Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cincinnati Bancorp, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cincinnati Bancorp, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS, LLP

Cincinnati, Ohio
March 31, 2023

Cincinnati Bancorp, Inc.
Consolidated Balance Sheets
December 31, 2022 and 2021

	December 31, 2022	December 31, 2021
Assets		
Cash and due from banks	$ 1,666,664	$ 2,505,136
Interest-bearing demand deposits in banks	13,458,015	12,831,650
Federal funds sold	3,284,000	6,515,000
Cash and cash equivalents	18,408,679	21,851,786
Available-for-sale debt securities	6,366,581	7,891,232
Loans held for sale	3,337,153	8,121,375
Loans, net of allowance for loan losses of $1,854,836 and $1,672,545, respectively	255,762,144	195,541,821
Premises and equipment, net	2,645,243	3,488,822
Federal Home Loan Bank stock	5,036,200	4,149,300
Interest receivable	841,527	577,002
Mortgage servicing rights	3,312,709	2,230,751
Federal Home Loan Bank lender risk account receivable	2,344,577	2,286,690
Bank-owned life insurance	4,340,202	4,256,570
Other assets	760,323	1,068,690
Total assets	$ 303,155,338	$ 251,464,039
Liabilities and Stockholders' Equity		
Liabilities		
Deposits		
Demand	$ 44,251,354	$ 45,787,848
Savings	85,330,068	75,527,958
Certificates of deposit	100,406,552	83,137,755
Total deposits	229,987,974	204,453,561
Federal Home Loan Bank advances	29,000,000	-
Advances from borrowers for taxes and insurance	2,082,942	1,808,971
Interest payable	79,550	24
Directors deferred compensation	514,170	696,295
Deferred tax liabilities	1,148,967	1,090,765
Other liabilities	508,715	514,705
Total liabilities	263,322,318	208,564,321
Commitments and Contingent Liabilities	-	-
Stockholders' Equity		
Preferred stock - authorized 1,000,000 shares, $0.01 par value, none issued	-	-
Common stock - authorized 14,000,000 shares, $0.01 par value; issued 3,044,839; outstanding 2,884,171 at December 31, 2022 and 2,930,550 at December 31, 2021	28,812	29,275
Additional paid-in capital	21,767,858	22,953,608
Unearned ESOP shares	(1,467,960)	(1,570,810)
Retained earnings - substantially restricted	20,267,994	21,821,948
Accumulated other comprehensive loss	(763,684)	(334,303)
Total stockholders' equity	39,833,020	42,899,718
Total liabilities and stockholders' equity	$ 303,155,338	$ 251,464,039

See Notes to Consolidated Financial Statements

Cincinnati Bancorp, Inc.

Consolidated Statements of Income

Years Ended December 31, 2022 and 2021

	2022	2021
Interest and Dividend Income		
Loans, including fees	$ 9,468,393	$ 8,017,345
Securities	149,053	57,828
Dividends on Federal Home Loan Bank stock and other	377,480	80,051
Total interest and dividend income	9,994,926	8,155,224
Interest Expense		
Deposits	1,554,050	1,028,520
Federal Home Loan Bank advances	282,193	540,004
Total interest expense	1,836,243	1,568,524
Net Interest Income	8,158,683	6,586,700
Provision for Loan Losses	176,000	-
Net Interest Income After Provision for Loan Losses	7,982,683	6,586,700
Noninterest Income		
Gain on sales of loans	2,556,091	8,762,276
Mortgage servicing fees (costs)	1,648,737	(84,772)
Mortgage derivative expense	(93,409)	(233,412)
Other	1,174,704	1,166,259
Total noninterest income	5,286,123	9,610,351
Noninterest Expense		
Salaries and employee benefits	6,999,556	8,600,794
Occupancy and equipment	665,311	792,148
Directors compensation	169,000	169,000
Data processing	847,170	847,393
Professional fees	426,171	393,387
Franchise tax	283,043	286,788
Deposit insurance premiums	66,153	60,519
Advertising	393,782	328,089
Software licenses	169,242	136,517
Loan costs	538,194	760,412
FHLB advance prepayment penalties	-	766,671
Net loss on sale of foreclosed assets	56,409	-
Other	831,632	958,608
Total noninterest expense	11,445,663	14,100,326
Income Before Income Taxes	1,823,143	2,096,725
Provision for Income Taxes	406,325	448,181
Net Income	$ 1,416,818	$ 1,648,544
Earnings per common share - basic	$ 0.51	$ 0.59
Earnings per common share - diluted	$ 0.50	$ 0.58
Weighted-average shares outstanding - basic	2,700,675	2,741,888
Weighted-average shares outstanding - diluted	2,782,691	2,811,376

See Notes to Consolidated Financial Statements

Cincinnati Bancorp, Inc.

Consolidated Statements of Comprehensive Income

Years Ended December 31, 2022 and 2021

	2022	2021
Net Income	$ 1,416,818	$ 1,648,544
Other Comprehensive Loss:		
Net unrealized gains (losses) on available-for-sale securities	(821,672)	3,741
Tax benefit (expense)	172,551	(786)
Changes in directors' retirement plan prior service costs	278,152	(57,270)
Tax (expense) benefit	(58,412)	12,026
Other comprehensive loss	(429,381)	(42,289)
Comprehensive Income	$ 987,437	$ 1,606,255

See Notes to Consolidated Financial Statements

Cincinnati Bancorp, Inc.
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2022 and 2021

Balance, January 1, 2021	29,756	23,266,485	(1,673,660)	20,173,404	(292,014)	41,503,971
ESOP shares earned	-	38,723	102,850	-	-	141,573
Stock based compensation expense	-	306,716	-	-	-	306,716
Stock options exercised	-	19,295	-	-	-	19,295
Net income	-	-	-	1,648,544	-	1,648,544
Repurchase of common stock	(481)	(677,611)	-	-	-	(678,092)
Other comprehensive loss	-	-	-	-	(42,289)	(42,289)
Balance, December 31, 2021	$ 29,275	$ 22,953,608	$ (1,570,810)	$ 21,821,948	$ (334,303)	$ 42,899,718
Dividends on common stock, $1.00 per share	-	-	-	(2,970,772)	-	(2,970,772)
ESOP shares earned	-	49,440	102,850	-	-	152,290
Stock based compensation expense	-	392,948	-	-	-	392,948
Net income	-	-	-	1,416,818	-	1,416,818
Repurchase of common stock	(463)	(1,628,138)	-	-	-	(1,628,601)
Other comprehensive loss	-	-	-	-	(429,381)	(429,381)
Balance, December 31, 2022	$ 28,812	$ 21,767,858	$ (1,467,960)	$ 20,267,994	$ (763,684)	$ 39,833,020

See Notes to Consolidated Financial Statements

Cincinnati Bancorp, Inc.
Consolidated Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Operating Activities		
Net income	$ 1,416,818	$ 1,648,544
Items not requiring (providing) cash:		
Depreciation and amortization	210,616	234,201
Provision for loan losses	176,000	-
Amortization of premiums and discounts on securities, net	4,670	16,049
Change in deferred income taxes	180,227	202,338
Gain on sale of loans	(2,556,091)	(8,762,276)
Impairment of foreclosed assets held for sale	60,000	-
Proceeds from the sale of loans held for sale	122,390,872	281,670,896
Gain on sale of premises and equipment	(62,419)	-
Origination of loans held for sale	(115,050,559)	(267,684,625)
Net loss on sale of foreclosed assets	56,409	-
Mortgage servicing rights	(1,081,958)	(205,428)
Earnings on cash surrender value of bank-owned life insurance	(83,632)	(84,084)
Stock-based compensation expense	392,948	306,716
ESOP shares earned	152,290	141,573
Changes in:		
Interest receivable	(264,525)	(56,227)
Federal Home Loan Bank lender risk account receivable	(57,887)	(339,419)
Derivative assets	116,899	347,390
Other assets	191,468	187,072
Interest payable	79,526	(73,561)
Derivative liabilities	(23,490)	(113,978)
Other liabilities	105,641	(823,242)
Net cash provided by operating activities	6,353,823	6,611,939
Investing Activities		
Net change in interest-bearing deposits	-	3,000,000
Proceeds from maturities of available-for-sale debt securities	698,309	2,344,664
Purchase of available for sale debt securities	-	(5,034,375)
Purchase of Federal Home Loan Bank stock	(886,900)	(1,347,500)
Net change in loans	(60,523,641)	(28,873,903)
Purchase of premises and equipment	(58,488)	(235,197)
Proceeds from sale of premises and equipment	753,869	-
Proceeds from sale of foreclosed assets	10,909	-
Net cash used in investing activities	(60,005,942)	(30,146,311)

See Notes to Consolidated Financial Statements

Cincinnati Bancorp, Inc.
Consolidated Statements of Cash Flows (continued)
Years Ended December 31, 2022 and 2021

	2022	2021
Financing Activities		
Net increase in deposits	25,534,413	52,246,518
Repurchase of common stock	(1,628,601)	(678,092)
Proceeds from issuance of common stock	-	19,295
Proceeds from Federal Home Loan Bank advances	396,750,000	212,500,000
Repayment of Federal Home Loan Bank advances	(367,750,000)	(250,912,000)
Dividends paid	(2,970,772)	-
Net change in advances from borrowers for taxes and insurance	273,971	(137,369)
Net cash provided by financing activities	50,209,011	13,038,352
Decrease in Cash and Cash Equivalents	(3,443,107)	(10,496,020)
Cash and Cash Equivalents, Beginning of Period	21,851,786	32,347,806
Cash and Cash Equivalents, End of Period	$ 18,408,679	$ 21,851,786
Supplemental Cash Flows Information		
Interest paid	$ 1,756,717	$ 1,642,085
Income taxes paid	277,500	455,000

See Notes to Consolidated Financial Statements

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Cincinnati Bancorp ("Bancorp"), the predecessor to Cincinnati Bancorp, Inc. ("Company"), was the mid-tier holding company for Cincinnati Federal (the "Bank"), a federally chartered stock savings and loan association that is primarily engaged in providing a full range of banking and financial services to individual and corporate customers. Our business operations are conducted in the larger Greater Cincinnati/Northern Kentucky metropolitan area which includes Hamilton, Warren, Butler and Clermont Counties in Ohio, Boone, Kenton and Campbell Counties in Kentucky, and Dearborn County, Indiana.

The Company is subject to competition from other financial institutions. The Company is subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

Revenue Recognition

The Company accounts for revenues in accordance with accounting guidance that provides that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Interest income, net securities gains (losses), gains from the sale of mortgage loans and earnings on bank-owned life insurance are not covered under ASC 606 and are recognized as contractually earned. For other revenue streams including service charges on deposits and electronic banking fees, there are no significant judgments related to the amount and timing of revenue recognition. All of the Company's revenue from contracts with customers is recognized within other noninterest income.

Service charges on deposit accounts: The Company earns fees from its deposit customers for transaction-based, account maintenance and overdraft services. Transaction-based fees, which include services such as stop payment charges, statement rendering and other fees, are recognized at the time the transaction is executed as that is the point in time the Company fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Company satisfies the performance obligation. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance. Service charges are recorded in other noninterest income.

Interchange income: The Company earns interchange income from cardholder transactions conducted through the various payment networks. Interchange income from cardholder transactions represent a percentage of the underlying transaction value and is recognized daily, concurrently with the transaction processing services provided to the cardholder. The gross amount of these fees is processed through noninterest income. Interchange fees are recorded in other noninterest income.

Principles of Consolidation

The accompanying consolidated financial statements include Cincinnati Bancorp, Inc. and its wholly-owned subsidiary, Cincinnati Federal, together referred to as "the Company." All significant intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses, valuation of real estate acquired in connection with foreclosures or in satisfaction of loans, loan servicing rights and fair values of financial instruments.

Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2022 and 2021, cash equivalents consisted primarily of due from accounts with the Federal Reserve, Federal Home Loan Bank of Cincinnati and other correspondent banks.

From time to time, the Company's interest-bearing cash accounts may exceed the FDIC's insured limit of $250,000 per account. At December 31, 2022, the Company held $1,773,000 in various correspondent banks. At December 31, 2022, the Company held $11,786,000 at the Federal Reserve Bank and Federal Home Loan Bank which are not subject to FDIC limits. Management considers the risk of loss to be low based on the quality of the institutions where the funds are maintained.

Debt Securities

Available-for-sale debt securities are recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

For debt securities with fair value below amortized cost, when the Company does not intend to sell a debt security, and it is more likely than not the Company will not have to sell the security before recovery of its cost basis, it recognizes the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income (loss).

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation

allowance by charges to noninterest income. Gains and losses on loan sales are recorded in noninterest income. Direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Loans

Loans that management has the intent and ability to hold for the foreseeable future, or until maturity or payoff, are reported at their outstanding principal balances adjusted for unearned income, charge-offs, the allowance for loan losses, any unamortized deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

For loans amortized at cost, interest income is accrued based on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, as well as premiums and discounts, are deferred and amortized as a level yield adjustment over the respective term of the loan.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

When cash payments are received on impaired loans in each loan class, the Company records the payment as interest income unless collection of the remaining recorded principal amount is doubtful, at which time payments are used to reduce the principal balance of the loan. Troubled debt restructured loans recognize interest income on an accrual basis at the renegotiated rate if the loan is in compliance with the modified terms, no principal reduction has been granted and the loan has demonstrated the ability to perform in accordance with the renegotiated terms for a period of at least six consecutive months.

Loans acquired at the effective date of a merger are recorded at fair value with no carryover of the acquired entity's previously established allowance for loan losses. The excess of expected cash flows over the estimated fair value of the acquired loans is recognized as interest income over the remaining contractual lives of the loans using the level yield method. Subsequent decreases in expected cash flows will require additions to the allowance for loan losses. Subsequent improvements in expected cash flows result in the recognition of additional interest income over the remaining contractual lives of the loans. Management estimates the cash flows expected to be collected at acquisition using a third-party risk model, which incorporates the estimate of key assumptions, such as default rates and prepayment speeds.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical charge-off experience and expected loss given default derived from the Company's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans.

In the course of working with borrowers, the Company may choose to restructure the contractual terms of certain loans. In this scenario, the Company attempts to work-out an alternative payment schedule with the borrower in order to optimize collectability of the loan. Any loans that are modified are reviewed by the Company to identify if a troubled debt restructuring ("TDR") has occurred, which is when, for economic or legal reasons related to a borrower's financial difficulties, the Company grants a concession to the borrower that it would not otherwise consider. Terms may be modified to fit the ability of the borrower to repay in line with the borrower's current financial status, and the restructuring of the loan may include the transfer of assets from the borrower to satisfy the debt, a modification of loan terms or a combination of the two. If such efforts by the Company do not result in a satisfactory arrangement, the loan is referred to legal counsel, at which time foreclosure proceedings commence. The Company may terminate foreclosure proceedings if the borrower is able to work-out a satisfactory payment plan.

It is the Company's policy that any restructured loans on nonaccrual prior to being restructured remain on nonaccrual status until six consecutive months of satisfactory borrower performance, at

which time management would consider its return to accrual status. If a loan was accruing at the time of restructuring, the Company reviews the loan to determine if it is appropriate to continue the accrual of interest on the restructured loan.

With regards to determination of the amount of the allowance for credit losses, TDRs are considered to be impaired. As a result, the determination of the amount of impaired loans for each portfolio segment within troubled debt restructurings is the same as detailed previously.

On March 27, 2020, the president of the United States signed the Coronavirus Aid, Relief, and Economic Security Act ("the CARES Act"), which provides entities with optional temporary relief from certain accounting and financial reporting requirements under U.S. GAAP. Section 4013 of the CARES Act allows financial institutions to suspend application of certain TDR accounting guidance for loan and lease modifications related to the COVID-19 pandemic made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the end of the COVID-19 national emergency, provided certain criteria are met. Section 4013 of the CARES Act was amended on December 27, 2020, to extend this relief until January 1, 2022. The relief can be applied to loan and lease modifications for borrowers that were not more than 30 days past due as of December 31, 2019 and to loan and lease modifications that defer or delay the payment of principal or interest, or change the interest rate on a loan. The Company chose to apply this relief to eligible loan and lease modifications.

Lender Reserve Account

Certain loan sale transactions with the Federal Home Loan Bank of Cincinnati (FHLB) provide for the establishment of a Lender Reserve Account (LRA). The LRA consists of amounts withheld from loan sale proceeds by the FHLB for absorbing inherent losses that are probable on those sold loans. These withheld funds are an asset to the Company as they are scheduled to be paid to the Company in future years, net of any credit losses on those loans sold. The receivables are initially measured at fair value. The fair value is estimated by discounting the cash flows over the life of each master commitment contract. The accretable yield is amortized over the life of the master commitment contract. Expected cash flows are re-evaluated at each measurement date. If there is an adverse change in expected cash flows, the accretable yield would be adjusted on a prospective basis and the asset evaluated for impairment.

Premises and Equipment

Depreciable assets are stated at cost, less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives for each major depreciable classification of premises and equipment are as follows:

Buildings and improvements	15-40 years
Equipment	3-5 years

Federal Home Loan Bank Stock

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula, carried at par and evaluated for impairment.

Foreclosed Assets Held for Sale

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value, less estimated costs to sell, at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value, less estimated costs to sell. Net revenue and expenses from operations and changes in the valuation allowance are included in noninterest expense from foreclosed assets. There were no valuation allowances established during 2022 or 2021.

Mortgage Servicing Rights

Mortgage servicing assets are recognized separately when rights are acquired through sale of financial assets. Under the servicing assets and liabilities accounting guidance (ASC 860-50 *Transfers and Servicing*), servicing rights resulting from the sale of loans originated by the Company are initially measured at fair value at the date of transfer. The Company subsequently measures each class of servicing asset using the fair value method. Under the fair value method, the servicing rights are carried in the balance sheet at fair value and the changes in fair value are reported in earnings in the period in which the changes occur.

Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as market conditions and projected interest rates change, and may have an adverse impact on the value of the mortgage servicing rights and may result in a reduction or addition to noninterest income.

Servicing fee income is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned.

Bank Owned Life Insurance

The Company purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Derivatives

Derivatives are recognized as assets and liabilities on the consolidated balance sheets and measured at fair value. For exchange-traded contracts, fair value is based on quoted market prices. For nonexchange-traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value may require significant management judgment or estimation.

Derivative Loan Commitments

Mortgage loan commitments that relate to the origination of a mortgage that will be held for sale upon funding are considered derivative instruments under the derivatives and hedging accounting guidance (ASC 815, *Derivatives and Hedging*). Loan commitments that are derivatives are recognized at fair value on the consolidated balance sheet in other assets and other liabilities with changes in their fair values recorded in noninterest income.

Forward Loan Sale Commitments

The Company carefully evaluates all loan sale agreements to determine whether they meet the definition of a derivative under the derivatives and hedging accounting guidance (ASC 815), as facts and circumstances may differ significantly. If agreements qualify, to protect against the price risk inherent in derivative loan commitments, the Company uses both “mandatory delivery” and “best efforts” forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments. Mandatory delivery contracts are accounted for as derivative instruments. Accordingly, forward loan sale commitments are recognized at fair value on the consolidated balance sheet in other assets and liabilities with changes in their fair values recorded in other noninterest income.

The Company estimates the fair value of its forward loan sales commitments using a methodology similar to that used for derivative loan commitments.

Employee Stock Ownership Plan (“ESOP”)

The cost of unearned ESOP shares is shown as a reduction of stockholders’ equity. Compensation expense is based on the average fair value of shares as they are committed to be released to participant accounts and the shares become outstanding for earnings per share computations. Dividends on allocated ESOP shares reduce retained earnings; dividends on unearned ESOP shares are used to reduce annual ESOP debt service. As of December 31, 2022, 57,303 shares have been allocated to eligible participants in the ESOP and an additional 10,285 shares have been released during the year to eligible participants. (See Note 12 – *Employee and Director Benefits*).

Income Taxes

The Company accounts for income taxes in accordance with income tax accounting guidance (ASC 740, *Income Taxes*). The income tax accounting guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of the enacted tax law to the taxable income or excess of deductions over revenues. The Company determines deferred income taxes

using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the differences between the book and tax bases of assets and liabilities, and enacted changes in tax rates and laws are recognized in the period in which they occur. Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Uncertain tax positions are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more-likely-than-not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more-likely-than-not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment.

If necessary, the Company recognizes interest and penalties on income taxes as a component of income tax expense.

With a few exceptions, the Company is no longer subject to examinations by tax authorities for years before 2019. As of December 31, 2022 and 2021, the Company had no uncertain tax positions.

Comprehensive Income

Comprehensive income consists of net income and other comprehensive income (loss), net of applicable income taxes. Other comprehensive income (loss) includes unrealized gains (losses) on available-for-sale securities and changes in the funded status of the directors' retirement plan.

Earnings Per Share

Basic earnings per share ("EPS") allocated to common shareholders is calculated using the two-class method and is computed by dividing net income allocated to common shareholders by the weighted-average number of common shares outstanding during the period. The two-class method is an earnings allocation formula that determines the EPS for each class of common stock and participating securities according to dividends distributed and participation rights in undistributed earnings.

Diluted EPS is adjusted for dilutive effects of stock-based compensation and is calculated using the two-class method or treasury method. The average number of common shares outstanding is increased to include the number of shares that would have been outstanding if all potentially dilutive common stock equivalents were issued during the period, as well as for any adjustment to income that would result from the assumed issuance.

Unallocated common shares held by the Company's ESOP are shown as a reduction in stockholders' equity and are excluded from weighted-average common shares outstanding for both basic and diluted earnings per share calculations until they are committed to be released.

Revisions

Certain immaterial revisions have been made to the 2021 consolidated financial statements related to the tax effect of the directors' retirement plan through the other comprehensive income statement. These revisions did not have a significant impact on the financial statement line items impacted and had no effect on net income.

Subsequent Events

Subsequent events have been evaluated through March 31, 2023, which is the date the consolidated financial statements were available to be issued.

Note 2: Debt Securities

The amortized cost and approximate fair values, together with gross unrealized gains and losses, of debt securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-Sale Debt Securities:				
December 31, 2022:				
Mortgage-backed securities of government sponsored entities	$ 7,141,201	$ -	$ (774,620)	$ 6,366,581
December 31, 2021:				
Mortgage-backed securities of government sponsored entities	$ 7,844,180	$ 49,809	$ (2,757)	$ 7,891,232

There were no sales of available-for-sale debt securities in 2022 and 2021.

Expected maturities on mortgage-backed securities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. At December 31, 2022 and 2021, the Company's investments consisted entirely of mortgage-backed securities which are not due at a single maturity date.

Total fair value of investments at December 31, 2022 reported at less than historical cost was $6.4 million and was 100.0% of the Company's investment portfolio. The increase in available-for-sale securities reported at less than historical cost primarily resulted from higher market interest rates in 2022 compared to market interest rates in 2021. There was $126,000 or approximately 1.6% of the investment portfolio reported at less than historical cost at December 31, 2021.

The following tables show the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment class and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2022 and 2021:

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2022						
Mortgage-backed securities of government sponsored entities	$ 6,252,709	$ (768,920)	$ 113,872	$ (5,700)	$ 6,366,581	$ (774,620)
December 31, 2021:						
Mortgage-backed securities of government sponsored entities	$ 12,977	$ (48)	$ 113,030	$ (2,709)	$ 126,007	$ (2,757)

Note 3: Loans and Allowance for Loan Losses

Categories of loans at December 31, 2022 and 2021 include:

	December 31, 2022	December 31, 2021
One to four family mortgage loans - owner occupied	$ 116,435,398	$ 70,336,846
One to four family - investment	12,532,697	10,361,388
Multifamily mortgage loans	55,656,743	55,029,111
Nonresidential mortgage loans	46,463,981	41,761,964
Construction and land loans	21,934,487	19,425,025
Real estate secured lines of credit	13,822,569	11,403,262
Commercial loans	233,523	299,851
Other consumer loans	307,903	348,386
Total loans	267,387,301	208,965,833
Less:		
Net deferred loan costs	(695,014)	(404,884)
Undisbursed portion of loans	10,465,335	12,156,351
Allowance for loan losses	1,854,836	1,672,545
Net loans	$ 255,762,144	$ 195,541,821

Risk characteristics applicable to each segment of the loan portfolio are described as follows:

One to Four Family Mortgage Loans and Real Estate Secured Lines of Credit: The one to four family mortgage loans and real estate secured lines of credit are secured by owner-occupied one to four family residences. Repayment of these loans is primarily dependent on the personal income and credit rating of the borrowers. Credit risk in these loans can be impacted by economic conditions within the Company’s market areas that might impact either property values or a borrower’s personal income. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

One to Four Family Investment Property Loans: The one to four family investment property loans are secured by non-owner occupied one to four family residences. Repayment of these loans is primarily dependent on the net rental income and personal income of the borrowers. These loans are considered to be higher risk than owner occupied one to four family mortgage loans. Credit risk in these loans can be impacted by economic conditions within the Company’s market areas that might impact investment property vacancies, property values or a borrower’s personal income. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Multi-Family and Nonresidential Mortgage Loans: These loans typically involve larger principal amounts, and repayment of these loans is generally dependent on the successful operations of the property securing the loan or the business conducted on the property securing the loan. These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Company's market areas.

Construction and Land Loans: These loans are usually based upon estimates of costs and estimated value of the completed project and include independent appraisal reviews and a financial analysis of the developers and property owners. Sources of repayment of these loans may include permanent loans, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are considered to be higher risk than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions and the availability of long-term financing. Credit risk in these loans may be impacted by the creditworthiness of a borrower, property values and the local economies in the Company's market areas.

Commercial Loans: The commercial portfolio includes loans to commercial customers for use in financing working capital needs, equipment purchases and expansions. The loans in this category are repaid primarily from the cash flow of a borrower's principal business operation. Credit risk in these loans is impacted by creditworthiness of a borrower and the economic conditions that impact the cash flow stability from business operations.

Other Consumer Loans: The consumer loan portfolio consists of various term and line of credit loans such as automobile loans and loans for other personal purposes. Repayment for these types of loans will come from a borrower's income sources that are typically independent of the loan purpose. Credit risk is impacted by consumer economic factors (such as unemployment and general economic conditions in the Company's market area) and the creditworthiness of a borrower.

The following tables present the balance in the allowance for loan losses and the recorded investment in loans based on portfolio segment and impairment method as of December 31, 2022 and December 31, 2021:

At or For the Year Ended December 31, 2022

	One- to Four-Family Mortgage Loans Owner Occupied	One- to Four-Family Mortgage Loans Investment	Multi-Family Mortgage Loans	Nonresidential Mortgage Loans	Construction & Land Loans	Real Estate Secured Lines of Credit	Commercial Loans	Other Consumer Loans	Total
Allowance for loan loans:									
Balance, beginning of year	$ 285,080	$ 51,763	$ 691,619	$ 336,100	$ 278,828	$ 28,750	$ 187	$ 218	$ 1,672,545
Provision (credit) charged to expense	66,646	(30,859)	56,319	80,549	(8,097)	11,562	(64)	(56)	176,000
(Charge-offs) recoveries	6,291	-	-	-	-	-	-	-	6,291
Balance, end of year	$ 358,017	$ 20,904	$ 747,938	$ 416,649	$ 270,731	$ 40,312	$ 123	$ 162	$ 1,854,836
Ending balance: Individually evaluated for impairment	$ 12,633	$ 8,012	$ -	$ -	$ -	$ -	$ -	$ -	$ 20,645
Ending balance: Collectively evaluated for impairment	$ 345,384	$ 12,892	$ 747,938	$ 416,649	$ 270,731	$ 40,312	$ 123	$ 162	$ 1,834,191
Loans:									
Ending balance	$ 116,435,398	$ 12,532,697	$ 55,656,743	$ 46,463,981	$ 21,934,487	$ 13,822,569	$ 233,523	$ 307,903	$ 267,387,301
Ending balance: Individually evaluated for impairment	$ 1,058,857	$ 413,069	$ 120,400	$ -	$ -	$ 47,968	$ -	$ -	$ 1,640,294
Ending balance: Collectively evaluated for impairment	$ 115,376,541	$ 12,119,628	$ 55,536,343	$ 46,463,981	$ 21,934,487	$ 13,774,601	$ 233,523	$ 307,903	$ 265,747,007

	At or For the Year Ended December 31, 2021								
	One- to Four-Family Mortgage Loans Owner Occupied	One- to Four-Family Mortgage Loans Investment	Multi-Family Mortgage Loans	Nonresidential Mortgage Loans	Construction & Land Loans	Real Estate Secured Lines of Credit	Commercial Loans	Other Consumer Loans	Total
Allowance for loan loans:									
Balance, beginning of year	$ 416,404	$ 99,978	$ 670,822	$ 316,332	$ 96,435	$ 49,336	$ 17,111	$ 6,127	$ 1,672,545
Provision (credit) charged to expense	(131,324)	(48,215)	20,797	19,768	182,393	(20,586)	(16,924)	(5,909)	-
(Charge-offs) recoveries	-	-	-	-	-	-	-	-	-
Balance, end of year	$ 285,080	$ 51,763	$ 691,619	$ 336,100	$ 278,828	$ 28,750	$ 187	$ 218	$ 1,672,545
Ending balance: Individually evaluated for impairment	$ 18,924	$ 40,075	$ -	$ -	$ -	$ -	$ -	$ -	$ 58,999
Ending balance: Collectively evaluated for impairment	$ 266,156	$ 11,688	$ 691,619	$ 336,100	$ 278,828	$ 28,750	$ 187	$ 218	$ 1,613,546
Loans:									
Ending balance	$ 70,336,846	$ 10,361,388	$ 55,029,111	$ 41,761,964	$ 19,425,025	$ 11,403,262	$ 299,851	$ 348,386	$ 208,965,833
Ending balance: Individually evaluated for impairment	$ 1,154,343	$ 433,153	$ 126,451	$ -	$ -	$ 54,881	$ -	$ -	$ 1,768,828
Ending balance: Collectively evaluated for impairment	$ 69,182,503	$ 9,928,235	$ 54,902,660	$ 41,761,964	$ 19,425,025	$ 11,348,381	$ 299,851	$ 348,386	$ 207,197,005

The Company has adopted a standard grading system for all loans.

Definitions are as follows:

Prime (1) loans are of superior quality with excellent credit strength and repayment ability proving a nominal credit risk.

Good (2) loans are of above average credit strength and repayment ability proving only a minimal credit risk.

Satisfactory (3) loans are of reasonable credit strength and repayment ability proving an average credit risk due to one or more underlying weaknesses.

Acceptable (4) loans are of the lowest acceptable credit strength and weakened repayment ability providing a cautionary credit risk due to one or more underlying weaknesses. New borrowers are typically not underwritten within this classification.

Special Mention (5) loans have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the Company's credit position at some future date. Special mention loans are not adversely classified and do not expose the Company to sufficient risk to warrant adverse classification. Ordinarily, special mention credits have characteristics which corrective management action would remedy.

Substandard (6) loans are inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Doubtful (7) loans have all the weaknesses inherent in those classified Substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of current known facts, conditions and values, highly questionable and improbable.

Loss (8) loans are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value but rather it is not practical or desirable to defer writing off even though partial recovery may be affected in the future.

The following tables present the credit risk profile of the Company's loan portfolio based on internal rating category and payment activity as of December 31, 2022 and 2021:

December 31, 2022

	One- to Four-Family Mortgage Loans - Owner Occupied	One- to Four-Family Mortgage Loans - Investment	Multi-Family Mortgage Loans	Nonresidential Mortgage Loans	Construction & Land Loans	Real Estate Secured Lines of Credit	Commercial Loans	Other Consumer Loans	Total
Pass	$ 115,836,913	$ 12,474,238	$ 55,656,743	$ 46,463,981	$ 21,934,487	$ 13,774,601	$ 233,523	$ 307,903	$ 266,682,389
Special mention	179,478	58,459	-	-	-	-	-	-	237,937
Substandard	419,007	-	-	-	-	47,968	-	-	466,975
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
Total	$ 116,435,398	$ 12,532,697	$ 55,656,743	$ 46,463,981	$ 21,934,487	$ 13,822,569	$ 233,523	$ 307,903	$ 267,387,301

December 31, 2021

	One- to Four-Family Mortgage Loans - Owner Occupied	One- to Four-Family Mortgage Loans - Investment	Multi-Family Mortgage Loans	Nonresidential Mortgage Loans	Construction & Land Loans	Real Estate Secured Lines of Credit	Commercial Loans	Other Consumer Loans	Total
Pass	$ 69,644,317	$ 10,283,060	$ 55,029,111	$ 41,761,964	$ 19,425,025	$ 11,348,381	$ 299,851	$ 348,386	$ 208,140,095
Special mention	106,561	78,328	-	-	-	-	-	-	184,889
Substandard	585,968	-	-	-	-	54,881	-	-	640,849
Doubtful	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-
Total	$ 70,336,846	$ 10,361,388	$ 55,029,111	$ 41,761,964	$ 19,425,025	$ 11,403,262	$ 299,851	$ 348,386	$ 208,965,833

The pass portfolio within the tables above consists of loans graded Prime (1) through Acceptable (4).

The Company evaluates the loan risk grading system definitions and the allowance for loan losses methodology on an ongoing basis. No significant changes were made to either during the year ended December 31, 2022.

Certain loan sale transactions with the FHLB provide for establishment of an LRA. The LRA consists of amounts withheld from the loan sale proceeds by the FHLB for absorbing potential losses on those loans sold. These withheld funds are an asset to the Company as they are scheduled to be paid to the Company in future years, net of any credit losses on those loans sold. The LRA funds withheld to settle these potential losses totaled approximately $4,240,000 and $4,092,000 at December 31, 2022 and 2021, respectively; however, these receivables are recorded at fair value at the time of sale, which includes consideration of potential credit losses, at the time of the establishment of the LRA. In the event that the credit losses do not exceed the withheld funds, the LRA agreements provide for payment of these funds to the Company in seven annual installments beginning five years after the sale date or in 26 annual installments, beginning five years after the sale date. The carrying value of the LRA is equal to the initial fair value plus an interest component less any cash receipts, which totaled approximately $2,345,000 and $2,287,000 at December 31, 2022 and 2021, respectively.

The Company had mandatory delivery contracts outstanding as of December 31, 2022 of $1.6 million.

Note 6: Time Deposits

Time deposits in denominations of $250,000 or more were approximately $10.8 million and $7.6 million at December 31, 2022 and 2021, respectively. Deposit accounts in excess of $250,000 are not insured by the FDIC. At December 31, 2022, approximately $49.4 million of our certificates of deposit had been obtained through the National CD Rateline program.

At December 31, 2022 and 2021, the scheduled maturities of time deposits were as follows:

	2022	2021
One year or less	$ 63,852,007	$ 31,068,958
Over one year to two years	25,943,113	23,491,368
Over two years to three years	8,410,769	19,101,494
Over three years to four years	1,571,456	7,365,269
Over four years to five years	222,484	1,904,092
Thereafter	406,723	206,574
	$ 100,406,552	$ 83,137,755

Interest expense during the years ended December 31, 2022 and 2021 for each major category of deposits was as follows:

	2022	2021
Deposit Type:		
Savings	$ 585,487	$ 112,374
Interest Bearing Demand	50,082	45,575
Certificates of Deposit	918,481	870,571
Total Deposit Interest Expense	$ 1,554,050	$ 1,028,520

Note 7: Federal Home Loan Bank Advances

FHLB advances are secured by a blanket pledge of qualifying mortgage loans totaling approximately $142,623,000 and $89,916,000 and the Company's investment in FHLB stock at December 31, 2022 and 2021, respectively. Advances are subject to restrictions or penalties in the event of prepayment.

At December 31, 2022, the Company had $29.0 million in FHLB advances outstanding. The Company had no outstanding FHLB advances at December 31, 2021. During the year ended December 31, 2021 the Company repaid all FHLB advances totaling $38.4 million and incurred prepayment penalties of $766,671. FHLB letters of credit were obtained in lieu of pledging securities to secure certain public fund deposits that are over the FDIC insurance limit. At December 31, 2022, FHLB letters of credit in the amount of $27.3 million were collateral for these deposits. The Company had no letters of credit with the FHLB at December 31, 2021.

Aggregate annual maturities of FHLB advances at December 31, 2022 are as follows:

	2022
One year or less	$ 29,000,000
Over one year to two years	-
Over two years to three years	-
Over three years to four years	-
	29,000,000

The Company had capacity to borrow approximately an additional $35.6 million from the FHLB-Cincinnati based on its collateral capacity at December 31, 2022. The Company also had $11.5

million available on lines of credit with three commercial banks. No amount was outstanding on these lines at December 31, 2022.

Note: 8 Income Taxes

The provision for income taxes includes these components for the years ended December 31, 2022 and 2021.

	2022	2021
Taxes currently payable	$ 226,098	$ 245,843
Deferred income taxes	180,227	202,338
Income tax expense	$ 406,325	$ 448,181

	2022	2021
Computed at the statutory rate	$ 382,860	$ 440,312
Increase (decrease) resulting from:		
Bank-owned life insurance	(17,563)	(17,658)
Other	26,532	-
Stock based compensation	14,496	25,527
Actual tax expense	$ 406,325	$ 448,181

A reconciliation between the statutory income tax and the Company's effective rate follows:

	2022	2021
Computed at the statutory rate	21.00%	21.00%
Increase (decrease) resulting from:		
Bank-owned life insurance	(0.96%)	(0.84%)
Other	2.25%	1.22%
Effective tax rate	22.29%	21.38%

The tax effects of temporary differences related to deferred taxes shown on the balance sheets at December 31, 2022 and 2021 were:

	2022	2021
Deferred tax assets		
Allowance for loan losses	$ 376,585	$ 338,304
Loans held for sale	8,647	39,718
Operating lease right of use liability	21,249	29,564
Directors' Retirement Plan	107,975	146,222
Net operating loss	164,897	171,197
Unrealized losses on available-for-sale securities	162,670	-
Other	23,439	2,117
	865,462	727,122
Deferred tax liabilities		
Deferred loan costs	(145,953)	(85,026)
Dividends on FHLB stock	(332,211)	(332,211)
Mortgage servicing rights	(695,669)	(468,458)
FHLB lender risk account receivable	(492,361)	(480,205)
Depreciation	(125,589)	(261,251)
Operating lease right of use asset	(21,249)	(29,564)
Unrealized gains on available-for-sale securities	-	(9,881)
Fair value mortgage banking derivative net assets	(5,634)	(25,250)
Other	(176,441)	(106,719)
	(1,995,107)	(1,798,565)
Valuation allowance	(19,322)	(19,322)
Net deferred tax liability	$ (1,148,967)	$ (1,090,765)

Retained earnings at both December 31, 2022 and 2021, include approximately $766,000 for which no deferred federal income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions for tax purposes only. Reduction of amounts so allocated for purposes other than tax bad debt losses or adjustments arising from carryback of net operating losses would create income for tax purposes only, which would be subject to the then-current corporate income tax rate. The deferred income tax liability on the preceding amount that would have been recorded if it was expected to reverse into taxable income in the foreseeable future was approximately $160,900 at both December 31, 2022 and 2021.

As of December 31, 2022, the Company has net operating loss carryforwards of approximately $547,000 which expire between 2028 and 2036 and $240,000 with no expiration. A valuation allowance for deferred tax assets is provided for all or some portion of the deferred tax asset when it is more likely than not an amount will not be realized. An increase or decrease in the valuation allowance that results from a change in circumstances is included in income tax expense in the period they are identified. At December 31, 2022, the Company has a valuation allowance of $19,322 to reduce deferred tax assets to the amount that is more likely than not to be realized under Code Section 382 limitations.

Note 9: Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss, included in stockholders' equity, are as follows:

	December 31, 2022	December 31, 2021
Net unrealized gains (losses) on available for sale securities	$ (774,620)	$ 47,052
Directors' retirement plan	(192,068)	(432,667)
	(966,688)	(385,615)
Tax benefit	(203,004)	(51,312)
Net of tax amount	$ (763,684)	$ (334,303)

Note 10: Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory-and possibly additional discretionary-actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Furthermore, the Bank's regulators could require adjustments to regulatory capital not reflected in these financial statements.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined) to risk-weighted assets (as defined), common equity Tier I capital (as defined) to risk-weighted assets (as defined) and of Tier I capital to average assets (as defined). Management believes that, as of December 31, 2022 and 2021, the Bank met all capital adequacy requirements to which it was subject at such dates.

Management opted out of the accumulated comprehensive income treatment under the Basel III capital requirements, and as such, unrealized gains and losses from available-for-sale securities will continue to be excluded from regulatory capital.

The below minimum capital requirements exclude the capital conservation buffer required to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers. The capital conservation buffer was 2.50% at December 31, 2022.

As of December 31, 2022, the most recent notification from the Office of the Comptroller of the Currency categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual and required capital amounts and ratios are presented in the following table:

	Actual		Minimum Capital Requirement		Minimum to Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)					
As of December 31, 2022:						
Total risk-based capital (to risk-weighted assets)	$ 40,274	16.9%	$ 19,077	8.0%	$ 23,846	10.0%
Tier I capital (to risk-weighted assets)	38,419	16.1%	14,307	6.0%	19,077	8.0%
Common Equity Tier I capital (to risk-weighted assets)	38,419	16.1%	10,731	4.5%	15,500	6.5%
Tier I capital (to adjusted average total assets)	38,419	13.1%	11,749	4.0%	14,686	5.0%
As of December 31, 2021:						
Total risk-based capital (to risk-weighted assets)	$ 38,714	20.0%	$ 15,474	8.0%	$ 19,343	10.0%
Tier I capital (to risk-weighted assets)	37,041	19.2%	11,606	6.0%	15,474	8.0%
Common Equity Tier I capital (to risk-weighted assets)	37,041	19.2%	8,704	4.5%	12,573	6.5%
Tier I capital (to adjusted average total assets)	37,041	14.7%	10,106	4.0%	12,633	5.0%

Note 11: Related Party Transactions

At December 31, 2022 and 2021, the Company had loans outstanding to executive officers, directors and their affiliates (related parties). Annual activity consisted of the following:

	2022	2021
Beginning balance	$ 598,055	$ 761,280
New loans	-	-
Repayments	69,206	163,225
Ending balances	$ 528,849	$ 598,055

In management's opinion, such loans and other extensions of credit are consistent with sound lending practices and are within applicable regulatory lending limitations. In management's opinion these loans did not involve more than normal risk of collectability or present other unfavorable features.

Deposits from related parties held by the Bank at December 31, 2022 and 2021 totaled $2.9 million and $3.1 million, respectively.

Note 12: Employee and Director Benefits

The Company has a 401(k) profit-sharing plan covering substantially all employees. The Company's contributions to the plan are determined annually by the Board of Directors of Cincinnati Federal. Contributions to the plan charged to employee benefit expense were approximately $201,000 and $216,000 for the years ended December 31, 2022 and 2021, respectively.

In connection with the conversion to the mutual holding company, Cincinnati Bancorp, established an Employee Stock Ownership Plan (ESOP) for the exclusive benefit of eligible employees. The ESOP borrowed funds from Cincinnati Bancorp in an amount sufficient to purchase 67,397 shares (approximately 3.92% of the common stock sold in the initial stock offering). In the second-step stock offering completed January 22, 2020, the ESOP borrowed funds from Cincinnati Bancorp, Inc. and purchased 132,237 shares (approximately 8.0% of the common stock sold in the second-step offering). The loan is secured by the shares purchased and will be repaid by the ESOP with funds from contributions made by the Company and dividends received by the ESOP. Contributions will be applied to repay interest on the loan first, then the remainder will be applied to principal. The loan is expected to be repaid over a period of up to 20 years. Shares purchased with the loan proceeds are held in a suspense account for allocation among participants as the loan is repaid. Contributions to the ESOP and shares released from the suspense account are allocated among participants in proportion to their compensation, relative to total compensation of all active participants.

Participants will vest in their accrued benefits under the ESOP at the rate of 20 percent per year after two years of service. Vesting is accelerated upon retirement, death or disability of the participant, or a change in control of the Company. Forfeitures will be reallocated to remaining plan participants. Benefits may be payable upon retirement, death, disability, separation from service, or termination of the ESOP.

The debt of the ESOP is eliminated in consolidation. Contributions to the ESOP shall be sufficient to pay principal and interest currently due under the loan agreement. As shares are committed to be released from collateral, the Company reports compensation expense equal to the average market price of the shares for the respective period, and the shares become outstanding for earnings per share computations. Dividends on unallocated ESOP shares, if any, are recorded as a reduction of debt and accrued interest. ESOP compensation expense was approximately $153,000 and $142,000 for the years ended December 31, 2022 and 2021, respectively.

A summary of the ESOP shares as of December 31, 2022 and 2021 are as follows:

	December 31, 2022	December 31, 2021
Shares allocated to participants	57,303	47,018
Shares released to participants	10,285	10,285
Unreleased shares	174,637	184,922
Total	242,225	242,225
Fair value of unreleased shares	$ 2,671,946	$ 2,681,369

In addition, the Company provides post-retirement benefits to directors of the Company. The Company accounts for the policies in accordance with ASC 715-60 *Defined Benefit Plans*, which requires companies to recognize a liability and related compensation costs that provide a benefit to a director extending to post-retirement periods. The liability is recognized based on the substantive agreement with the director.

The Company uses a December 31 measurement date for the plan. Information about the plan's funded status and pension cost follows:

	2022	2021
Change in benefit obligation:		
Beginning of year	$ 696,295	$ 612,884
Service cost	10,239	14,312
Interest cost	24,273	15,564
Loss/(gain)	(201,637)	-
Service cost adjustment	-	68,535
Benefits paid	(15,000)	(15,000)
End of year	$ 514,170	$ 696,295

Amounts recognized in accumulated other comprehensive loss not yet recognized as components of net periodic benefit cost consist of:

	2022	2021
Prior service cost	$ 25,280	$ 25,280
Net loss	$ 15,882	$ 18,567

The accumulated benefit obligation for the benefit plan was $514,170 and $696,295 at December 31, 2022 and 2021, respectively.

The estimated prior service credit for the plan that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year is approximately $25,280.

	2022	2021
Components of net periodic benefit cost:		
Service cost	$ 10,239	$ 14,312
Interest Cost	24,273	15,564
(Gain)/loss recognized	15,882	18,567
Prior service cost	25,280	25,280
	$ 75,674	$ 73,723

The retiree accrued liability expected to be reversed from the plan as of December 31, 2022 and December 31, 2021 is as follows:

	2022	2021
One year or less	$ 15,000	$ 15,000
Over one year to two years	15,000	15,000
Over two years to three years	15,000	15,000
Over three years to four years	15,000	15,000
Over four years to five years	30,000	15,000
Thereafter	180,000	180,000
	$ 270,000	$ 255,000

Significant assumptions for the benefit plan liability include the following as of December 31, 2022 and 2021:

	2022	2021
Weighted average assumptions used to determine benefit cost obligation:		
Discount Rate	5.00%	2.32%

Note 13: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 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 for substantially the full-term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2022 and 2021:

		Fair Value Measurements Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022:				
Mortgage-backed securities of government sponsored entities	$ 6,366,581	$ -	$ 6,366,581	$ -
Mortgage servicing rights	3,312,709	-	-	3,312,709
Interest rate lock commitments (included in other assets)	773	-	-	773
Interest rate lock commitments (included in other liabilities)	(6,487)	-	-	(6,487)
Forward sale commitments (included in other assets)	33,583	-	33,583	-
Forward sale commitments (included in other liabilities)	(1,041)	-	(1,041)	-
December 31, 2021:				
Mortgage-backed securities of government sponsored entities	$ 7,891,232	$ -	$ 7,891,232	$ -
Mortgage servicing rights	2,230,751	-	-	2,230,751
Interest rate lock commitments (included in other assets)	60,441	-	-	60,441
Interest rate lock commitments (included in other liabilities)	(7,640)	-	-	(7,640)
Forward sale commitments (included in other assets)	90,814	-	90,814	-
Forward sale commitments (included in other liabilities)	(23,378)	-	(23,378)	-

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on recurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

Available-for-sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 and Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Mortgage Servicing Rights

Mortgage servicing rights do not trade in an active, open market with readily observable prices. Accordingly, fair value is estimated using discounted cash flow models having significant inputs of loan balance, weighted average coupon, weighted average maturity, escrow payments, servicing fees, prepayment speeds, float, cost to service, ancillary income, and discount rate. Due to the nature of the valuation inputs, mortgage servicing rights are classified within Level 3 of the hierarchy.

Mortgage servicing rights are tested for impairment. Management measures mortgage servicing rights through use of a third-party independent valuation. Inputs to the model are reviewed by management.

Mortgage servicing rights are carried in the balance sheet at fair value and the changes in fair value are reported in other noninterest income in the period in which the changes occur.

Derivatives

Derivatives are recognized as assets and liabilities on the consolidated balance sheets and measured at fair value. For exchange-traded contracts, fair value is based on quoted market prices. For nonexchange-traded contracts, fair value is based on dealer quotes, pricing models, discounted cash flow methodologies or similar techniques for which the determination of fair value may require significant management judgment or estimation.

Derivative – Interest Rate Lock Commitments

The fair value of the interest rate lock commitments is based on the investor prices for the underlying loans or current secondary market prices for loans with similar characteristics plus the expected value of expected servicing assets less estimated costs to originate the loans and adjusted for the anticipated funding probability (pull-through rate).

The fair value of interest rate lock commitments is also obtained from an independent third party and is based on investor prices for the underlying loans or current secondary market prices for loans with similar characteristics, less estimated costs to originate the loans and adjusted for the anticipated funding probability (pull-through rate). The fair value of interest rate lock commitments is classified as Level 3 in the fair value hierarchy.

Derivative – Forward Sale Commitments

Mortgage loan commitments that relate to the origination of a mortgage loan that will be held for sale upon funding are considered derivative instruments under the derivatives and hedging accounting guidance (ASC 815, *Derivatives and Hedging*). Loan commitments that are derivatives are recognized at fair value on the consolidated balance sheet in other assets and other liabilities with changes in their fair values recorded in noninterest income.

The fair value of forward mortgage loan sale commitments is obtained from an independent third party and is based on the gain or loss that would occur if the Company were to pair-off the sales

transaction with the investor. The fair value of forward mortgage loan sale commitments is classified as Level 2 in the fair value hierarchy.

The table below provides information on the Company's derivative financial instruments as of December 31, 2022 and December 31, 2021:

	Notional Amount	Asset Derivatives	Liability Derivatives
December 31, 2022:			
Interest rate lock commitments	$ 1,583,700	$ 773	$ 6,487
Forward sale commitments	4,920,723	33,583	1,041
	$ 6,504,423	$ 34,356	$ 7,528
December 31, 2021:			
Interest rate lock commitments	$ 8,725,795	$ 60,441	$ 7,640
Forward sale commitments	16,842,514	90,814	23,378
	$ 25,568,309	$ 151,255	$ 31,018

Income (loss) related to derivative financial instruments included in noninterest income in the accompanying consolidated statements of income for the year ended December 31, 2022 is as follows:

	2022	2021
Interest rate lock commitments	$ (58,515)	$ (445,842)
Forward sale commitments	(34,895)	212,430
Unrealized gains (losses) recognized in earnings	$ (93,410)	$ (233,412)

Forward Loan Sale Commitments

The Company carefully evaluates all loan sale agreements to determine whether they meet the definition of a derivative under the derivatives and hedging accounting guidance (ASC 815), as facts and circumstances may differ significantly. If agreements qualify, to protect against the price risk inherent in derivative loan commitments, the Company uses both "mandatory delivery" and "best efforts" forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments. Mandatory delivery contracts are accounted for as derivative instruments. Accordingly, forward loan sale

commitments are recognized at fair value on the consolidated balance sheet in other assets and liabilities with changes in their fair values recorded in other noninterest income.

The Company estimates the fair value of its forward loan sales commitments using a methodology similar to that used for derivative interest rate lock commitments.

Nonrecurring Measurements

The following table presents the fair value of assets measured at fair value on a nonrecurring basis and the level of hierarchy in which the fair value measurements fall at December 31, 2022 and 2021:

			Fair Value Measurements Using				
	Carrying Amount		Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
December 31, 2022:							
Collateral-dependent impaired loans	$	53,679	$	-	$	-	$ 53,679
December 31, 2021:							
Collateral-dependent impaired loans	$	120,170	$	-	$	-	$ 120,170

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying consolidated balance sheets, as well as the general classification of such assets pursuant to the valuation hierarchy. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Collateral-dependent Impaired Loans, Net of ALLL

The estimated fair value of collateral-dependent impaired loans is based on the appraised fair value of the collateral, less estimated cost to sell. Collateral-dependent impaired loans are classified within Level 3 of the fair value hierarchy.

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements at December 31, 2022 and 2021:

		Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
December 31, 2022:					
Mortgage servicing rights	$	3,312,709	Discounted cash flow	Discount rate PSA prepayment speeds	10% (156%-329%) 167%
Interest rate lock and mandatory commitments (assets)	$	773	Secondary market prices	Pull-through rate	(70%-100%) 89%
Interest rate lock and mandatory commitments (liabilities)	$	(6,487)	Secondary market prices	Pull-through rate	(70%-100%) 89%
Impaired loans (collateral dependent)	$	53,679	Market comparable properties	Marketability discount	(10%-15%) 12%
December 31, 2021:					
Mortgage servicing rights	$	2,230,751	Discounted cash flow	Discount rate PSA prepayment speeds	10% (274%-473%) 341%
Interest rate lock and mandatory commitments (assets)	$	60,441	Secondary market prices	Pull-through rate	(70%-100%) 80%
Interest rate lock and mandatory commitments (liabilities)	$	(7,640)	Secondary market prices	Pull-through rate	(70%-100%) 80%
Impaired loans (collateral dependent)	$	120,170	Market comparable properties	Marketability discount	(10%-15%) 12%

Uncertainty of Fair Value Measurements

The following is a description of the uncertainty of the fair value measurement at the reporting date from the use of significant unobservable inputs, if those inputs reasonably could not have been different at the reporting date, the interrelationships between those inputs and other unobservable inputs used in the recurring fair value measurement and how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair measurements.

Interest Rate Lock and Mandatory Commitments (assets & liabilities)

The significant unobservable input used in the fair value measurement of the Company's interest rate lock and mandatory commitments is the investor pricing adjusted by the probability of funding. Significant increases (decreases) in this input in isolation would result in a significantly lower (higher) fair value measurement. In general, a change in the assumption would not impact any other inputs.

Mortgage Servicing Rights

The significant unobservable input used in the fair value measurement of the Company's mortgage servicing rights is the discount rate. Significant increases (decreases) in this input in isolation would result in a significantly lower (higher) fair value measurement. In general, a change in the assumption would not affect any other inputs.

Collateral-Dependent Impaired Loans

The significant unobservable input used in the fair value measurement of the Company's collateral-dependent impaired loans is a marketability discount. Significant increases (decreases) in this input in isolation would result in a significantly lower (higher) fair value measurement. In general, a change in the assumption would not affect any other inputs.

Fair Value of Financial Instruments

The following table presents estimated fair values of the Company's financial instruments carried at cost at December 31, 2022 and 2021:

		Fair Value Measurements Using		
	Carrying Amount	Quoted Prices in Active Markets for Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022:				
Financial Assets:				
Cash and cash equivalents	$ 18,408,679	$ 18,408,679	$ -	$ -
Loans held for sale	3,337,153	-	3,378,330	-
Loans, net of allowance for loan losses	255,762,144	-	-	239,674,705
Federal Home Loan Bank stock	5,036,200	-	5,036,200	-
Interest receivable	841,527	-	841,527	-
Federal Home Loan Bank lender risk account receivable	2,344,577	-	-	2,062,956
Financial Liabilities:				
Deposits	229,987,974	129,581,422	97,550,804	-
Federal Home Loan Bank advances	29,000,000	-	29,000,000	-
Advances from borrowers for taxes and insurance	2,082,942	-	2,082,942	-
Interest payable	79,550	-	79,550	-
December 31, 2021:				
Financial Assets:				
Cash and cash equivalents	$ 21,851,786	$ 21,851,786	$ -	$ -
Loans held for sale	8,121,375	-	8,316,473	-
Loans, net of allowance for loan losses	195,541,821	-	-	193,058,440
Federal Home Loan Bank stock	4,149,300	-	4,149,300	-
Interest receivable	577,002	-	577,002	-
Federal Home Loan Bank lender risk account receivable	2,286,690	-	-	2,413,880
Financial Liabilities:				
Deposits	204,453,561	121,315,806	83,215,894	-
Advances from borrowers for taxes and insurance	1,808,971	-	1,808,971	-
Interest payable	24	-	24	-

Note 14: Commitments and Credit Risk

Commitments to Originate Loans

Commitments to originate loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

Forward sale commitments are commitments to sell groups of residential mortgage loans that the Company originates or purchases as part of its mortgage banking activities. The Company commits to sell the loans at specified prices in a future period. These commitments are acquired to reduce market risk on mortgage loans in the process of origination and mortgage loans held for sale since the Company is exposed to interest rate risk during the period between issuing a loan commitment and the sale of the loan into the secondary market.

The dollar amount of commitments to fund fixed rate loans at December 31, 2021 and 2020 follows:

	December 31, 2022		December 31, 2021	
	Amount	Interest Rate Range	Amount	Interest Rate Range
Commitments to fund fixed-rate loans	$ 5,788,234	5.75% - 7.00%	$ 15,298,287	2.50% - 4.125%

Lines of Credit

Lines of credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Lines of credit generally have fixed expiration dates. Since a portion of the line may expire without being drawn upon, the total unused lines do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate. Management uses the same credit policies in granting lines of credit as it does for on-balance-sheet instruments.

Loan commitments outstanding at December 31, 2022 and 2021 were composed of the following:

	December 31, 2022	December 31, 2021
Commitments to originate loans for portfolio	$ 1,526,171	$ 3,405,020
Forward sale commitments	9,125,257	23,415,006
Lines of credit	25,975,287	20,881,558

Note 15: Earnings Per Share

Basic earnings per common share is computed based upon the weighted-average number of common shares outstanding during the period, less shares in the Company's ESOP that are unallocated and not committed to be released. The computations are as follows for December 31, 2022 and 2021:

	Year ended December 31,	
	2022	2021
Net income	$ 1,416,818	$ 1,648,544
Less allocation of net income to participating securities	32,821	31,242
Net income allocated to common shareholders	1,383,997	1,617,302
Shares outstanding for basic earnings per share:		
Weighted-average shares issued	2,946,653	3,007,615
Less: Average unearned ESOP shares and unvested restricted stock	245,978	265,727
Weighted-average shares outstanding - basic	2,700,675	2,741,888
Basic earnings per common share	$ 0.51	$ 0.59
Effect of dilutive securities:		
Weighted-average shares outstanding - basic	2,700,675	2,741,888
Stock options	82,016	69,488
Weighted-average shares outstanding - diluted	2,782,691	2,811,376
Diluted earnings per share	$ 0.50	$ 0.58

Options for 165,206 shares were not included in the calculation of diluted weighted-average shares outstanding for the year ended December 31, 2021, because the exercise prices were greater than the average market price of the shares.

Note 16: Equity Incentive Plan

In May 2017, the Company's stockholders approved the Cincinnati Bancorp 2017 Equity Incentive Plan (the "2017 Plan"). The 2017 Plan authorized the issuance or delivery to participants of up to 192,844 shares of the Company's common stock pursuant to the grants of restricted stock awards, restricted stock unit awards, incentive stock options, and non-qualified stock options. Of this number, the maximum number of shares of Company common stock that may be issued under the 2017 Plan pursuant to the exercise of stock options is 137,746 (as adjusted) shares and the maximum number of shares of Company common stock that may be issued as restricted stock awards or restricted stock units is 55,098 (as adjusted) shares. Stock options awarded to employees may be incentive stock options or non-qualified stock options. Shares subject to award under the 2017 Plan may be authorized but unissued shares or treasury shares. The 2017 Plan contains annual and lifetime limits on certain types of awards to individual participants.

In May 2021, the Company's stockholders approved the Cincinnati Bancorp 2021 Equity Incentive Plan (the "2021 Plan"). The 2021 Plan authorized the issuance or delivery to participants of up to 231,414 shares of the Company's common stock pursuant to the grants of restricted stock awards, restricted stock unit awards, incentive stock options, and non-qualified stock options. Of this number, the maximum number of shares of Company common stock that may be issued under the 2021 Plan pursuant to the exercise of stock options is 165,296 shares and the maximum number of shares of Company common stock that may be issued as restricted stock awards or restricted stock units is 66,118 shares. Stock options awarded to employees may be incentive stock options or non-qualified stock options. Shares subject to award under the 2021 Plan may be authorized but unissued shares or treasury shares. The 2021 Plan contains annual and lifetime limits on certain types of awards to individual participants.

Awards may vest or become exercisable only upon the achievement of performance measures or based solely on the passage of time after award. Stock options and restricted stock awards provide for accelerated vesting if there is a change in control (as defined in the 2017 and 2021 Plans).

The fair value of each option award is estimated on the date of the grant using a Black-Scholes option valuation model that uses the assumptions noted in the following table. Expected volatility is based on historical volatility of the Company's stock and other factors. The Company uses historical data to estimate option exercise and employee termination within the valuation model; separate groups of employees that have similar historical exercise behavior are considered separately for valuation purposes. The expected term of the options granted represents the period of time that options are expected to be outstanding; the range given below results from certain groups of employees exhibiting different behavior. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

	2021
Volatility	20 %
Weighted-average volatility	20 %
Expected dividends	—
Expected term (in years)	10
Risk-free rate	1.62 %

Activity in the stock option plans was as follows for the year ended December 31, 2022:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
December 31, 2022:				
Outstanding, beginning of period	296,342	$ 10.64	7.90	$ 1,143,880
Granted	-	$ -		
Exercised	-	$ -		
Forfeited	(2,680)	$ 14.00		
Outstanding, end of period	293,662	$ 10.64	6.90	$ 1,318,542
Exercisable, end of period	152,163	$ 7.84	6.00	$ 1,108,824

In June 2017, the Company awarded 55,098 (as adjusted) restricted shares to members of the Board of Directors and certain members of management. The restricted stock awards have a five year vesting period. Shares of restricted stock granted to employees under the 2017 Plan are subject to vesting based on continuous employment for a specified time period following the date of grant. During the restricted period, the holder is entitled to full voting rights and dividends, thus are considered participating securities.

On May 20, 2021, the Company awarded 17,000 restricted shares to members of the Board of Directors under the 2021 Plan. On June 9, 2021, the Company awarded 49,000 restricted shares to certain members of management. The restricted stock awards have a five year vesting period.

A summary of the status of the Company’s nonvested shares as of December 31, 2022, and changes during the period then ended, is presented below:

	Shares	Weighted-average grant-date fair value
Nonvested, beginning of period	77,639	$ 12.83
Granted	-	-
Vested	(24,050)	12.83
Forfeited	-	-
Nonvested, end of period	53,589	$ 12.83

Total compensation expense recognized in the income statement for share-based payment arrangements was $392,951 and $306,716 for the years ended December 31, 2022 and 2021, respectively.

As of December 31, 2022, there was approximately $1,154,609 of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Plan. That cost is expected to be recognized over a weighted-average period of 3.4 years.

Note 17: Multiemployer Defined Benefit Plan

In connection with the acquisition of Kentucky Federal Savings and Loan Association, Cincinnati Federal is now part of a multiple-employer pension plan that is considered a multiemployer plan for accounting purposes. The Pentegra Defined Benefit Plan for Financial Institutions (Pentegra DB Plan) is a tax-qualified defined benefit plan. The Pentegra DB Plan's Employer Identification Number is 13-5645888 and the Plan Number is 333. The Pentegra DB Plan operates as a multiemployer plan for accounting purposes and as a multiple –employer plan under the *Employee Retirement Income Security Act of 1974* and the IRC. There are no collective bargaining agreements in place that require contributions to the Pentegra DB Plan.

The Pentegra DB Plan is a single plan under Internal Revenue Code Section 413(c) and, as a result, all of the assets stand behind all of the liabilities. Accordingly, under the Pentegra DB Plan contributions made by a participating employer may be used to provide benefits of other participating employers. If Cincinnati Federal chooses to stop participating in this plan, it may be required to pay an amount based on the underfunded status of the plan, referred to as the withdrawal liability. Effective June 30, 2016, participation in the plan was frozen.

The funded status (market value divided by funding target) of the plan at June 30, 2022 and 2021 was 77.81% and 88.66%, respectively.

Total contributions made to the Pentegra DB Plan, as reported on Form 5500, equal $248,562,928 and $253,198,886 for the plan years ended June 30, 2021 and June 30, 2020. Cincinnati Federal's contribution to the Pentegra DB Plan for the fiscal year ending December 31, 2022 are not more than 5% of the total contributions to the Pentegra DB Plan for the plan year ended June 30, 2021.

Accounting Standards Update 2011-09 requires the use of the most recently available annual return (Form 5500) to determine if an employer's contributions represent more than 5% of total contributions to the Pentegra DB Plan. The 2020 Form 5500 is the most recently available annual report. The Schedule SB contains the total contributions to the Pentegra DB Plan for the year

ending June 30, 2021. Cincinnati Federal's contributions to the plan were $62,372 and $70,769 for the years ending December 31, 2022 and 2021, respectively.

Plan Name	Employer Identification Number	Company Contributions 2022	Company Contributions 2021	FIP/RP Status Pending/Implemented	Expiration of Collective Bargaining Agreement
Pentegra Defined Benefit Plan for Financial Institutions	13-5645888/333	$62,372	$70,769	No	Not applicable

Note 18: Future Change in Accounting Principle

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. The ASU introduces a new credit loss model, the current expected credit loss model (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk.

The CECL model utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses for loans, held-to-maturity securities and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models, which generally require that a loss be incurred before it is recognized.

The CECL model represents a significant change from existing practice and may result in material changes to the Company's accounting for financial instruments. The new standard is effective for fiscal years beginning after December 15, 2022, including interim periods within those years. The Company currently expects the adoption of the ASU will result in an increase in the allowance between $0 and $50,000. The Company expects no change related to accounting for credit losses on available-for-sale debt securities and other financial assets.

Note 19: Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to the financial position, results of operations and cash flows of the Company:

Condensed Balance Sheet

	2022	2021
Assets		
Cash and due from banks	$ 1,606,330	$ 5,671,762
Investment in bank subsidiary	37,783,987	36,860,287
Other assets	442,703	367,669
Total assets	$ 39,833,020	$ 42,899,718
Stockholders' Equity	39,833,020	42,899,718
Total stockholders' equity	$ 39,833,020	$ 42,899,718

Condensed Statements of Income and Comprehensive Income

	2022	2021
Income		
Dividend Income	$ 750,000	$ -
Interest income on deposits	162	-
Total interest income	750,162	-
Other noninterest expenses	356,852	342,982
Total noninterest expense	356,852	342,982
Income (loss) before federal income tax benefits and equity in undistributed income of the subsidiary	393,310	(342,982)
Federal income tax benefits	74,949	72,027
Equity in undistributed income of subsidiary	948,559	1,919,499
Net Income	$ 1,416,818	$ 1,648,544
Comprehensive Income	$ 987,437	$ 1,606,255

Condensed Statement of Cash Flows

	2022	2021
Operating Activities		
Net Income	$ 1,416,818	$ 1,648,544
Items not requiring (providing) cash		
Equity in undistributed income of subsidiary	(948,559)	(1,919,499)
Increase (decrease) in cash due to changes in:		
Accrued expenses and other assets	(75,034)	10,363
Net cash provided by (used in) operating activities	393,225	(260,592)
Investing Activities		
Repayment on ESOP note	140,716	141,374
Net cash provided by investing activities	140,716	141,374
Financing Activities		
Dividends paid	(2,970,772)	-
Repurchase of common stock	(1,628,601)	(678,092)
Issuance of common stock	-	19,295
Net cash used in financing activities	(4,599,373)	(658,797)
Net change in cash and due from banks	(4,065,432)	(778,015)
Cash and due from banks at beginning of year	5,671,762	6,449,777
Cash and due from banks at end of year	$ 1,606,330	$ 5,671,762

Note 20: Impact of COVID-19 on Cincinnati Bancorp, Inc.

In March 2020, the COVID-19 coronavirus was identified as a global pandemic and began affecting the health of large populations around the world. As a result of the spread of COVID-19, economic uncertainties arose which can ultimately affect the financial position, results of operations and cash flows of the Company as well as the Company's customers. In response to economic concerns over COVID-19, in March 2020 the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) was passed into law by Congress. The CARES Act included relief for individual Americans, health care workers, small businesses and certain industries hit hard by the COVID-19 pandemic. The *2021 Consolidated Appropriations Act*, passed by Congress in December 2020, extended certain provisions of the CARES Act affecting the Company into 2021.

The CARES Act included several provisions designed to help financial institutions like the Company in working with their customers. Section 4013 of the CARES Act, as extended until January 1, 2022, allows a financial institution to elect to suspend generally accepted accounting principles and regulatory determinations with respect to qualifying loan modifications related to COVID-19 that would otherwise be categorized as a troubled debt restructuring (TDR).

The Company has taken advantage of this provision to extend certain payment modifications to loan customers in need. As of December 31, 2022 and 2021, the Company had no loans that were modified under the CARES Act guidance, that remain on modified terms. The Company modified other loans under the guidance that had returned to normal repayment status as of December 31, 2021.