231,647
Total	14,512		$ 20.73	8,850	

(1) Represents Includes 1,197 shares of common stock surrendered to the Company for the payment of taxes upon the vesting of restricted stock. stock and 5,050 shares of common stock repurchased under the stock repurchase program.

(2) Represents Includes 4,465 shares of common stock surrendered to the Company for the payment of the exercise price and taxes upon the exercise vesting of restricted stock options. and 800 shares of common stock repurchased under the stock repurchase program.

(3) On July 5, 2023, the Company's Board of Directors authorized a new stock repurchase program pursuant to which the Company may repurchase up to 250,000 shares of the Company's common stock on or before June 30, 2024.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not
applicable.

(a) None.

(b) None.

(c) During the quarter ended March 31, 2024, no director or 16 officer (as defined under Rule 16a-1 of the Exchange Act) adopted or terminated any Rule 10b5-1 trading arrangements or any non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

Item 6. Exhibits

Exhibit Number	Description of Exhibit
3.1	Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2017, filed with the Commission on November 9, 2017 (File No. 0-25045))
3.2	Amendment to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.2 to the registrant's Registration Statement on Form S-2, filed with the Commission on October 28, 2005 (File No. 333-129315))
3.3	Amendment to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.4 to the registrant's Form 10-Q for the quarter ended June 30, 2009, filed with the Commission on August 14, 2009 (File No. 0-25045))
3.4	Amendment to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.5 to the registrant's Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 10, 2011 (File No. 0-25045))

3.5	Amendment to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.5 to the registrant's Post-Effective Amendment to the Registration Statement on Form S-1, filed with the Commission on May 4, 2012 (File No. 333-177434))
3.6	Certificate of Designations to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated May 7, 2014 and filed with the Commission on May 13, 2014 (File No. 0-25045))
3.7	Amendment to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated August 20, 2018, filed with the commission on August 20, 2018 (File No. 0-25045)
3.8	Certificate of Designations to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated October 25, 2019, filed with the Commission on October 31, 2019 (File No. 0-25045))
3.9	Certificate of Amendment to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated May 29, 2020, filed with the Commission on June 2, 2020 (File No. 0-25045))
3.10	Amendment to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated July 28, 2020, filed with the commission on July 20, 2020 (File No. 0-25045)
3.11	Certificate of Incorporation, as amended, of the registrant (incorporated by reference to Exhibit 3.10 to the registrant's Form 10-Q for the quarter ended June 30, 2020, filed with the Commission on August 12, 2020 (File No. 0-25045)) [This document represents the Certificate of Incorporation of the registrant in compiled form incorporating all amendments. This compiled document has not been filed with the Delaware Secretary of State.]
3.12	Certificate of Designations to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Current Report on Form 8-K dated February 5, 2024, filed with the Commission on February 6, 2024 (File No. 0-25045))
3.13	Second Amended and Restated Bylaws of the registrant (incorporated by reference to Exhibit 3.3 to the registrant's Form 10-K for the fiscal year ended December 31, 2007, filed with the Commission on March 27, 2008 (File No. 0-25045))
31.1	Rule 13a-14(a) Certifications of the Chief Executive Officer
31.2	Rule 13a-14(a) Certifications of the Principal Financial Officer
32.1	Section 1350 Certifications
101.1	Interactive Data File (Inline XBRL)
104	Cover Page Interactive Data File, formatted in Inline XBRL and contained in Exhibit 101

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CF BANKSHARES INC.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

		CF BANKSHARES INC.
Dated: November 13, 2023 May 14, 2024	By:	/s/ Timothy T. O'Dell
		Timothy T. O'Dell
		President and Chief Executive Officer
Dated: November 13, 2023 May 14, 2024	By:	/s/ Kevin J. Beerman
		Kevin J. Beerman
		Executive Vice President and Chief Financial Officer

CF BANKSHARES INC.

Exhibit 31.1Rule 13a-14(a) Certifications of the Chief Executive OfficerI, Timothy T. O'Dell, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024 of CF Bankshares Inc.;

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

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

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

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

   b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

   a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 13, 2023 May 14, 2024

/s/ Timothy T. O'Dell

Timothy T. O'Dell

President and Chief Executive Officer

CF BANKSHARES INC.

Exhibit 31.2Rule 13a-14(a) Certifications of the Principal Financial OfficerI, Kevin J. Beerman certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 March 31, 2024 of CF Bankshares Inc.;

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

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

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

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

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors:

a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 13, 2023 May 14, 2024

/s/ Kevin J. Beerman

Kevin J. BeermanExecutive Vice President and Chief Financial Officer

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CF BANKSHARES INC.

Exhibit 32.1Section 1350 CertificationsIn connection with the Quarterly Report on Form 10-Q of CF Bankshares Inc. (the "Company") for the quarter ended September 30, 2023 March 31, 2024, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, Timothy T. O'Dell, President and Chief Executive Officer of the Company, and Kevin J. Beerman, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, that: (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition and results of operations of the Company and its subsidiaries as of and for the period covered by the Report.

Dated: November 13, 2023 May 14, 2024

By: /s/ Timothy T. O'Dell
Timothy T. O'Dell
President and Chief Executive Officer

Dated: November 13, 2023 May 14, 2024

By: /s/ Kevin J. Beerman
Kevin J. Beerman
Executive Vice President and Chief Financial Officer

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