Cullman Bancorp, Inc.
Form 424B3
August 21, 2009
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Registration No. 333-160167

Proposed Holding Company for Cullman Savings Bank

Up to 939,550 Shares of Common Stock

Cullman Bancorp, Inc. is offering on a best efforts basis up to 939,550 shares of its common stock for sale at $10.00 per share in connection with the reorganization of Cullman Savings Bank into the mutual holding company form of ownership. The shares being offered represent 43% of the shares of common stock of Cullman Bancorp, Inc. that will be outstanding following the reorganization. After the reorganization, 55% of our outstanding common stock will be owned by Cullman Savings Bank, MHC, our federally chartered mutual holding company. In addition, we intend to contribute 2% of the shares of common stock that will be outstanding following the reorganization to a charitable foundation we will establish. The percentage of our outstanding shares to be owned by public stockholders, by Cullman Savings Bank, MHC and by the charitable foundation will not be affected by the number of shares we sell in the offering. We must sell a minimum of 694,450 shares in order to complete the offering and we will terminate the offering if we do not sell the minimum number of shares. We may sell up to 1,080,483 shares because of regulatory considerations or changes in market or economic conditions without resoliciting subscribers. However, the percentage of shares to be issued to public stockholders, to Cullman Savings Bank, MHC and to the charitable foundation will remain constant, regardless of the number of shares sold in the offering.

Following the completion of the reorganization, we expect that the common stock of Cullman Bancorp, Inc. will be quoted on the OTC Bulletin Board. An active market, however, is not expected to develop in our common stock.

Depositors who had accounts at Cullman Savings Bank with aggregate balances of at least $50 on March 31, 2008 will have first priority to purchase shares of common stock of Cullman Bancorp, Inc. The offering is scheduled to terminate at 12:00 Noon, Central Time on September 17, 2009. We may extend the termination date without notice to you, until November 1, 2009, or such later date as the Office of Thrift Supervision may approve, which may not be beyond September 21, 2011.

The minimum purchase is 25 shares of common stock. The maximum purchase that an individual may make through a single deposit account is 15,000 shares, and no person by himself, or with an associate or group of persons acting in concert may purchase more than 50,000 shares. Once submitted, orders are irrevocable unless the offering is terminated or extended beyond November 1, 2009. If the offering is extended beyond November 1, 2009, subscribers will have the right to modify or rescind their purchase orders. Funds received prior to the completion of the offering will be held in a segregated account at Cullman Savings Bank or, at our discretion, at another federally insured depository institution. Whether the offering is completed or terminated, subscription funds will bear interest at our passbook savings rate, which is currently 0.75% per annum. If the offering is terminated, subscribers will have their funds returned promptly, with interest.

Keefe, Bruyette & Woods, Inc. will use its best efforts to assist us in selling our common stock, but is not obligated to purchase any of the common stock that is being offered for sale. In addition, officers and directors may participate in the solicitation of offers to purchase common stock in reliance upon Rule 3a4-1 under the Securities Exchange Act of 1934, as amended. Subscribers will not pay any commissions to purchase shares of common stock in the offering.

This investment involves a degree of risk, including the possible loss of principal.

Please read the Risk Factors beginning on page 23.

OFFERING SUMMARY

Price: $10.00 per share

	Minimum	Maximum	Adjusted Maximum
Number of shares	694,450	939,550	1,080,483
Gross offering proceeds	6,944,500	9,395,500	10,804,830
Estimated offering expenses, excluding selling agent fees and expenses	$ 605,000	$ 605,000	$ 605,000
Estimated selling agent fees and expenses (1)	$ 215,000	$ 215,000	$ 215,000
Estimated net proceeds.	$ 6,124,500	$ 8,575,500	$ 9,984,830
Estimated net proceeds per share.	$ 8.82	$ 9.13	$ 9.24

(1) See The Reorganization and the Stock Offering Plan of Distribution and Marketing Arrangements for a discussion of Keefe, Bruyette & Woods, Inc. s compensation for this offering. The figures shown assume that all shares are sold in the subscription offering. If shares are sold in the community offering and/or the syndicated community offering, compensation paid to Keefe, Bruyette & Woods, Inc. will be higher and net proceeds will be lower.

These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.

Neither the Securities and Exchange Commission, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, nor any state securities regulator has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

KEEFE, BRUYETTE & WOODS

The date of this prospectus is August 12, 2009

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SUMMARY

The following summary explains material information regarding the reorganization, the offering of common stock by Cullman Bancorp, Inc. and the business of Cullman Savings Bank. The summary may not contain all the information that is important to you. For additional information, you should read this entire prospectus carefully, including the consolidated financial statements and the notes to the consolidated financial statements of Cullman Savings Bank.

The Companies

Cullman Savings Bank, MHC

Upon completion of the reorganization and offering, Cullman Savings Bank, MHC will become the federally chartered mutual holding company parent of Cullman Bancorp, Inc. Cullman Savings Bank, MHC is not currently an operating company and has not engaged in any business to date. Cullman Savings Bank, MHC will be formed upon completion of the reorganization. So long as Cullman Savings Bank, MHC exists, it will own a majority of the voting stock of Cullman Bancorp, Inc.

Cullman Bancorp, Inc.

Cullman Bancorp, Inc. will be the federal mid-tier stock holding company for Cullman Savings Bank following the reorganization and stock offering. Cullman Bancorp, Inc. is not currently an operating company. Cullman Bancorp, Inc. will be formed upon completion of the reorganization. Cullman Bancorp, Inc. will be chartered under federal law and will own 100% of the common stock of Cullman Savings Bank. Our executive office will be located at 316 Second Avenue S.W., Cullman, Alabama 35055, and our telephone number will be (256) 734-1740.

Cullman Savings Bank

Cullman Savings Bank is a federally chartered savings bank headquartered in Cullman, Alabama. Cullman Savings Bank was originally founded in 1887 as a building and loan association under the name Cullman Building & Loan. In 1941, the bank changed its name to Cullman Savings & Loan. In 1994, the bank converted to a federal savings bank and changed its name to Cullman Savings Bank.

We conduct our business from our main office and two branch offices. All of our offices are located in Cullman County, Alabama. The telephone number at our main office is (256) 734-1740. Our website address is www.cullmansavingsbank.com. Information on our website should not be considered a part of this prospectus.

At March 31, 2009, we had total assets of $214.2 million, total deposits of $134.9 million and total equity of $26.0 million. We recorded a net loss of $342,000 for the three months ended March 31, 2009 and net income of $296,000 for the year ended December 31, 2008. The results for the three months ended March 31, 2009 and the year ended December 31, 2008 reflected $725,000 and $1.2 million, respectively, of pretax other-than-temporary impairment losses on available-for-sale securities and restricted equity securities.

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Our principal business activity is the origination of one- to four-family residential mortgage loans and commercial real estate loans, and, to a lesser extent, multi-family mortgage loans, construction loans, land loans, home equity loans, commercial loans and consumer loans. We offer a variety of deposit accounts, including checking, money market savings and certificates of deposit, and emphasize personal and efficient service for our customers.

Our Reorganization into a Mutual Holding Company and the Stock Offering

We do not have stockholders in our current mutual form of ownership. Our depositors currently have the right to vote on certain matters such as the election of directors and the proposed mutual holding company reorganization. The reorganization is a series of transactions by which we will convert our corporate structure from our current status as a mutual savings bank to the mutual holding company form of ownership. Following the reorganization, Cullman Savings Bank will become a federal stock savings bank subsidiary of Cullman Bancorp, Inc. Cullman Bancorp, Inc. will be a majority-owned subsidiary of Cullman Savings Bank, MHC. After the reorganization, our depositors will become members of Cullman Savings Bank, MHC, and will continue to have the same voting rights in Cullman Savings Bank, MHC as they have in Cullman Savings Bank prior to the reorganization.

As part of the stock offering, we are offering between 694,450 and 939,550 shares of Cullman Bancorp, Inc. common stock. The purchase price will be $10.00 per share. All investors will pay the same price per share in the offering. We may increase the amount of stock to be sold to 1,080,483 shares without any further notice to you. In addition, we intend to contribute $100,000 in cash and up to 43,700 shares of common stock at the maximum of the offering range to Cullman Savings Bank Charitable Foundation, a charitable foundation we will establish in connection with the reorganization. The contribution of cash and shares of common stock to the charitable foundation will total $423,000 at the minimum of the offering range, up to a maximum contribution of $603,000 at the adjusted maximum of the offering range.

The primary reasons for our decision to reorganize into a mutual holding company and conduct the stock offering are to establish an organizational structure that will enable us to: (1) compete more effectively in the financial services marketplace; (2) offer our depositors, employees, management and directors an equity ownership interest in Cullman Savings Bank and thereby obtain an economic interest in its future success; (3) increase our capital to support future growth and profitability; and (4) increase our flexibility to structure and finance expansion of our operations, including the potential acquisition of other financial institutions.

The reorganization and the capital raised in the offering are expected to:

- increase our lending capacity by providing us with additional capital to support new loans and higher lending limits; and
- support the growth of our banking franchise, including the modernization and, if practicable, expansion of our branch network.

The reorganization and stock offering also will allow us to establish stock benefit plans for management and employees that will permit us to attract and retain qualified personnel.

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Unlike a standard conversion transaction in which all of the common stock issued by the converting savings bank is sold to the public, only a minority of the stock is sold to the public in a mutual holding company reorganization. A majority of the outstanding common stock must be held by the mutual holding company. Consequently, the shares that we are permitted to sell in the offering and contribute to the charitable foundation represent a minority of our outstanding shares. As a result, a mutual holding company offering raises less than half the capital that would be raised in a standard conversion offering. Based on these restrictions and an evaluation of our capital needs, our board of directors has decided to offer 43% of our outstanding shares of common stock for sale in the offering; 55% of our shares will be retained by Cullman Savings Bank, MHC and 2% of our shares will be contributed to the Cullman Savings Bank Charitable Foundation. The board of directors has determined that offering 43% of our outstanding shares of common stock for sale in the offering will enable management to more effectively invest the capital raised in the offering. See Possible Conversion of Cullman Savings Bank, MHC to Stock Form.

The following chart shows our corporate structure following the reorganization and offering:

Business Strategy

We have focused on improving the execution of our community oriented retail banking strategy. Highlights of our current strategy include the following:

- continue to focus on residential lending;
- increase our commercial real estate lending;
- manage our interest rate risk while maintaining or enhancing to the extent practicable our net interest margin;
- expand our banking relationships to a larger base of customers; and
- maintain strong asset quality.

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A full description of our business strategy can be found under Management s Discussion and Analysis of Financial Condition and Results of Operations of Cullman Savings Bank Business Strategy and a description of our products and services can be found under Business of Cullman Savings Bank.

Terms of the Offering

We are offering between 694,450 and 939,550 shares of common stock of Cullman Bancorp, Inc. to qualified depositors, our tax-qualified employee benefit plans and to the public to the extent shares remain available. The maximum number of shares that we sell in the offering may increase by up to 15%, to 1,080,483 shares, as a result of regulatory considerations, strong demand for the shares of common stock in the offering, or positive changes in financial markets in general and with respect to financial institution stocks in particular. Subscription priorities have been established for the allocation of common stock to the extent the subscription offering is oversubscribed. See The Reorganization and the Stock Offering Offering of Common Stock Subscription Rights for a description of allocation procedures in the event of an oversubscription.

Unless the pro forma market value of Cullman Bancorp, Inc. decreases below $6,945,000 or increases above $10,805,000, or the offering is extended beyond November 1, 2009, you will not have the opportunity to change or cancel your stock order. The offering price of the shares of common stock is $10.00 per share. All investors will pay the same $10.00 purchase price per share. Investors will not be charged a commission to purchase shares of common stock. Keefe, Bruyette & Woods, Inc., our financial advisor in connection with the reorganization and offering, will use its best efforts to assist us in selling our shares of common stock, but Keefe, Bruyette & Woods, Inc. is not obligated to purchase any shares in the offering.

Persons Who May Order Stock in the Offering

We are offering the shares of common stock of Cullman Bancorp, Inc. in a subscription offering in the following descending order of priority:

(1) depositors who had accounts at Cullman Savings Bank with aggregate balances of at least $50 on March 31, 2008;

(2) the tax-qualified employee benefit plans of Cullman Savings Bank (including our employee stock ownership plan);

(3) depositors who had accounts at Cullman Savings Bank with aggregate balances of at least $50 on June 30, 2009; and

(4) other depositor members of Cullman Savings Bank on August 5, 2009 and borrowers from Cullman Savings Bank as of July 1, 1994 who maintain such borrowings as of the close of business on August 5, 2009.

Any shares of our common stock that remain unsold in the subscription offering will be offered for sale in a community offering that may commence concurrently with, during or promptly after, the subscription offering. The community offering must be completed within 45 days of the end of the subscription offering, unless extended with Office of Thrift Supervision approval. Natural persons residing in Cullman County, Alabama will have a purchase preference in any community offering. Shares also may be offered to the general public. We also may offer shares of common stock not purchased in the subscription offering or the community offering through a syndicate of brokers in what is referred to as a syndicated community offering managed by Keefe, Bruyette & Woods, Inc. We have the right to accept or reject, in our sole discretion, any orders received in the community offering or the syndicated community offering.

To ensure proper allocation of stock, each eligible account holder must list on his or her stock order form all deposit accounts in which he or she had an ownership interest at March 31, 2008, June 30, 2009 or August 5, 2009 as applicable. Failure to list an account or providing incorrect information could result in the loss of all or part of a subscriber s stock allocation. We will attempt to identify your ownership in all accounts but cannot guarantee we will identify all accounts in which you had an ownership interest. Our interpretations of the terms and conditions of the stock issuance plan and of the acceptability of the order forms will be final.

How We Determined to Offer Between 694,450 Shares and 939,550 Shares and the $10.00 Price Per Share

Our decision to offer between 694,450 shares and 939,550 shares, which is our offering range, is based on an independent appraisal of our pro forma market value prepared by Keller & Company, Inc., a firm experienced in appraisals of financial institutions. Keller & Company, Inc. is of the opinion that as of May 29, 2009, the estimated pro forma market value of the common stock of Cullman Bancorp, Inc. on a fully converted basis was between $16,150,000 and $25,127,500, with a midpoint of $19,000,000.

In preparing its independent appraisal, Keller & Company, Inc. considered the information contained in this prospectus, including Cullman Savings Bank s financial statements. Keller & Company, Inc. also considered the following factors, among others:

- our present and projected operating results and financial condition and the economic and demographic conditions in our existing marketing area;
- historical, financial and other information relating to Cullman Savings Bank;
- a comparative evaluation of the operating and financial statistics of Cullman Savings Bank with those of other similarly situated publicly traded mid-tier mutual holding companies;
- the impact of the stock offering on our consolidated net worth and earnings potential; and
- the trading market for securities of comparable institutions and general conditions in the market for such securities.

Set forth below are the names and locations of the peer group companies used by Keller & Company, Inc. in its independent appraisal. The peer group is comprised of savings institutions that met all of the following criteria: (i) located in the Southeastern, Midwestern or

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Mid-Atlantic regions; (ii) up to $500 million in assets; (iii) conducted an initial public offering of its common stock prior to March 31, 2008; (iv) had positive core earnings for the most recent four quarters; (v) trade on either the NYSE, AMEX or NASDAQ; and (vi) have had no public announcement of a second-step mutual holding company conversion.

Alliance Bancorp, Inc. of Pennsylvania	Broomall, Pennsylvania
Cheviot Financial Corp	Cheviot, Ohio
Greene County Bancorp, Inc.	Catskill, New York
Kentucky First Federal Bancorp	Hazard, Kentucky
Lake Shore Bancorp, Inc.	Dunkirk, New York
Laporte Bancorp, Inc.	La Porte, Indiana
MSB Financial Corporation	Millington, New Jersey
Northeast Community Bancorp, Inc.	White Plains, New York
Pathfinder Bancorp, Inc.	Oswego, New York
United Community Bancorp	Lawrenceburg, Indiana

Keller & Company, Inc. also considered the contribution of cash and shares of common stock to Cullman Savings Bank Charitable Foundation. The contribution of cash and shares of common stock to the charitable foundation will reduce our estimated pro forma value. See Comparison of Valuation and Pro Forma Information With and Without the Charitable Foundation.

In reviewing the appraisal prepared by Keller & Company, Inc., the board of directors considered the methodologies and the appropriateness of the assumptions used by Keller & Company, Inc. in addition to the factors listed above, and the board of directors believes that these assumptions were reasonable.

The board of directors determined that the common stock should be sold at $10.00 per share and that 43% of the shares of Cullman Bancorp, Inc. common stock should be offered for sale in the offering, and 55% should be held by Cullman Savings Bank, MHC after giving effect to the issuance of shares of common stock to Cullman Savings Bank Charitable Foundation. The board of directors determined that offering 43% of our outstanding shares of common stock for sale in the offering allowed for an efficient use of net proceeds for Cullman Bancorp, Inc. and Cullman Savings Bank in the near-term. See Possible Conversion of Cullman Savings Bank, MHC to Stock Form. Based on the estimated valuation range and the purchase price, the number of shares of Cullman Bancorp, Inc. common stock that will be outstanding upon completion of the stock offering will range from 1,615,000 shares to 2,185,000 shares (subject to adjustment to 2,512,750 shares), and the number of shares of Cullman Bancorp, Inc. common stock that will be sold in the stock offering will range from 694,450 shares to 939,550 shares (subject to adjustment to 1,080,483 shares). The number of shares that Cullman Savings Bank, MHC will own after the offering will range from 888,250 shares to 1,201,750 shares (subject to adjustment to 1,382,012 shares). The number of shares of common stock that Cullman Savings Bank Charitable Foundation will own after the reorganization will range from 32,300 at the minimum of the offering range to 43,700 at the maximum of the offering range, subject to adjustment to as much as 50,255 at the adjusted maximum of the offering range. The estimated valuation range may be amended with the approval of the Office of Thrift Supervision, if

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required, or if necessitated by subsequent developments in the financial condition of Cullman Savings Bank or market conditions generally, or to fill the order of the employee stock ownership plan.

The independent appraisal will be updated before we complete the reorganization and stock offering. If the pro forma market value of the common stock at that time is either below $16,150,000 or above $25,127,500, then Cullman Bancorp, Inc., after consulting with the Office of Thrift Supervision, may terminate the plan of reorganization and return all funds promptly with interest; extend or hold a new subscription or community offering, or both; establish a new offering range and commence a resolicitation of subscribers; or take such other actions as may be permitted by the Office of Thrift Supervision. Under such circumstances, we will notify you, and you will have the opportunity to change or cancel your order.

Two measures investors use to analyze an issuer s stock are the ratio of the offering price to the issuer s book value and the ratio of the offering price to the issuer s annual net income. Keller & Company, Inc. considered these ratios, among other factors, in preparing its independent appraisal. Book value is the same as total equity, and represents the difference between the issuer s assets and liabilities.

The following table presents a summary of selected pricing ratios for the peer group companies and for us on a non-fully converted basis. These figures are from the Keller & Company, Inc. appraisal report.

	Non-Fully Converted Pro Forma Price to Core Earnings Multiple(1)	Non-Fully Converted Pro Forma Price to Book Value Ratio
Cullman Bancorp, Inc.		
Maximum	13.75x	65.64%
Minimum	9.95x	51.88%
Valuation of peer group companies as of May 29, 2009		
Averages	46.71x	92.35%
Medians	45.63x	89.25%

(1) Based on earnings for the twelve months ended March 31, 2009.

Compared to the average pricing ratios of the peer group, our pro forma pricing ratios at the maximum of the offering range, indicated a discount of 70.55% on a price-to-core earnings basis and a discount of 28.92% on a price-to-book basis. At the minimum and maximum of the valuation range, a share of common stock is priced at 9.95 times and 13.75 times our core earnings. The peer group companies, as of May 29, 2009, traded on average at 46.71 times core earnings. The median trading price of the peer group common stock was at 45.63 times core earnings. At the minimum and maximum of the valuation range, the common stock is valued at 51.88% and 65.64%, respectively, of our pro forma book value. This represents a discount to the average trading price-to-book value of peer group companies, which as of May 29, 2009 averaged 92.35%. As of May 29, 2009, the median trading price of peer group companies was 89.25% of the book value of these companies.

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Our board of directors, in reviewing and accepting the valuation, considered the range of price-to-earnings multiples and the range of the price-to-book value ratios at the different amounts of shares to be sold in the offering. Our board of directors also considered the discount to our peer group with respect to the price-to-core earnings and price-to-book value, compared our pro forma book value and core earnings ratios to those of our peer group and noted the relative discount. In this regard, our board of directors noted the discounts applied by Keller & Company, Inc. with respect to our market area, the liquidity of our stock, the subscription interest in other recent mutual holding company offerings and the difficulty of marketing financial institutions stocks in today s volatile economic climate. After extensive review, our board of directors concluded that such discounts were appropriate.

The independent appraisal did not consider one valuation approach to be more important than the other. Instead, the independent appraisal concluded that these ranges represented the appropriate balance of the two approaches to valuing Cullman Bancorp, Inc. and the number of shares to be sold, in comparison to the identified peer group institutions. The estimated appraised value and the resulting discounts took into consideration the potential financial impact of the reorganization and offering and the appraiser s conclusions regarding Cullman Bancorp, Inc. s financial condition and operation after the offering in comparison to the peer group companies.

The following table presents a summary of selected pricing ratios for the peer group companies, with such ratios adjusted to their fully converted equivalent basis, and the resulting pricing ratios for Cullman Bancorp, Inc. on a fully converted equivalent basis (i.e., the pro forma market value of Cullman Savings Bank assuming that 100% of the shares of Cullman Savings Bank were sold in a public offering). Compared to the average fully- converted pricing ratios of the peer group, Cullman Bancorp, Inc. s pro forma fully- converted pricing ratios at the maximum of the offering range indicated a discount of 64.27% on a price-to-core earnings basis and a discount of 36.76% on a price-to-book basis.

In preparing the non-fully converted pricing ratio analysis, Keller & Company, Inc. assumed offering expenses equal to 10.04% of the gross offering proceeds, a pre-tax reinvestment rate of 0.55% of the net proceeds of the offering, a tax rate of 34%, purchases by the employee stock ownership plan equal to 3.92% of the issued shares funded with a loan from Cullman Bancorp, Inc. with a 20-year term, purchases by the stock-based incentive plan equal to 1.96% of the issued shares with a five-year vesting schedule and option grants under the stock-based incentive plan equal to 4.90% of the issued shares. Shares of common stock purchased by the stock-based incentive plan were assumed at $10.00 per share. The stock options were assumed to be granted with an exercise price of $10.00 per share, vesting over a five-year period and with a term of 10 years.

	Fully Converted Equivalent Pro Forma Price to Core Earnings Multiple	Fully Converted Equivalent Pro Forma Price to Book Value Ratio
Cullman Bancorp, Inc.		
Maximum	14.38x	49.64%
Minimum	10.15x	41.33%
Valuation of peer group companies as of May 29, 2009		
Averages	40.23x	69.71%
Medians	40.55x	72.41%

In preparing the fully converted pricing ratio analysis, Keller & Company, Inc. assumed offering expenses equal to 4.40% of the gross offering proceeds, a pre-tax reinvestment rate of 0.55% of the net proceeds of the offering, a tax rate of 34%, purchases by the employee stock ownership plan equal to 3.92% of our outstanding shares (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation) funded with a loan from Cullman Bancorp, Inc. with a 20 year-term, purchases by the stock-based incentive plan equal to 1.96% of the shares issued in the stock offering (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation) with a five-year vesting schedule and option grants under the stock-based incentive plan equal to 4.90% of the shares issued in the stock offering (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation). Shares of common stock purchased by the stock-based incentive plan were assumed at $10.00 per share. The stock options were assumed to be granted with an exercise price of $10.00 per share, vesting over a five-year period and have a term of 10 years.

With respect to Cullman Bancorp, Inc., the pro forma fully converted calculations use the same assumptions as applied to the peer group companies, and also assume the effect of the establishment and funding of our charitable foundation. See Comparison of Valuation and Pro Forma Information With and Without the Charitable Foundation for a discussion of the impact of our charitable foundation on our appraised value.

The independent appraisal does not indicate market value. Do not assume or expect that Cullman Bancorp, Inc. s valuation as indicated above means that the common stock will trade at or above the $10.00 purchase price after the stock offering.

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After-Market Performance Information Provided by Independent Appraiser

The following table presents stock price performance information for all mutual holding company initial public offerings completed between January 1, 2008 and December 31, 2008 (there were no mutual holding company initial public offerings completed between January 1, 2009 and May 29, 2009).

		Price Performance from Initial Trading Date			
Transaction	**Closing Date**	**One day**	**One week**	**One month**	**Through May 29, 2009**
Sound Financial Inc.	01/09/08	(10.00)%	(10.00)%	(8.50)%	(32.50)%
Meridian Interstate Bancorp	01/23/08	(4.00)%	(5.20)%	(4.90)%	(15.50)%
William Penn Bancorp, Inc.	04/16/08	17.50%	25.00%	37.50%	30.00%
Malvern Federal Bancorp, Inc.	05/20/08	9.80%	10.00%	10.00%	0.50%
Auburn Bancorp Inc.	08/18/08	%	(5.00)%	(5.00)%	(1.50)%
Average		2.66%	2.96%	5.82%	(3.80)%
Median		%	(5.00)%	(4.90)%	(1.50)%

This table is not intended to be indicative of how our stock price may perform. Furthermore, this table presents only short-term price performance with respect to companies that only recently completed their initial public offerings and may not be indicative of the longer-term stock price performance of these companies.

Stock price performance is affected by many factors, including, but not limited to: general market and economic conditions; the interest rate environment; the amount of proceeds a company raises in its offering; and numerous factors relating to the specific company, including the experience and ability of management, historical and anticipated operating results, the nature and quality of the company s assets, and the company s market area. The companies listed in the table above may not be similar to Cullman Bancorp, Inc., the pricing ratios for their stock offerings may be different from the pricing ratios for Cullman Bancorp, Inc. common stock and the market conditions in which these offerings were completed may be different from current market conditions. Any or all of these differences may cause our stock to perform differently from these other companies.

Before you make an investment decision, we urge you to carefully read this entire prospectus, including, but not limited to, the section entitled Risk Factors, beginning on page 23.

You should be aware that, in certain market conditions, stock prices of initial public offerings by thrift institutions have decreased below their initial offering prices. For example, as the above table illustrates, the stocks of three companies were trading at or below their initial offering price at May 29, 2009. Our stock may trade below the $10.00 purchase price and our stock may not perform similarly to other recent first-step mutual holding company offerings. See Risk Factors Risks Related to this Offering The Future Price of the Shares of Common Stock May Be Less Than the Purchase Price in the Offering.

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Cullman Bancorp, Inc. Does Not Initially Intend to Pay Cash Dividends on its Common Stock

We do not initially intend to pay dividends on the common stock. Any future payment of dividends will depend upon the board of directors consideration of a number of factors, including the amount of net proceeds retained by us in the offering, investment opportunities available to us, capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations, and general economic conditions. Dividends may never be paid, and if paid in the future, dividends may be reduced or eliminated in future periods.

Limits on the Amount of Common Stock You May Purchase

The minimum purchase is 25 shares of common stock. Generally, no individual, or individuals through a single account, may purchase more than $150,000 (15,000 shares of common stock). If any of the following persons purchase shares of common stock, their purchases when combined with your purchases cannot exceed $500,000 (50,000 shares):

- your spouse, or relatives of you or your spouse living in your house;
- companies, trusts or other entities in which you have an interest or hold a position; or
- other persons who may be acting together with you (including, but not limited to, persons who file jointly a Schedule 13G or Schedule 13D Beneficial Ownership Report with the Securities and Exchange Commission).

We may, in our sole discretion and without further notice to or solicitation of subscribers or other prospective purchasers, increase the maximum purchase limitation to 9.9% of the number of shares sold in the stock offering and issued to our charitable foundation, provided that the total number of shares purchased by persons, their associates and those persons with whom they are acting in concert, to the extent such purchases exceed 5% of the shares sold in the stock offering and issued to our charitable foundation, shall not exceed, in the aggregate, 10% (or such higher percentage as may be determined by the board of directors with the approval of the Office of Thrift Supervision) of the total number of the shares sold in the stock offering and issued to our charitable foundation.

Subject to Office of Thrift Supervision approval, we may increase or decrease the purchase limitations in the offering at any time. A detailed discussion of the limitations on purchases of common stock by an individual and persons acting together is set forth under the caption The Reorganization and the Stock Offering Offering of Common Stock Limitations on Purchase of Shares.

It is expected that the employee stock ownership plan will purchase 3.92% of our outstanding shares (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation). Therefore, our employee stock ownership plan may purchase up to 63,308 and 85,652 shares of common stock, respectively, at the minimum and maximum of the offering range.

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Our Issuance of Shares of Common Stock to the Charitable Foundation

To further our commitment to the communities we serve and may serve in the future, we intend, subject to our members approval, to establish and fund a new charitable foundation as part of the stock offering. We intend to contribute $100,000 in cash and 2% of our outstanding shares of common stock to the charitable foundation, ranging from 32,300 shares at the minimum of the valuation range to 43,700 shares at the maximum of the valuation range, subject to adjustment to up to 50,255 shares at the adjusted maximum of the valuation range. These shares will have a value of $323,000 at the minimum of the valuation range and $437,000 at the maximum of the valuation range, subject to adjustment to $502,550. As a result of the issuance of shares to the charitable foundation and the cash contribution, we expect to record an after-tax expense of approximately $279,180 at the minimum of the valuation range and approximately $397,980 at the adjusted maximum of the valuation range, during the quarter in which the stock offering is completed.

Under the Internal Revenue Code, an entity is permitted to deduct up to 10% of its taxable income (income before income taxes) in any one year for charitable contributions. Any contribution in excess of the 10% limit may be deducted for federal income tax purposes over the five years following the year in which the charitable contribution was made. Accordingly, a charitable contribution by an entity to a charitable foundation could, if necessary, be deducted for federal income tax purposes over a six-year period. We could be limited if our pretax income falls below historical levels, and after-tax expense would be more in that case.

The new charitable foundation will be governed by a board of directors, initially consisting of our President and Chief Executive Officer, two of our current non-employee directors and one individual who is not affiliated with us. None of these individuals will receive compensation for their service as a director of the charitable foundation. In addition, some of our employees will serve as executive officers of the charitable foundation. None of these individuals will receive compensation for their service as an executive officer of the charitable foundation.

The new charitable foundation will be dedicated to supporting charitable causes and community development activities in the communities in which we operate or may operate. In addition to traditional community contributions and community reinvestment initiatives, the charitable foundation is expected to emphasize grants or donations to support housing assistance, local education and other types of organizations or civic-minded projects. During the years ended December 31, 2008 and 2007, we made charitable contributions (including contributions to Cullman Savings Foundation, our existing charitable foundation) of $90,000 and $34,000, respectively. It is possible that the new foundation and our existing foundation will merge at some point in the future but no decision on this matter has been made as of this time. We currently plan to make other charitable contributions of approximately $60,000 for the year ending December 31, 2009.

Issuing shares of common stock to the charitable foundation will:

dilute the voting interests of purchasers of shares of our common stock in the stock offering; and

result in an expense, and a reduction in our earnings during the quarter in which the contribution is made, equal to the full amount of the contribution to the charitable foundation, offset in part by a corresponding tax benefit.

The establishment and funding of the charitable foundation has been approved by the board of directors of Cullman Savings Bank, and must be approved by the members of Cullman Savings Bank at the special meeting of members. If members of Cullman Savings Bank do not approve the establishment and funding of the foundation, we will proceed with the reorganization and offering and subscribers for common stock will not be resolicited (unless required by the Office of Thrift Supervision). Without the foundation, Keller & Company, Inc. estimates that our pro forma valuation would be greater and, as a result, a greater number of shares or common stock would be issued in the offering. Specifically, the number of outstanding shares of common stock would increase to 1,700,000 shares from 1,615,000 shares at the minimum of the offering range, to 2,000,000 shares from 1,900,000 shares at the midpoint of the offering range, to 2,300,000 shares from 2,185,000 shares at the maximum of the offering range and to 2,645,000 shares from 2,512,750 shares at the adjusted maximum of the offering range. Without the foundation, the percentage of the outstanding shares to be owned by public stockholders would be unchanged at 43%. The percentage of the outstanding shares to be owned by Cullman Savings Bank, MHC would increase to 57% from 55%.

Keller & Company, Inc. will update its appraisal of our pro forma market value at the conclusion of the offering. The pro forma market value reflected in that updated appraisal will be based on the facts and circumstances existing at that time, including, among other things, market and economic conditions, as well as whether the charitable foundation is formed and funded with shares of our common stock.

See Risk Factors The Contribution of Shares to the Charitable Foundation Will Dilute Your Ownership Interests and Adversely Affect Net Income in 2009, Comparison of Valuation and Pro Forma Information With and Without the Charitable Foundation and Cullman Savings Bank Charitable Foundation.

How You May Pay for Your Shares

In the subscription offering and the community offering you may pay for your shares only by:

(1) personal check, bank check or money order; or

(2) authorizing us to withdraw money from your deposit account(s) maintained with Cullman Savings Bank.

If you wish to use your Cullman Savings Bank individual retirement account to pay for your shares, please be aware that federal law requires that such funds first be transferred to a self-directed retirement account with a trustee other than Cullman Savings Bank. The transfer of such funds to a new trustee takes time, so please make arrangements as soon as possible. Also, please be aware that Cullman Savings Bank is not permitted to lend funds to anyone for the purpose of purchasing shares of common stock in the offering.

You can subscribe for shares of common stock in the offering by delivering a signed and completed original stock order form, together with full payment, before the expiration date of the subscription offering. Funds received prior to the completion of the offering will be held in a segregated account at Cullman Savings Bank or, in our discretion, at another federally insured depository institution. Subscription funds will bear interest at our passbook savings rate, which is currently 0.75% per annum. If the offering is terminated, we will promptly return your subscription funds with interest.

Withdrawals from certificates of deposit at Cullman Savings Bank for the purpose of purchasing common stock in the offering may be made without incurring an early withdrawal penalty. All funds authorized for withdrawal from deposit accounts with Cullman Savings Bank must be in the deposit accounts at the time the stock order form is received. However, funds will not be withdrawn from the accounts until the offering is completed and will continue to earn interest at the applicable deposit account rate until the completion of the offering. A hold will be placed on those funds when your stock order is received, making the designated funds unavailable to you. After we receive an order, the order cannot be revoked or changed, except with our consent. In addition, we are not required to accept copies or facsimiles of order forms.

You May Not Sell or Transfer Your Subscription Rights

Office of Thrift Supervision regulations prohibit you from transferring your subscription rights. If you order shares of common stock in the subscription offering, you will be required to state that you are purchasing the shares of common stock for yourself and that you have no agreement or understanding to sell or transfer your subscription rights. We intend to take legal action, including reporting persons to federal or state regulatory agencies, against anyone who we believe has sold or given away his or her subscription rights. We will not accept your order if we have reason to believe that you have sold or transferred your subscription rights. When completing your stock order and certification form, you should not add the name(s) of persons who do not have subscription rights or who qualify in a lower subscription priority than you do. In addition, the stock order and certification form requires that you list all deposit or loan accounts, giving all names on each account and the account number at the applicable eligibility record date. Your failure to provide this information, or providing incomplete or incorrect information, may result in a loss of part or all of your share allocation, if there is an oversubscription.

Deadline for Orders of Common Stock

If you wish to purchase shares of common stock, we must receive your properly completed stock order form, together with payment for the shares, no later than 12:00 Noon, Central Time, on September 17, 2009 unless we extend this deadline. You may submit your stock order form by mail using the return envelope provided, by overnight courier to the indicated address on the stock order form, or by bringing your stock order form to one of our offices. Once submitted, your stock order is irrevocable unless the offering is terminated or extended beyond November 1, 2009.

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Termination of the Offering

The subscription offering will terminate at 12:00 noon, Central Time, on September 17, 2009. We expect that the community offering, if one is conducted, would terminate at the same time. We may extend this expiration date without notice to you until November 1, 2009, or such later date as the Office of Thrift Supervision may approve. If the subscription offering and/or community offerings extend beyond November 1, 2009, we will be required to resolicit subscriptions before proceeding with the offering. In such event, all subscribers will be afforded the opportunity to increase, decrease or cancel their subscription. If you choose not to subscribe for the common stock or do not respond to the resolicitation notice, your funds will be promptly returned to you with interest. All further extensions, in the aggregate, may not last beyond September 21, 2011, which is two years after the special meeting of members of Cullman Savings Bank to be held on September 21, 2009 to vote on the plan of reorganization.

Steps We May Take If We Do Not Receive Orders for the Minimum Number of Shares

If we do not receive orders for at least 694,450 shares of common stock, we may take several steps in order to sell the minimum number of shares of common stock in the offering range. Specifically, we may (i) increase the purchase limitations and/or (ii) seek regulatory approval to extend the offering beyond the November 1, 2009 expiration date, or (iii) reduce the valuation and offering range, provided that any such extension or reduction will require us to resolicit subscriptions received in the offering and provide subscribers with the opportunity to increase, decrease or cancel their subscriptions. If a subscriber determines to cancel his or her subscription or does not respond to the resolicitation notice, his or her subscription funds will be refunded with interest.

Market for the Common Stock

We anticipate that the common stock sold in the offering will be traded and quoted on the OTC Bulletin Board. Keefe, Bruyette & Woods, Inc. currently intends to make a market in the shares of common stock, but it is under no obligation to do so. An active market is not expected to develop in our common stock.

How We Intend to Use the Proceeds from the Offering

Assuming we sell 939,550 shares of common stock in the offering, and we have net proceeds of $8.6 million, we intend to distribute the net proceeds as follows:

- $4.3 million (50.0% of the net proceeds) will be contributed to Cullman Savings Bank;
- $3.4 million (39.4% of the net proceeds) will be retained by us after we loan up to $857,000 of the net proceeds to our employee stock ownership plan to fund its purchase of an amount of the common stock equal to up to 3.92% of our outstanding shares (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation); and

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as a part of our formation of a mutual holding company, $50,000 will be contributed to Cullman Savings Bank, MHC.

We may use the net proceeds of the offering to invest in securities, to finance the possible acquisition of other financial institutions or financial service businesses, to pay dividends or for other general corporate purposes, including repurchasing shares of our common stock. Cullman Savings Bank intends to use the proceeds it receives to fund Cullman Savings Bank Charitable Foundation with $100,000, and may use the proceeds it receives to make loans, to purchase securities, to expand its banking franchise internally or through acquisitions, and for general corporate purposes. See How We Intend to Use the Proceeds from the Offering. Neither Cullman Savings Bank nor Cullman Bancorp, Inc. has any plans or agreements for any specific acquisition transactions at this time.

Our Officers, Directors and Employees Will Receive Additional Compensation and Benefit Programs After the Reorganization and Offering, Which Will Reduce Earnings

We intend to establish an employee stock ownership plan, and we may implement a stock-based incentive plan that will provide for grants of stock options and restricted stock.

Employee Stock Ownership Plan. The board of directors of Cullman Savings Bank has adopted an employee stock ownership plan, which will award shares of our common stock to eligible employees primarily based on their compensation. Our board of directors will, at the completion of the offering, ratify the loan to the employee stock ownership plan and the issuance of the common stock to the employee stock ownership plan. It is expected that our employee stock ownership plan will purchase an amount of shares equal to 3.92% of our outstanding shares (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation).

Stock-Based Incentive Plan. In addition to shares purchased by the employee stock ownership plan, we intend to adopt a stock-based incentive plan designed to attract and retain qualified personnel in key positions, provide directors, officers and key employees with a proprietary interest in Cullman Bancorp, Inc. as an incentive to contribute to our success and reward key employees for outstanding performance. The number of options granted and restricted shares awarded under the stock-based incentive plan may not exceed 4.90% and 1.96%, respectively, of our total outstanding shares, including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation, provided that if Cullman Savings Bank s tangible capital at the time of adoption of the stock-based incentive plan is less than 10% of its assets then the amount of options and restricted shares may not exceed 1.47% of our outstanding shares. The number of options granted or restricted shares awarded under the stock-based incentive plan, when aggregated with any subsequently adopted stock-based benefit plans (exclusive of any shares held by any employee stock ownership plan), may not exceed 25% of the number of shares of common stock held by persons other than Cullman Savings Bank, MHC. Under applicable regulations, the exercise price of options granted within one year of the completion of the offering must be equal to the then fair market value of the common stock on the date the options are granted.

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The stock-based incentive plan will not be established sooner than six months after the stock offering and would require the approval of a majority of the outstanding shares of Cullman Bancorp, Inc. eligible to be cast, as well as by a majority of the votes cast by stockholders other than Cullman Savings Bank, MHC.

Under applicable regulations, unless we obtain a waiver from the Office of Thrift Supervision (or we adopt our stock-based incentive plan more than one year following the completion of the stock offering) the following additional restrictions would apply to our stock-based incentive plan:

- non-employee directors in the aggregate may not receive more than 30% of the options and restricted awards authorized under the plan;
- no non-employee director may receive more than 5% of the options and restricted awards authorized under the plan;
- no officer or employee may receive more than 25% of the options and restricted awards authorized under the plan;
- options and restricted awards may not vest more rapidly than 20% per year, beginning on the first anniversary of stockholder approval of the plan; and
- accelerated vesting is not permitted except for death, disability or upon a change in control of Cullman Savings Bank or Cullman Bancorp, Inc.

These restrictions do not apply to plans adopted after one year following the completion of the stock offering.

We have not yet determined whether we will present the stock-based incentive plan for stockholder approval within one year following the completion of the stock offering or whether we will present this plan for stockholder approval more than one year after the completion of the stock offering. In the event the Office of Thrift Supervision changes its regulations or policies regarding stock-based incentive plans, including any regulations or policies restricting the size of awards and vesting of benefits as described above, the restrictions described above may not be applicable.

We may obtain the shares needed for our stock-based benefit plans by issuing additional shares of common stock from authorized but unissued shares or through stock repurchases.

Incentive Plan Expenses. The implementation of an employee stock ownership plan and a stock-based incentive plan will increase our future compensation costs, thereby reducing our earnings. For instance, we will be required to recognize an expense each year under our employee stock ownership plan equal to the fair market value of the shares committed to be released for that year to the participating employees. Similarly, if we issue restricted stock awards under a stock-based incentive plan, we would be required to recognize an expense based on the fair market value of the shares on the grant date as they vest. Finally, if we issue stock options, we would be required to recognize expense based on the estimated value of such options on the grant date, as they vest. See Risk Factors Risks Related to this Offering Our Stock

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Benefit Plans Will Increase Our Costs, Which Will Reduce Our Income and Management Future Stock Benefit Plans.

Benefits to Management. The following table summarizes the stock benefits that our officers, directors and employees may receive following the reorganization and offering, at the maximum of the offering range and assuming that we implement a stock-based incentive plan granting options to purchase 4.90% of the total shares of common stock of Cullman Bancorp, Inc. issued in the stock offering (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation) and awarding restricted shares of common stock equal to 1.96% of the total shares of common stock of Cullman Bancorp, Inc. issued in the stock offering (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation).

Plan	Individuals Eligible to Receive Awards	% of Outstanding Shares		Value of Benefits Based on Maximum of Offering Range
Employee stock ownership plan	All employees	3.92%	$	856,520
Stock awards	Directors, officers and employees	1.96%	$	428,260
Stock options	Directors, officers and employees	4.90%	$	397,211[(1)]
Total			$	1,681,991

(1) The fair value of stock options has been estimated at $3.71 per option using the Black-Scholes option pricing model with the following assumptions: a grant-date share price and option exercise price of $10.00; dividend yield of zero; expected option life of 10 years; risk free interest rate of 3.29%; and a volatility rate of 18.98% based on an index of publicly traded mutual holding company institutions.

The value of the restricted shares of common stock issued under the stock-based incentive plan will be based on the fair market value of Cullman Bancorp, Inc. s common stock at the time those restricted shares are awarded, which, subject to stockholder approval, cannot occur until at least six months after the offering. The following table presents the total value of all restricted shares to be available for award and issuance under the stock-based incentive plan, assuming the restricted shares for the plan are purchased or issued in a range of market prices from $8.00 per share to $14.00 per share. The value of restricted shares to be granted under the stock-based incentive plan ranges from $253,000 to $690,000, depending on the number of restricted shares awarded and the assumed market price on the date the restricted shares are granted.

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Share Price	31,654 Shares Awarded at Minimum of Offering Range	37,240 Shares Awarded at Midpoint of Offering Range	42,826 Shares Awarded at Maximum of Offering Range	49,250 Shares Awarded at Adjusted Maximum of Offering Range
	(In thousands, except share data)			
$8.00	$253,000	$298,000	$343,000	$394,000
$10.00	$317,000	$372,000	$428,000	$493,000
$12.00	$380,000	$447,000	$514,000	$591,000
$14.00	$443,000	$521,000	$600,000	$690,000

The grant-date fair value of the options granted under the stock-based incentive plan will be based in part on the price of Cullman Bancorp, Inc. s common stock at the time the options are granted, which, subject to stockholder approval, cannot occur until at least six months after the offering. The value will also depend on the various assumptions utilized in estimating the value using the Black-Scholes option pricing model. The following table presents the total estimated value of the options to be available for grant under the stock-based incentive plan, assuming the market price and exercise price for the stock options are equal and the range of market prices for the shares is $8.00 per share to $14.00 per share. The grant-date fair value of the options granted under the stock option plan ranges from $235,000 to $640,000, depending on the number of options granted and the assumed market price on the date the options are granted.

Market/Exercise Price	Grant-Date Fair Value Per Option	79,135 Options at Minimum of Offering Range	93,100 Options at Midpoint of Offering Range	107,065 Options at Maximum of Offering Range	123,125 Options at Adjusted Maximum of Offering Range
		(In thousands, except share and option data)			
$8.00	$2.97	$235,000	$277,000	$318,000	$366,000
$10.00	$3.71	$294,000	$345,000	$397,000	$457,000
$12.00	$4.46	$353,000	$415,000	$478,000	$549,000
$14.00	$5.20	$412,000	$484,000	$557,000	$640,000

Once Submitted, Your Purchase Order May Not Be Revoked Unless the Offering is Terminated or Extended Beyond November 1, 2009.

Funds that you use to purchase shares of our common stock in the offering will be held in an interest bearing account until the termination or completion of the offering, including any extension of the expiration date. The Office of Thrift Supervision approved the reorganization on August 12, 2009; however, because completion of the reorganization and offering will be subject to an update of the independent appraisal, among other factors, there may be one or more delays in the completion of the reorganization. Any orders that you submit to purchase shares of our common stock in the offering are irrevocable, and you will not have access to subscription funds unless the stock offering is terminated, or extended beyond November 1, 2009.

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Restrictions on the Acquisition of Cullman Bancorp, Inc. and Cullman Savings Bank

Federal regulations, as well as provisions contained in the charter and bylaws of Cullman Savings Bank and Cullman Bancorp, Inc., restrict the ability of any person, firm or entity to acquire Cullman Bancorp, Inc., Cullman Savings Bank, or their respective capital stock. These restrictions include the requirement that a potential acquirer of common stock obtain the prior approval of the Office of Thrift Supervision before acquiring in excess of 10% of the voting stock of Cullman Bancorp, Inc. or Cullman Savings Bank, as well as a provision in Cullman Bancorp, Inc. s and Cullman Savings Bank s charter that provides that for a period of five years from the closing of the stock offering, no person, other than Cullman Savings Bank, MHC, may directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10% of any class of equity security of Cullman Bancorp, Inc. or Cullman Savings Bank held by persons other than Cullman Savings Bank, MHC, and that any shares acquired in excess of this limit would not be entitled to be voted and would not be counted as voting stock in connection with any matters submitted to the stockholders for a vote.

Because a majority of the shares of outstanding common stock of Cullman Bancorp, Inc. must be owned by Cullman Savings Bank, MHC, any acquisition of Cullman Bancorp, Inc. must be approved by Cullman Savings Bank, MHC. Furthermore, Cullman Savings Bank, MHC would not be required to pursue or approve a sale of Cullman Bancorp, Inc. even if such sale were favored by a majority of Cullman Bancorp, Inc. s public stockholders. Finally, although a mutual holding company may be acquired by a mutual institution or another mutual holding company in a remutualization transaction, current Office of Thrift Supervision policy makes such transactions unlikely because of the special regulatory scrutiny given to the structure and pricing of such transactions. Specifically, current Office of Thrift Supervision policy views remutualization transactions as raising significant issues concerning disparate treatment of minority stockholders and mutual members of the target entity, and raising issues concerning the effect on the mutual members of the acquiring entity. As a result, a remutualization transaction for Cullman Bancorp, Inc. is unlikely unless the applicant can clearly demonstrate that the Office of Thrift Supervision s concerns are not warranted in the particular case.

Possible Conversion of Cullman Savings Bank, MHC to Stock Form

In the future, Cullman Savings Bank, MHC may convert from the mutual to capital stock form, in a transaction commonly referred to as a second-step conversion. In a second-step conversion, members of Cullman Savings Bank, MHC would have subscription rights to purchase common stock of Cullman Bancorp, Inc. or its successor, and the public stockholders of Cullman Bancorp, Inc. would be entitled to exchange their shares of common stock for an equal percentage of shares of the converted Cullman Savings Bank, MHC. This percentage may be adjusted to reflect any assets owned by Cullman Savings Bank, MHC.

The board of directors has no current plans to undertake a second-step conversion transaction. Any second-step conversion transaction would require the approval of holders of a majority of the outstanding shares of Cullman Bancorp, Inc. common stock (excluding shares held by Cullman Savings Bank, MHC) and the approval of the depositor and borrower members of Cullman Savings Bank, MHC.

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Proposed Stock Purchases by Management

Cullman Bancorp, Inc. s directors and executive officers and their associates are expected to purchase, for investment purposes, approximately 270,000 shares of common stock in the offering, which represents 38.9%, 33.1%, 28.7% and 25.0% of the shares sold to the public and 16.7%, 14.2%, 12.4% and 10.7% of the total shares to be outstanding after the offering (including shares owned by Cullman Savings Bank, MHC) at the minimum, midpoint, maximum and maximum, as adjusted, of the offering range, respectively. Cullman Savings Bank, MHC and Cullman Bancorp, Inc. s directors and executive officers and their associates are expected to own an aggregate of 1,158,250, 1,315,000, 1,471,750 and 1,652,012 shares at the minimum, midpoint, maximum and maximum, as adjusted, of the offering range, respectively, or 71.7%, 69.2%, 67.4% and 65.7% of the total shares to be outstanding after the offering.

The plan of reorganization provides that the aggregate amount of shares acquired in the offering by our directors and executive officers (and their associates) may not exceed 31% of the outstanding shares held by persons other than Cullman Savings Bank, MHC, except with the approval of the Office of Thrift Supervision. We may seek approval from the Office of Thrift Supervision to allow purchases by our directors and executive officers (and their associates) to exceed the 31% limit to the extent needed to enable us to sell the minimum number of shares of common stock in the offering range.

Directors and executive officers will pay the same $10.00 per share price paid by all other persons who purchase shares in the offering. These shares will be counted in determining whether the minimum of the offering range is reached.

Conditions to Completing the Reorganization and Offering

We cannot complete the reorganization and offering unless:

- we sell at least 694,450 shares, the minimum of the offering range;
- the members of Cullman Savings Bank vote to approve the reorganization and offering; and
- we receive final approval from the Office of Thrift Supervision to complete the reorganization and offering.

Office of Thrift Supervision approval does not constitute a recommendation or endorsement of an investment in our stock by the Office of Thrift Supervision.

Subject to member approval at the special meeting of members, we intend to establish and fund the charitable foundation in connection with the stock offering. However, member approval of the charitable foundation is not a condition to the completion of the reorganization and offering.

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How You May Obtain Additional Information Regarding the Reorganization and Offering

If you have any questions regarding the reorganization and offering, please call the Stock Information Center at (256) 737-3365, Monday through Friday between 9:00 a.m. and 4:00 p.m., Central Time.

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RISK FACTORS

You should consider carefully the following risk factors in evaluating an investment in our common stock.

Risks Related to Our Business

The United States Economy Is In a Deep Recession. A Prolonged Economic Downturn, Especially One Affecting Our Geographic Market Area, Would Likely Materially Affect Our Business and Financial Results.

The United States economy entered a recession in the fourth quarter of 2007. Throughout the course of 2008 and in the first quarter of 2009, economic conditions continued to worsen, due in large part to the fallout from the collapse of the sub-prime mortgage market. While we did not originate or invest in sub-prime mortgages, our lending business is tied, in large part, to the real estate market, which has been dramatically weakened by the recession. Although most of our lending is located in the Cullman County, Alabama market, which we believe has been less adversely affected by the recession than some other areas of the country, we remain vulnerable to adverse changes in the real estate market.

The continuing real estate slump also has resulted in reduced demand for the construction of new housing, further declines in home prices, and increased delinquencies on our construction, residential and commercial mortgage loans. These conditions may cause a further reduction in loan demand, and increases in our non-performing assets, net charge-offs and provisions for loan losses. At March 31, 2009, loans secured by real estate in our primary market area represented 92.48% of our total loans.

Adverse changes in the economy also have an adverse effect on employment, which has a negative effect on the ability of our borrowers to make timely repayments of their loans, whether commercial, residential or consumer. As of May 31, 2009, the unemployment rate in Cullman County, Alabama was 9.0%, compared to the unemployment rate in the state of Alabama of 9.3% and the national rate of 9.1%. We expect that the local unemployment rate may rise in 2009 along with the Alabama and national rates.

Finally, adverse changes in the national real estate market can adversely impact the value of our real estate-related securities and investments in other financial institutions. During the three months ended March 31, 2009 and the year ended December 31, 2008, we recorded a $114,000 and a $1.2 million impairment charge, respectively, for the other-than-temporary decline in the fair value of a real estate-related mutual fund. Additionally, during the three months ended March 31, 2009, we recorded a $611,000 impairment charge for our investment in Silverton Financial Services, Inc. stock.

Based on the above, the economic recession has already had a negative effect on our operations, and if it persists or deepens, could have a further negative effect on us.

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We Recently Increased Our Emphasis on Commercial Real Estate Loans, Thus Increasing Our Credit Risk. Continued Weakness or a Deeper Downturn in the Real Estate Market and Local Economy Could Adversely Affect Our Earnings.

Since 2006, we appointed a new President and Chief Executive Officer from within our organization, and have hired from outside our organization a new Executive Vice President in charge of lending and a new Chief Financial Officer. In connection therewith, and in order to enhance the yield and interest rate sensitivity of our loan portfolio, we amended our business plan to increase significantly our commercial real estate lending. At March 31, 2009, our portfolio of commercial real estate loans totaled $57.1 million, or 34.0% of our total loans. Commercial real estate loans generally have more credit risk than one- to four-family residential mortgage loans. Because the repayment of commercial real estate loans depends on the successful management and operation of the borrower s properties and/or related businesses, repayment of such loans can be affected by adverse conditions in the local real estate market and/or economy. In particular, the business and collateral value underlying our commercial real estate loans are vulnerable to today s recessionary economy.

Many of our borrowers also have more than one commercial real estate loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan. Finally, if we foreclose on a commercial real estate loan, our holding period for the collateral, if any, typically is longer than for one- to four-family residential mortgage loans because there are fewer potential purchasers of the collateral. We have increased the level of our allowance for loan losses because of the increased risk characteristics associated with these types of loans. Any further increase to our allowance for loan losses would adversely affect our earnings.

If Our Allowance for Loan Losses is Not Sufficient to Cover Actual Loan Losses, Our Earnings Could Decrease.

We make various assumptions and judgments about the collectibility of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for loan losses, we review our loans (including the underlying cash flow and collateral, if any) and our loss and delinquency experience, and we evaluate economic conditions, including today s difficult-to-assess global economic recession. If our assumptions are incorrect, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in additions to our allowance. Our allowance for loan losses was 0.36% of total loans and 106.58% of non-performing loans at March 31, 2009. Material additions to our allowance could materially decrease our net income.

In addition, bank regulators periodically review our allowance for loan losses and may require us to increase our provision for loan losses or recognize further loan charge-offs. Any increase in our allowance for loan losses or loan charge-offs as required by these regulatory authorities may have a material adverse effect on our financial condition and results of operations.

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Future Changes in Interest Rates Could Reduce Our Profits

Our ability to make a profit largely depends on our net interest income, which could be negatively affected by changes in interest rates. Net interest income is the difference between:

- the interest income we earn on our interest-earning assets, such as loans and securities; and
- the interest expense we pay on our interest-bearing liabilities, such as deposits and borrowings.

The rates we earn on our assets and the rates we pay on our liabilities are generally fixed for a contractual period of time. Like many savings institutions, our liabilities generally have shorter contractual maturities than our assets. This imbalance can create significant earnings volatility, because market interest rates change over time. In a period of rising interest rates, the interest income earned on our assets may not increase as rapidly as the interest paid on our liabilities. In a period of declining interest rates, the interest income earned on our assets may decrease more rapidly than the interest paid on our liabilities, as borrowers prepay mortgage loans, and mortgage-backed securities and callable investment securities are called or prepaid thereby requiring us to reinvest those cash flows at lower interest rates. See Management s Discussion and Analysis of Financial Condition and Results of Operations of Cullman Savings Bank Management of Market Risk.

In addition, changes in interest rates can affect the average life of loans and mortgage-backed and related securities. A reduction in interest rates results in increased prepayments of loans and mortgage-backed and related securities, as borrowers refinance their debt in order to reduce their borrowing costs. This creates reinvestment risk, which is the risk that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities. Additionally, increases in interest rates may decrease loan demand and/or make it more difficult for borrowers to repay adjustable-rate loans.

Changes in interest rates also affect the current fair value of our interest-earning securities portfolio. Generally, the value of securities moves inversely with changes in interest rates. At March 31, 2009, the fair value of our available-for-sale securities portfolio, consisting of U.S. Government and federal agency securities, mortgage-backed securities and mutual funds, totaled $22.0 million. Decreases in the fair value of securities available for sale in future periods would have an adverse effect on stockholders equity.

We evaluate interest rate sensitivity using an Office of Thrift Supervision model that estimates the change in Cullman Savings Bank s net portfolio value over a range of interest rate scenarios. Net portfolio value is the discounted present value of expected cash flows from assets, liabilities and off-balance sheet contracts. At March 31, 2009, in the event of an immediate 200 basis point increase in interest rates, the Office of Thrift Supervision model projects that we would experience a $2.6 million decrease in our net portfolio value. See Management s Discussion and Analysis of Financial Condition and Results of Operations of Cullman Savings Bank Management of Market Risk.

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We May Be Required to Record Additional Impairment Charges in our Investment Securities Portfolio.

We review our investment securities portfolio at the end of each quarter to determine whether the fair value is below the current carrying value. When the fair value of any of our investment securities has declined below its carrying value, we are required to assess whether the decline is other than temporary. If we conclude that the decline is other than temporary, we are required to write down the value of that security through a charge to earnings. During the year ended December 31, 2008, we determined that the decline in the fair value of our investment in the AMF Ultra Short Mortgage Fund was other-than-temporary and recorded an impairment charge of approximately $1.2 million on this investment. During the three months ended March 31, 2009, we determined that the AMF Ultra Short Mortgage Fund had experienced an additional other-than-temporary decline in value and recorded an additional $114,000 impairment charge on this investment. As of March 31, 2009, we had approximately $22.0 million in investment securities on which we had approximately $311,000 in gross unrealized losses. Changes in the expected cash flows of these securities and/or prolonged price declines may result in our concluding in future periods that the impairment of these securities is other than temporary, and we will be required to record an impairment charge against income equal to the amount of that impairment.

We Recorded a Loss During the Most Recent Quarter and We May Not Be Profitable for the Remainder of the Year.

While Cullman Savings Bank has historically been profitable, we recorded a net loss of $342,000 during the three months ended March 31, 2009. We attribute the net loss during the quarter to other-than-temporary impairment charges related to our investments in the AMF Ultra Short Mortgage Fund and in the common stock of Silverton Financial Services, Inc., the holding company for the failed Silverton Bank, N.A. During this fiscal year, we expect to record an expense of between $423,000 and $603,000 as the result of our contribution of $100,000 and 2.0% of our outstanding shares of common stock to the Cullman Savings Bank Charitable Foundation in connection with the reorganization. As a public company following the reorganization, we will incur additional reporting and other costs and will incur additional compensation expenses related to our stock benefit plans. In addition, the Federal Deposit Insurance Corporation has significantly increased the assessment rate for deposit insurance and will impose at least one special assessment to increase the reserves of the Deposit Insurance Fund. These expenses and other unanticipated expenses or unanticipated declines in income may prevent Cullman Savings Bank from returning to profitability during the remainder of the year.

Recent Negative Developments in the Financial Industry and the Domestic and International Credit Markets May Adversely Affect our Operations and Results.

Negative developments in the latter half of 2007 and during 2008 and 2009 in the global credit and securitization markets have resulted in uncertainty in the financial markets. Loan portfolio quality has deteriorated at many institutions. In addition, the values of real estate collateral supporting many commercial loans and home mortgages have declined and may continue to decline. Bank and bank holding company stock prices have been negatively affected, as has the ability of banks and bank holding companies to raise capital or borrow in the debt

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markets. Specifically, the Federal Deposit Insurance Corporation Quarterly Banking Profile reported that noncurrent assets plus other real estate owned as a percentage of assets rose to 1.88% as of December 31, 2008 compared to 0.94% as of December 31, 2007. For the year ended December 31, 2008, the Federal Deposit Insurance Corporation Quarterly Banking Profile has reported that return on average assets decreased to 0.12% compared to 0.81% for the year ended December 31, 2007. The NASDAQ Bank Index declined 23.92% between December 31, 2007 and December 31, 2008, and an additional 21.78% between December 31, 2008 and April 30, 2009.

In response to these developments, Congress adopted the Emergency Economic Stabilization Act of 2008, under which the U.S. Department of the Treasury has the authority to expend up to $700 billion to assist in stabilizing and providing liquidity to the U.S. financial system. Although it was originally contemplated that these funds would be used primarily to purchase troubled assets under the Troubled Asset Relief Program, on October 14, 2008, the U.S. Department of the Treasury implemented the Capital Purchase Program, under which it will purchase up to $250 billion of non-voting senior preferred shares or subordinated debt of certain qualified financial institutions in an attempt to encourage financial institutions to build capital to increase the flow of financing to businesses and consumers and to support the economy. In addition, Congress has temporarily increased Federal Deposit Insurance Corporation deposit insurance from $100,000 to $250,000 per depositor through December 31, 2013. The Federal Deposit Insurance Corporation has also created the Temporary Liquidity Guarantee Program which is intended to strengthen confidence and encourage liquidity in financial institutions by temporarily guaranteeing newly issued senior unsecured debt of participating organizations and providing full coverage for noninterest-bearing transaction deposit accounts (such as business checking accounts, interest-bearing transaction accounts paying 50 basis points or less and lawyers trust accounts), regardless of dollar amount until December 31, 2013.

Additional federal or state laws and regulations regarding lending and funding practices and liquidity standards are being considered, and bank regulatory agencies have been more active in responding to concerns and trends identified in examinations and have increased their enforcement activity. Actions taken to date, as well as potential actions, may not have the beneficial effects that are intended and may adversely affect the national economy. In addition, new laws, regulations, and other regulatory changes will increase our Federal Deposit Insurance Corporation insurance premiums and will likely increase our costs of regulatory compliance and of doing business, and otherwise affect our operations.

The Federal Deposit Insurance Corporation Is Imposing an Emergency Assessment on Financial Institutions, which Will Decrease our Earnings in 2009. In Addition, New Obligations Assumed by the Federal Deposit Insurance Corporation May Result in High Premiums in the Future.

On May 22, 2009, the Federal Deposit Insurance Corporation adopted a one-time special assessment of 5 basis points on each FDIC-insured depository institution s assets minus its Tier 1 capital as of June 30, 2009. This special assessment is payable by September 30, 2009 and would result in additional non-interest expense of $94,000 based on our assets and Tier 1 capital as of March 31, 2009. The amount was fully accrued in the period ended June 30, 2009. In addition, the Federal Deposit Insurance Corporation may assess additional special premiums in the future.

The Federal Deposit Insurance Corporation has assumed significant additional obligations during the last several years as a result of (i) a significant increase in bank and thrift failures, (ii) an increase in obligations assumed in assisted mergers, (iii) the implementation of the Temporary Liquidity Guarantee Program, (iv) the increase in the deposit insurance maximum to $250,000 and (v) the FDIC s new role in guaranteeing financing in the U.S. Treasury s Public-Private Investment Program. To finance these new obligations, Congress has recently increased the FDIC s authority to borrow from the U.S. Treasury to $100 billion. Many observers believe the Federal Deposit Insurance Corporation will need to revise its regular assessment rates and/or implement additional special assessments in order to pay for this. In this regard, the Federal Deposit Insurance Corporation has already changed its special assessment base from deposits to assets, which is expected to result in an increase in our Federal Deposit Insurance Corporation assessment since we finance our operations through Federal Home Loan Bank advances as well as deposits.

Strong Competition Within Our Market Area May Limit Our Growth and Profitability.

Competition in the banking and financial services industry, and more specifically in the Cullman area, is intense. In our market area and the Cullman area generally, we compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, and brokerage and investment banking firms operating locally and elsewhere. Most of these competitors have substantially greater resources and lending limits than we have and offer certain services that we do not or cannot provide. Our profitability depends upon our continued ability to successfully compete in our market area. The greater resources and broader range of deposit and loan products offered by our competition may limit our ability to increase our interest-earning assets and profitability. For additional information see Business of Cullman Savings Bank Competition.

We Will Need to Implement Additional Finance and Accounting Systems, Procedures and Controls in Order to Satisfy Our New Public Company Reporting Requirements. This Will Increase Our Operating Expenses.

In connection with the stock offering, we are becoming a public company. The federal securities laws and regulations of the Securities and Exchange Commission require that we file annual, quarterly and current reports and that we maintain effective disclosure controls and procedures and internal control over financial reporting. We expect that the obligations of being a public company, including substantial public reporting obligations, will require significant expenditures and place additional demands on our management team. These obligations will increase our operating expenses and could divert our management s attention from our operations. Compliance with the Sarbanes-Oxley Act of 2002 and the related rules and regulations of the Securities and Exchange Commission will require us to certify the adequacy of our internal controls and procedures, which will require us to upgrade our accounting systems, which will increase our operating costs. In addition, such requirements may cause us to hire additional accounting, internal audit and/or compliance personnel.

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A Legislative Proposal Has Been Introduced That Would Eliminate our Primary Federal Regulator, Require Cullman Savings Bank to Convert to a National Bank or State Bank, and Require Cullman Savings Bank, MHC and Cullman Bancorp, Inc. to Become Bank Holding Companies.

The U.S. Treasury Department recently released a legislative proposal that would implement sweeping changes to the current bank regulatory structure. The proposal would create a new federal banking regulator, the National Bank Supervisor, and merge our current primary federal regulator, the Office of Thrift Supervision, as well as the Office of the Comptroller of the Currency (the primary federal regulator for national banks) into this new federal bank regulator. The proposal would also eliminate federal savings associations and require all federal savings associations, such as Cullman Savings Bank, to elect, within six months of the effective date of the legislation, to convert to either a national bank, state bank or state savings association. A federal savings association that does not make the election would, by operation of law, be converted into a national bank within one year of the effect date of the legislation.

If Cullman Savings Bank is required to convert to a national bank, Cullman Savings Bank, MHC and Cullman Bancorp, Inc. would become bank holding companies subject to supervision by the Board of Governors of the Federal Reserve System (the Federal Reserve) as opposed to the Office of Thrift Supervision. The Federal Reserve has historically looked to Office of Thrift Supervision regulations in its regulation of mutual holding companies and processing of mutual holding company applications; however, it is not obligated to follow such regulations. One important Office of Thrift Supervision regulation that the Federal Reserve does not follow relates to the ability of mutual holding companies to waive the receipt of dividends declared on the common stock of their stock holding company or savings bank subsidiaries. While Office of Thrift Supervision regulations permit mutual holding companies to waive the receipt of dividends, subject to filing a notice with the Office of Thrift Supervision and receiving its non-objection, the Federal Reserve s current policy is to prohibit mutual holding companies from waiving the receipt of dividends so long as the subsidiary savings bank is well capitalized. Moreover, Office of Thrift Supervision regulations provide that it will not take into account the amount of waived dividends in determining an appropriate exchange ratio for minority shares in the event of the conversion of a mutual holding company to stock form. If the Office of Thrift Supervision is eliminated, the Federal Reserve becomes the exclusive regulator of mutual holding companies, and the Federal Reserve retains its current policy regarding dividend waivers by mutual holding companies, Cullman Savings Bank, MHC would not be permitted to waive the receipt of dividends declared by Cullman Bancorp, Inc. This would have an adverse impact on our ability to pay dividends and, consequently, the value of our common stock. While management believes that there are several reasons why the Federal Reserve s policy should change to conform to current Office of Thrift Supervision regulations, we cannot assure you that this would occur.

We Operate in a Highly Regulated Environment and May Be Adversely Affected by Changes in Laws and Regulations.

We are subject to extensive regulation, supervision and examination by the Office of Thrift Supervision, our chartering authority, and by the Federal Deposit Insurance Corporation, as insurer of deposits. Such regulation and supervision govern the activities in which a financial institution and its holding company may engage and are intended primarily for the protection of the insurance fund and depositors. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of an institution, the classification of assets by the institution and the adequacy of an institution s allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, or legislation, may have a material impact on our operations.

We Rely on Our Management Team for the Successful Implementation of Our Business Strategy.

The future success of Cullman Bancorp, Inc. and Cullman Savings Bank will be largely due to the efforts of our senior management team consisting of John A. Riley, III, President and Chief Executive Officer, Alan R. Wood, Executive Vice President and Director of Lending, Michael Duke, Senior Vice President and Chief Financial Officer, and Robin Parson, Senior Vice President and Director of Savings. The loss of services of one or more of these individuals may have a material adverse effect on our ability to implement our business plan.

Risks Related to this Offering

The Future Price of the Shares of Common Stock May Be Less Than the Purchase Price in the Offering.

If you purchase shares of common stock in the stock offering, you may not be able to sell them at or above the purchase price in the stock offering. The purchase price in the offering is determined by an independent, third-party appraisal, pursuant to federal banking regulations and subject to review and approval by the Office of Thrift Supervision. The appraisal is not intended, and should not be construed, as a recommendation of any kind as to the advisability of purchasing shares of common stock. Our aggregate pro forma market value as reflected in the final, approved independent appraisal may exceed the market price of our shares of common stock after the completion of the offering, which may result in our stock trading below the initial offering price of $10.00 per share.

After our shares begin trading, the trading price of our common stock will be determined by the marketplace, and may be influenced by many factors, including prevailing interest rates, the overall performance of the economy, investor perceptions of Cullman Bancorp, Inc. and the outlook for financial institutions in general.

There Will be a Limited Trading Market in Our Common Stock, Which Will Hinder Your Ability to Sell Our Common Stock and May Lower the Market Price of the Stock. Further, the Market for Stock of Financial Institutions Has Been Unusually Volatile Lately and Our Stock Price May Decline When Trading Commences.

Cullman Bancorp, Inc. has never issued stock and, therefore, there is no current trading market for the shares of common stock. Moreover, our public float, which is the total number of our outstanding shares less the shares held by Cullman Savings Bank, MHC, our employee stock ownership plan and our directors and senior officers and is used as a measurement of shares available for trading, will likely be quite limited. We estimate that our public float, as so defined, will range from 393,442 shares at the minimum of the offering range to 627,598 shares at the maximum of the offering range. The limited public float will likely result in the spread between the bid and ask prices for the stock being significantly wider than that of many other public companies. This wide spread could make it more difficult to sell a large number of shares at one time and could mean a sale of a large number of shares at one time could depress the market price.

We expect that our common stock will trade on the OTC Bulletin Board. It is unlikely that an active and liquid trading market in shares of our common stock will develop. Persons purchasing shares may not be able to sell their shares when they desire if a liquid trading market does not develop or sell them at a price equal to or above the initial purchase price of $10.00 per share even if a liquid trading market develops. This limited trading market for our common stock may reduce the market value of the common stock and make it difficult to buy or sell our shares on short notice. For additional information see Market for the Common Stock.

Publicly traded stocks, including stocks of financial institutions, have recently experienced substantial market price volatility. In recent transactions, shares of common stock issued by newly converted savings institutions or mutual holding companies have traded below the price at which the shares were sold in the offerings conducted by those companies.

The Capital We Raise in the Offering Will Reduce Our Return on Equity. This Could Negatively Affect the Trading Price of Our Common Stock.

Net income divided by average equity, known as return on equity, is a ratio many investors use to compare the performance of a financial institution to its peers. For the year ended December 31, 2008, our return on average equity was 1.11%. Following the stock offering, we expect our consolidated equity to increase from $26.4 million to between $31.6 million at the minimum of the offering range and $35.0 million at the adjusted maximum of the offering range. Based upon our earnings for the year ended December 31, 2008, and these pro forma equity levels, our return on equity would be 0.61% and 0.39% at the minimum and adjusted maximum of the offering range, respectively. We expect our return on equity to remain lower until we are able to leverage the additional capital we receive from the stock offering. Although we will be able to increase net interest income using proceeds of the stock offering, our return on equity will be reduced by the capital raised in the stock offering, higher expenses from the costs of being a public company, and added expenses associated with our employee stock ownership plan and the stock-based benefit plan we intend to adopt. Until we can increase our net interest income and non-interest income, we expect our return on equity to remain lower, which may reduce the value of your shares of common stock.

The Contribution of Shares to the Charitable Foundation Will Dilute Your Ownership Interests and Adversely Affect Net Income in 2009.

Subject to member approval at the special meeting of members, we intend to establish a charitable foundation in connection with the stock offering. We will make a contribution to the charitable foundation in the form of shares of Cullman Bancorp, Inc. common stock and

$100,000 in cash. The contribution of cash and shares of common stock will total $423,000 at the minimum of the offering range, and up to $603,000 at the adjusted maximum of the offering range. The aggregate contribution will have an adverse effect on our net income for the quarter and year in which we make the contribution to the charitable foundation. The after-tax expense of the contribution will reduce net income in 2009 by approximately $398,000 at the adjusted maximum of the offering range. We had net income of $296,000 for the year ended December 31, 2008. Persons purchasing shares in the stock offering will have their ownership and voting interests in Cullman Bancorp, Inc. diluted by 2.04% due to the issuance of shares of common stock to the charitable foundation.

Our Contribution to the Charitable Foundation May Not Be Tax Deductible, Which Could Reduce Our Profits.

We believe that the contribution to Cullman Savings Bank Charitable Foundation will be deductible for federal income tax purposes. However, we cannot assure you that the Internal Revenue Service will grant tax-exempt status to the charitable foundation. If the contribution is not deductible, we would not receive any tax benefit from the contribution. The value of the contribution would be $100,000 in cash and shares of common stock at the adjusted maximum of the offering range, which would result in after-tax expense of approximately $398,000 during the year ending December 31, 2009. In the event that the Internal Revenue Service does not grant tax-exempt status to the charitable foundation or the contribution to the charitable foundation is otherwise not tax deductible, we would recognize after-tax expense up to the value of the entire contribution, or $603,000 at the adjusted maximum of the offering range.

In addition, even if the contribution is tax deductible, we may not have sufficient profits to be able to use the deduction fully. Under the Internal Revenue Code, an entity is permitted to deduct up to 10% of its taxable income (income before income taxes) in any one year for charitable contributions. Any contribution in excess of the 10% limit may be deducted for federal income tax purposes over the five years following the year in which the charitable contribution was made. Accordingly, a charitable contribution by an entity to a charitable foundation could, if necessary, be deducted for federal income tax purposes over a six-year period. Our pre-tax income over this period may not be sufficient to fully use this deduction.

Our Stock Benefit Plans Will Increase Our Costs, Which Will Reduce Our Income.

We anticipate that our employee stock ownership plan will purchase an amount of shares of our common stock equal to up to 3.92% of our outstanding shares (including the shares held by Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation). The cost of acquiring the shares of common stock for the employee stock ownership plan will be between $633,000 at the minimum of the offering range and $985,000 at the adjusted maximum of the offering range. We will record annual employee stock ownership plan expenses in an amount equal to the fair value of shares of common stock committed to be released to employees. If shares of common stock appreciate in value over time, compensation expense relating to the employee stock ownership plan will increase.

We also intend to adopt a stock-based incentive plan after the offering under which plan participants would be awarded restricted shares of our common stock (at no cost to them) and/or

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options to purchase shares of our common stock. Under Office of Thrift Supervision regulations, we are authorized to grant awards of stock or options under one or more stock-based incentive plans in an amount up to 25% of the number of shares of common stock held by persons other than Cullman Savings Bank, MHC. The number of shares of common stock or options granted under any initial stock-based incentive plan may not exceed 1.96% and 4.90%, respectively, of our total outstanding shares, including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation.

The shares of restricted common stock granted under the stock-based incentive plan will be expensed by us over their vesting period based on the fair market value of the shares on the date they are awarded. If the shares of restricted common stock to be granted under the stock-based incentive plan are repurchased in the open market (rather than issued directly from authorized but unissued shares by Cullman Bancorp, Inc.) and cost the same as the purchase price in the offering, the reduction to stockholders equity due to the plan would be between $317,000 at the minimum of the offering range and $493,000 at the adjusted maximum of the offering range. To the extent we repurchase shares of common stock in the open market to fund the grants of restricted shares under the plan, and the price of such shares exceeds the offering price of $10.00 per share, the reduction to stockholders equity would exceed the range described above. Conversely, to the extent the price of such shares is below the offering price of $10.00 per share, the reduction to stockholders equity would be less than the range described above.

We will recognize as an expense in our income statement the grant-date fair value of stock options as such options vest. When we record an expense related to the grant of options using the fair value method, we will incur significant compensation and benefits expense. As discussed in the Management s Discussion and Analysis section of this prospectus, and based on certain assumptions discussed there, we estimate this annual expense would be approximately $84,000 on an after-tax basis, assuming the adjusted maximum number of shares is sold in the offering.

The Implementation of a Stock-Based Incentive Plan May Dilute Your Ownership Interest.

We intend to adopt a stock-based incentive plan following the reorganization and offering. This stock-based incentive plan will be funded through either open market purchases, if permitted, or from the issuance of authorized but unissued shares. Stockholders would experience a reduction in ownership interest (including shares held by Cullman Savings Bank, MHC) totaling 1.8% in the event newly issued shares are used to fund stock options and stock awards in an amount equal to 4.90% and 1.96%, respectively, of the total shares issued in the reorganization and offering (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation).

We Have Broad Discretion in Allocating the Proceeds of the Offering. Our Failure to Effectively Utilize Such Proceeds Could Reduce Our Profits.

Cullman Bancorp, Inc. may retain up to 50% of the net proceeds from the offering and contribute the remainder of the net proceeds of the offering to Cullman Savings Bank. Cullman Bancorp, Inc. will use a portion of the net proceeds to fund the employee stock ownership plan and may use the remaining net proceeds to pay dividends to stockholders, repurchase shares of

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common stock, purchase investment securities or acquire other financial services companies, although we do not have any specific plans or commitments to do so as of this date. Cullman Savings Bank may use the proceeds it receives to fund new loans, establish or acquire new branches, purchase investment securities, or for general corporate purposes. We have not, however, allocated specific amounts of proceeds for any of these purposes and we will have significant flexibility in determining the amount of net proceeds we apply to different uses and the timing of such applications. Our failure to utilize these funds effectively could reduce our profitability.

Persons Who Purchase Stock in the Offering Will Own a Minority of Cullman Bancorp, Inc. s Common Stock and Will Not Be Able To Exercise Voting Control Over Most Matters Put To a Vote of Stockholders.

Public stockholders will own a minority of the outstanding shares of Cullman Bancorp, Inc. s common stock. As a result, stockholders other than Cullman Savings Bank, MHC will not be able to exercise voting control over most matters put to a vote of stockholders. Cullman Savings Bank, MHC, will own a majority of Cullman Bancorp, Inc. s common stock after the offering and, through its board of directors, will be able to exercise voting control over most matters put to a vote of stockholders. The same directors and officers who manage Cullman Savings Bank will also manage Cullman Bancorp, Inc. and Cullman Savings Bank, MHC. The only matters as to which stockholders other than Cullman Savings Bank, MHC will be able to exercise voting control currently include any proposal to implement a stock-based incentive plan within one year of the offering or a second-step conversion. In addition, Cullman Savings Bank, MHC may exercise its voting control to prevent a sale or merger transaction in which stockholders could receive a premium for their shares.

Our Stock Value May be Negatively Affected by our Mutual Holding Company Structure and Federal Regulations Restricting Takeovers.

The Mutual Holding Company Structure May Impede Takeovers. Cullman Savings Bank, MHC, as the majority stockholder of Cullman Bancorp, Inc., will be able to control the outcome of virtually all matters presented to stockholders for their approval, including a proposal to acquire Cullman Bancorp, Inc. Accordingly, Cullman Savings Bank, MHC may prevent the sale of control or merger of Cullman Bancorp, Inc. or its subsidiaries even if such a transaction were favored by a majority of the public stockholders of Cullman Bancorp, Inc. The board of Cullman Savings Bank has decided to form a mutual holding company rather than undertake a standard conversion to stock form in part because the mutual holding company structure will allow the board to control the future of Cullman Savings Bank, MHC and its subsidiaries. Additionally, while current Office of Thrift Supervision regulations permit a mutual holding company to be acquired by a mutual institution in a remutualization transaction, the Office of Thrift Supervision has issued a policy statement indicating that it views remutualization transactions as raising significant issues concerning disparate treatment of minority stockholders and mutual members of the target entity and raising issues concerning the effect on the mutual members of the acquiring entity. Under certain circumstances, the Office of Thrift Supervision intends to give these issues special scrutiny and reject applications providing for the remutualization of a mutual holding company unless the applicant can clearly demonstrate that the Office of Thrift Supervision s concerns are not warranted in the particular case.

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Federal Regulations Restricting Takeovers. For three years following the offering, Office of Thrift Supervision regulations prohibit any person from acquiring or offering to acquire more than 10% of our common stock without the prior written approval of the Office of Thrift Supervision. Moreover, current Office of Thrift Supervision policy prohibits the acquisition of a mutual holding company subsidiary by any person or entity other than a mutual holding company or a mutual institution, and restricts the terms of permissible acquisitions. See Restrictions on the Acquisition of Cullman Bancorp, Inc. and Cullman Savings Bank on page 171 for a discussion of applicable Office of Thrift Supervision Regulations regarding acquisitions.

The Corporate Governance Provisions in Our Charter and Bylaws May Prevent or Impede the Holders of a Minority of Our Common Stock from Obtaining Representation on Our Board of Directors and May Also Prevent or Impede a Change in Control.

Provisions in our charter and bylaws may prevent or impede holders of a minority of our common stock from obtaining representation on our board of directors. For example, our board of directors will be divided into three classes with staggered three-year terms. A classified board makes it more difficult for stockholders to change a majority of the directors because it generally takes at least two annual elections of directors for this to occur. Second, our charter provides that there will not be cumulative voting by stockholders for the election of our directors which means that Cullman Savings Bank, MHC, as the holder of a majority of the shares eligible to be voted at a meeting of stockholders, may elect all of our directors to be elected at that meeting. Third, our bylaws contain procedures and timetables for a stockholder wanting to make a nomination for the election of directors or a proposal for new business at a meeting of stockholders, the effect of which may be to give our management time to solicit its own proxies in an attempt to defeat any dissident slate of nominations if management thinks it is in the best interests of stockholders generally. Also, we have the ability to issue preferred stock with voting rights to third parties who may be friendly to our board of directors.

In addition, a section in Cullman Bancorp, Inc. s and Cullman Savings Bank s charter provides that for a period of five years from the closing of the stock offering, no person, other than Cullman Savings Bank, MHC, may directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10% of any class of equity security of Cullman Bancorp, Inc. or Cullman Savings Bank held by persons other than Cullman Savings Bank, MHC, and that any shares acquired in excess of this limit would not be entitled to be voted and would not be counted as voting stock in connection with any matters submitted to the stockholders for a vote.

A WARNING ABOUT FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which can be identified by the use of such words as estimate, project, believe, intend, anticipate, plan, seek, expect and similar expressions. These forward-looking statements include:

- statements of our goals, intentions and expectations;
- statements regarding our business plans and prospects and growth and operating strategies;

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- statements regarding the asset quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are subject to significant risks, assumptions and uncertainties, including, among other things, the following important factors that could affect the actual outcome of future events:

- our ability to manage our operations during the current United States economic recession;
- our ability to manage the risk from the growth of our commercial real estate lending;
- significant increases in our loan losses, exceeding our allowance;
- changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments and inflation;
- adverse changes in the financial industry, securities, credit and national and local real estate markets (including real estate values);
- general economic conditions, either nationally or in our market area;
- changes in consumer spending, borrowing and savings habits, including lack of consumer confidence in financial institutions;
- potential increases in deposit assessments;
- significantly increased competition among depository and other financial institutions;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies and the authoritative accounting and auditing bodies;
- legislative or regulatory changes, including increased banking assessments, that adversely affect our business and earnings; and
- changes in our organization, compensation and benefit plans.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. We discuss these and other uncertainties in Risk Factors beginning on page 23.

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SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The summary information presented below at each date or for each of the periods presented is derived in part from the consolidated financial statements of Cullman Savings Bank. The financial condition data at December 31, 2008 and 2007, and the operating data for the years ended December 31, 2008 and 2007 were derived from the audited consolidated financial statements of Cullman Savings Bank included herein. The information at December 31, 2006 and for the year ended December 31, 2006 was derived in part from audited financial statements that are not included in this prospectus. The information at and for the three months ended March 31, 2009 and 2008 is unaudited. However, in the opinion of management of Cullman Savings Bank, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the results of operations for the unaudited periods have been made. The selected operating data presented below for the three months ended March 31, 2009, are not necessarily indicative of the results that may be expected for the year ending December 31, 2009 or for future periods. The following information is only a summary, and should be read in conjunction with our financial statements and notes beginning on page F-1 of this prospectus. Financial ratios for interim periods have been annualized.

	At or For the Three Months Ended March 31,		At or For the Year Ended December 31,		
	2009	2008	2008	2007	2006
	(Dollars in thousands)				
Financial Condition Data:					
Total assets	$ 214,212	$ 218,442	$ 217,385	$ 204,056	$ 190,749
Investment securities	21,970	25,034	24,530	21,285	20,756
Loans receivable, net	166,733	165,325	165,243	163,297	147,555
Deposits	134,860	139,254	134,214	128,854	107,285
Federal Home Loan Bank advances	51,468	50,582	54,671	46,936	56,350
Other borrowings	860	860	860	880	882
Total equity	25,963	26,450	26,445	26,084	25,355
Operating Data:					
Interest and dividend income	$ 3,013	$ 3,178	$ 12,775	$ 11,655	$ 10,542
Interest expense	1,451	1,789	6,766	7,181	6,046
Net interest income	1,562	1,389	6,009	4,474	4,496
Provision for loan losses	125	50	145	[2]	221
Net interest income after provision for loan losses	1,437	1,339	5,864	4,474	4,275
Non-interest income	(491)[1]	146	(253)[1]	435	141
Non-interest expense	1,148	1,092	4,582	4,079	3,841
Income (loss) before income taxes	(202)	393	1,029	830	575
Income taxes	140	146	733	280	171
Net income (loss)	$ (342)	$ 247	$ 296	$ 550	$ 404

(1) Includes $725,000 and $1.2 million in other-than-temporary impairment charges for the three months ended March 31, 2009 and the year ended December 31, 2008, respectively. Since the other-than-temporary impairment charges are not currently deductible, Cullman Savings Bank reported taxable income during the three months ended March 31, 2009 notwithstanding its loss for financial reporting purposes.

(2) For a discussion of the basis for the provision for loan losses for the year ended December 31, 2007, see Management s Discussion and Analysis of Financial Condition and Results of Operations Comparison of Operating Results for the Years Ended December 31, 2008 and December 31, 2007.

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	At or For the Three Months Ended March 31,		At or For the Year Ended December 31,		
	2009	2008	2008	2007	2006
Performance Ratios:					
Return on average assets (annualized)	(0.65)%	0.47%	0.14%	0.28%	0.21%
Return on average equity (annualized)	(5.17)	3.78	1.11	2.13	1.62
Interest rate spread (annualized) (1)	3.07	2.57	2.78	2.10	2.27
Net interest margin (annualized) (2)	3.23	2.83	2.98	2.41	2.53
Noninterest expense to average assets (annualized)	2.17	2.08	2.10	2.05	2.00
Efficiency ratio (3)	63.84	71.14	65.04	83.09	78.44
Average interest-earning assets to average interest-bearing liabilities	1.05X	1.07X	1.06X	1.08X	1.07X
Average equity to average assets	12.51%	12.48%	12.24%	12.99%	13.00%
Capital Ratios:					
Total capital to risk weighted assets	17.57%	17.36%	17.25%	18.90%	20.44%
Tier I capital to risk weighted assets	17.20	17.09	17.00	18.60	20.08
Tier I capital to average assets	12.20	12.62	12.24	12.90	13.39
Asset Quality Ratios:					
Allowance for loan losses as a percent of total loans	0.36%	0.25%	0.28%	0.26%	0.31%
Allowance for loan losses as a percent of nonperforming loans	106.58	19.98	368.75	28.23	481.05
Allowance for loan losses as a percentage of nonperforming assets	44.08	19.98	47.77	25.69	140.62
Net (charge-offs) recoveries to average outstanding loans during the period		(0.01)	(0.06)	(0.02)	(0.02)
Non-performing loans as a percent of total loans	0.33	1.25	0.08	0.93	0.06
Non-performing assets as a percent of total assets	0.63	1.27	0.45	0.82	0.17
Total non-performing assets and troubled debt restructurings as a percent of total assets	1.22	1.27	1.04	0.91	0.52
Number of offices	3	3	3	3	3

(1) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of interest-bearing liabilities.
(2) Represents net interest income as a percent of average interest-earning assets.
(3) Represents noninterest expense divided by the sum of net interest income and noninterest income, excluding securities impairments and gains or losses on the sale of securities.

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RECENT DEVELOPMENTS

The following tables set forth selected consolidated historical financial and other data of Cullman Savings Bank for the periods and at the dates indicated. The information at December 31, 2008 is derived in part from, and should be read together with, the audited consolidated financial statements and notes thereto of Cullman Savings Bank beginning at page F-1 of this prospectus. The information at June 30, 2009 and for the three and six months ended June 30, 2009 and 2008 is unaudited and reflects all normal recurring adjustments that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three and six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the remainder of 2009.

	At June 30, 2009 (Unaudited)	At December 31, 2008
	(In thousands)	
Financial Condition Data:		
Total assets	$ 212,062	$ 217,385
Investment securities	20,775	24,530
Loans receivable, net	167,554	165,243
Deposits	132,486	134,214
Federal Home Loan Bank advances	51,300	54,671
Other borrowings	860	860
Total equity	26,397	26,445

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(Unaudited) (In thousands)			
Operating Data:				
Interest and dividend income	$ 3,004	$ 3,234	$ 6,017	$ 6,412
Interest expense	1,365	1,727	2,816	3,516
Net interest income	1,639	1,507	3,201	2,896
Provision for loan losses	106	25	231	75
Net interest income after provision for loan losses	1,533	1,482	2,970	2,821
Non-interest income	212	(205)(1)	(279)(2)	(59)(2)
Non-interest expense	1,184	1,149	2,332	2,241
Income before income taxes	561	128	359	521
Income taxes	195	223	335	369
Net income (loss)	$ 366	$ (95)	$ 24	$ 152

(1) Includes $510,000 in other-than-temporary impairment charges for the three months ended June 30, 2008.
(2) Includes $725,000 and $510,000 in other-than-temporary impairment charges for the six months ended June 30, 2009 and 2008, respectively.

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	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Performance Ratios:				
Return on average assets (annualized)	0.69%	(0.17)%	0.02%	0.14%
Return on average equity (annualized)	5.59	(1.42)	0.18	1.16
Interest rate spread (annualized) (1)	3.21	2.76	3.14	2.68
Net interest margin (annualized) (2)	3.37	2.96	3.30	2.91
Noninterest expense to average assets (annualized)	2.24	2.09	2.20	2.10
Efficiency ratio (3)	64.00	62.85	63.92	66.63
Average interest-earning assets to average interest-bearing liabilities	1.06X	1.06X	1.05X	1.07X
Average equity to average assets	12.36%	12.12%	12.43%	12.29%
Capital Ratios:				
Total capital to risk weighted assets	17.57%	16.89%	17.57%	16.89%
Tier I capital to risk weighted assets	17.20	16.63	17.20	16.63
Tier I capital to average assets	12.20	12.27	12.20	12.27
Asset Quality Ratios:				
Allowance for loan losses as a percent of total loans	0.42%	0.24%	0.42%	0.24%
Allowance for loan losses as a percent of nonperforming loans	88.58	78.90	88.58	78.90
Net (charge-offs) recoveries to average outstanding loans during the period	0.00	(0.02)	0.00	(0.05)
Non-performing loans as a percent of total loans	0.47	0.31	0.47	0.31
Non-performing assets as a percent of total assets	0.74	0.67	0.74	0.67
Total non-performing assets and troubled debt restructurings as a percent of total assets	1.33	1.29	1.33	1.29
Number of offices	3	3	3	3

(1) Represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of interest-bearing liabilities.
(2) Represents net interest income as a percent of average interest-earning assets.
(3) Represents noninterest expense divided by the sum of net interest income and noninterest income, excluding securities impairments and gains or losses on the sale of securities.

Comparison of Financial Condition at June 30, 2009 and December 31, 2008

Our total assets decreased to $212.1 million at June 30, 2009 from $217.4 million at December 31, 2008. The decrease was due primarily to a decrease in securities available for sale, to $20.8 million at June 30, 2009 from $24.5 million at December 31, 2008, partially offset by an increase in net loans of $2.3 million, or 1.4%, to $167.6 million at June 30, 2009 from $165.2 million at December 31, 2008. The decrease in securities reflected the deployment of cash flows to fund the origination of new loans and $725,000 in other-than-temporary impairment losses on available-for-sale securities for the six months ended June 30, 2009. During the six months ended June 30, 2009, net loans continued to increase reflecting steady demand for loans in our market area and the low interest rate environment.

Deposits decreased to $132.5 million at June 30, 2009 from $134.2 million at December 31, 2008. The decrease in deposits reflected a $2.0 million, or 19.4%, decrease in money market deposits to $8.3 million at June 30, 2009 from $10.3 million at December 31, 2008. Certificates of deposit decreased to $78.9 million at June 30, 2009 from $80.0 million at December 31, 2008, as we sought to reduce this generally higher-costing funding source for our lending. Federal Home Loan Bank of Atlanta advances decreased to $51.3 million at June 30, 2009 from $54.7 million at December 31, 2008, reflecting the decreased need for this alternative funding source given the decrease in total assets during the six months ended June 30, 2009.

Total equity remained unchanged at $26.4 million at June 30, 2009. A $72,000 increase in accumulated other comprehensive loss to $128,000 at June 30, 2009 from $56,000 at December 31, 2008, was partially offset by net income of $24,000 for the six months ended June 30, 2009.

Comparison of Operating Results for the Three Months Ended June 30, 2009 and 2008

General. We recorded net income of $366,000 for the three months ended June 30, 2009 compared to a net loss of $95,000 for the three months ended June 30, 2008. The increase in net income reflected higher net interest income in the 2009 period compared to the 2008 period, as well as $510,000 of pretax other-than-temporary impairment losses on available-for-sale securities in the 2008 period compared to none in the same period in 2009.

Interest Income. Interest income decreased to $3.0 million for the three months ended June 30, 2009 from $3.2 million for the three months ended June 30, 2008, reflecting a slight decrease in average interest-earning assets to $195.4 million for the 2009 period compared to $204.0 million for the 2008 period. In addition, the average yield on interest-earning assets decreased to 6.17% from 6.36%. The decrease in market interest rates contributed to the downward repricing of a portion of our existing assets and to lower rates for new assets.

Interest income on loans decreased to $2.7 million for the three months ended June 30, 2009 from $2.8 million for the three months ended June 30, 2008, reflecting a decrease in the average balance of our loans to $168.1 million from $169.2 million and a decrease in the average yield on such loans, to 6.54% from 6.75%. The lower average yield on our loan portfolio reflected the impact of decreases in market interest rates on our adjustable-rate loan products, as well as decreased rates on newly originated loans with interest rates based on lower market interest rates. Interest income on investment securities decreased to $262,000 for the three months ended June 30, 2009 from $314,000 for the three months ended June 30, 2008, reflecting a decrease in the average balance of such securities to $21.5 million from $25.6 million, as well as a decrease in the average yield on such securities to 4.89% from 4.92%.

Interest Expense. Interest expense decreased $363,000, or 21.0%, to $1.4 million for the three months ended June 30, 2009 from $1.7 million for the three months ended June 30, 2008. The decrease reflected a decrease in the average rate paid on deposits and borrowings to 2.96% in the 2009 period from 3.60% in the 2008 period, as well as a decrease in the average balance of such deposits and borrowings to $185.0 million for the 2009 period from $192.6 million for the 2008 period.

Interest expense on certificates of deposit decreased to $684,000 for the three months ended June 30, 2009 from $878,000 for the three months ended June 30, 2008, reflecting a decrease in the average balance of such certificates to $79.1 million from $81.2 million as well

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as a decrease in the average cost of such certificates to 3.46% from 4.33%. The decrease in the average cost of such certificates reflected the repricing in response to interest rate cuts initiated by the Federal Reserve Board and the lower market interest rates resulting from such cuts. Interest expense on NOW and demand deposits decreased to $147,000 for the three months ended June 30, 2009 from $243,000 for the three months ended June 30, 2008, reflecting a decrease of $5.7 million in the average balance of such deposits as well as a decrease in the average cost of such deposits to 1.14% from 1.70%.

Interest expense on borrowings, primarily advances from the Federal Home Loan Bank of Atlanta, decreased to $539,000 for the three months ended June 30, 2009 from $609,000 for the three months ended June 30, 2008, as the average rate paid on such borrowings decreased to 4.14% from 4.53%, and the average balance of such borrowings decreased to $52.3 million from $54.0 million.

Net Interest Income. Net interest income increased to $1.6 million for the three months ended June 30, 2009 from $1.5 million for the three months ended June 30, 2008. The increase reflected an increase in our interest rate spread to 3.21% from 2.76%. The ratio of our interest earning assets to average interest bearing liabilities remained unchanged at 1.06X. Our net interest margin also increased to 3.37% from 2.96%. The increases in our interest rate spread and net interest margin reflected the continued repricing of our deposits at lower rates in the decreasing interest rate environment.

Provision for Loan Losses. We recorded a provision for loan losses of $106,000 for the three months ended June 30, 2009 compared to $25,000 for the three months ended June 30, 2008. The allowance for loan losses was $706,000 or 0.42% of total loans at June 30, 2009 compared to $415,000, or 0.24% of total loans at June 30, 2008. Total nonperforming assets were $1.6 million at June 30, 2009 compared to $1.5 million at June 30, 2008. While we used the same methodology in assessing the allowances for both periods, we increased the impact of qualitative factors in the 2009 period to reflect further deterioration in the economy. This resulted in a higher provision and allowance for loan losses during the period. To the best of our knowledge, we have recorded all losses that are both probable and reasonably estimable for the three months ended June 30, 2009 and 2008.

Noninterest Income. Noninterest income increased to $212,000 for the three months ended June 30, 2009 from ($205,000) for the three months ended June 30, 2008. The increase in noninterest income was due to $510,000 of pretax other-than-temporary impairment losses on available-for-sale securities in the 2008 period compared to no such losses in the 2009 period.

Noninterest Expense. Noninterest expense increased to $1.2 million for the three months ended June 30, 2009 from $1.1 million for the three months ended June 30, 2008. The increase in noninterest expense was primarily attributable to an increase to $220,000 from $82,000 in other expenses, attributable in part to an increase in FDIC deposit insurance premiums to $150,000 from $4,000 (including a $94,000 special assessment at June 30, 2009). This increase was partially offset by decreases in salaries and employee benefits to $572,000 from $673,000, occupancy and equipment expense to $161,000 from $169,000, and data processing expense to $112,000 from $121,000.

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Income Tax Expense. The provision for income taxes was $195,000 for the three months ended June 30, 2009 compared to $223,000 for the three months ended June 30, 2008. Our effective tax rate was 34.8% for the three months ended June 30, 2009 compared to 174.2% for the three months ended June 30, 2008. The higher effective tax rate for the three months ended June 30, 2008 reflected the increase in pretax other-than-temporary impairment losses on available-for-sale securities.

Comparison of Operating Results for the Six Months Ended June 30, 2009 and June 30, 2008

General. Net income decreased to $24,000 for the six months ended June 30, 2009 from $152,000 for the six months ended June 30, 2008. The decrease reflected $725,000 of pretax other-than-temporary impairment losses on available-for-sale securities and restricted equity securities in the 2009 period compared to $510,000 in the 2008 period, as well as a higher provision for loan losses in the 2009 period compared to the 2008 period and higher FDIC deposit insurance premiums in 2009 compared to 2008.

Interest Income. Interest income decreased to $6.0 million for the six months ended June 30, 2009 from $6.4 million for the six months ended June 30, 2008, reflecting a decrease in average interest earning assets to $195.8 million for the 2009 period compared to $200.5 million for the 2008 period. In addition, the average yield on interest-earning assets decreased to 6.20% from 6.45%. The decrease in market interest rates contributed to the downward repricing of a portion of our existing assets and to lower rates for new assets.

Interest income on loans decreased to $5.5 million for the six months ended June 30, 2009 from $5.7 million for the six months ended June 30, 2008, reflecting a decrease in the average balance of our loans to $167.3 million from $167.5 million and a decrease in the average yield on such loans, to 6.59% from 6.82%. The lower average yield on our loan portfolio reflected the impact of decreases in market interest rates on our adjustable-rate loan products, as well as decreased rates on newly originated loans with interest rates based on lower market interest rates. Interest income on investment securities decreased to $543,000 for the six months ended June 30, 2009 from $584,000 for the six months ended June 30, 2008, reflecting a decrease in the average balance of such securities to $21.9 million from $23.9 million, partially offset by an increase in the average yield on such securities to 5.01% from 4.93%.

Interest Expense. Interest expense decreased $700,000, or 19.9%, to $2.8 million for the six months ended June 30, 2009 from $3.5 million for the six months ended June 30, 2008. The decrease reflected a decrease in the average rate paid on deposits and borrowings to 3.06% in the 2009 period from 3.77% in the 2008 period, as well as a decrease in the average balance of such deposits and borrowings to $185.6 million for the 2009 period from $187.9 million for the 2008 period.

Interest expense on certificates of deposit decreased to $1.4 million for the six months ended June 30, 2009 from $1.8 million for the six months ended June 30, 2008, reflecting a decrease in the average cost of such certificates to 3.56% from 4.57%, which more than offset an increase in the average balance of such certificates to $79.0 million from $78.8 million. The decrease in the average cost of such certificates reflected the repricing in response to interest rate cuts initiated by the Federal Reserve Board and the lower market interest rates resulting from such cuts. Interest expense on NOW and demand deposits decreased to $334,000 for the six months ended June 30, 2009 from $511,000 for the six months ended June 30, 2008, reflecting a decrease of $3.4 million in the average balance of such deposits as well as a decrease in the average cost of such deposits to 1.26% from 1.81%.

Interest expense on borrowings, primarily advances from the Federal Home Loan Bank of Atlanta, decreased to $1.1 million for the six months ended June 30, 2009 from $1.2 million for the six months ended June 30, 2008, as the average rate paid on such borrowings, which decreased to 4.14% from 4.59%, more than offset a slight increase in the average balance of such borrowings to $52.6 million from $52.5 million.

Net Interest Income. Net interest income increased to $3.2 million for the six months ended June 30, 2009 from $2.9 million for the six months ended June 30, 2008. The increase reflected an increase in our interest rate spread to 3.14% from 2.68%. The ratio of our interest earning assets to average interest bearing liabilities decreased to 1.05X from 1.07X. Our net interest margin also increased to 3.30% from 2.91%. The increases in our interest rate spread and net interest margin reflected the continued repricing of our deposits at lower rates in the decreasing interest rate environment.

Provision for Loan Losses. We recorded a provision for loan losses of $231,000 for the six months ended June 30, 2009 compared to $75,000 for the six months ended June 30, 2008. The allowance for loan losses was $706,000 or 0.42% of total loans at June 30, 2009 compared to $415,000, or 0.24% of total loans at June 30, 2008. Total nonperforming assets were $1.6 million at June 30, 2009 compared to $1.5 million at June 30, 2008. While we used the same methodology in assessing the allowances for both periods, we increased the impact of qualitative factors in the 2009 period to reflect further deterioration in the economy. This resulted in a higher provision and allowance for loan losses during the period. To the best of our knowledge, we have recorded all losses that are both probable and reasonably estimable for the six months ended June 30, 2009 and 2008.

Noninterest Income. Noninterest income was ($279,000) for the six months ended June 30, 2009 and ($59,000) for the six months ended June 30, 2008. The results reflected $725,000 and $510,000 in pretax other-than-temporary impairment losses on available-for-sale securities in the 2009 period and the 2008 period, respectively. In addition, the lower noninterest income in the 2009 period reflected a $30,000 decrease in gain on sales of mortgage loans in the 2009 period.

Noninterest Expense. Noninterest expense increased to $2.3 million for the six months ended June 30, 2009 from $2.2 million for the six months ended June 30, 2008. The increase in noninterest expense was primarily attributable to an increase to $330,000 from $158,000 in other expenses, attributable in part to an increase in FDIC deposit insurance premiums to $187,000 from $7,000 (including a $94,000 special assessment at June 30, 2009). This increase was partially offset by decreases in salaries and employee benefits to $1.2 million from $1.3 million.

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Income Tax Expense. The provision for income taxes was $335,000 for the six months ended June 30, 2009 compared to $369,000 for the six months ended June 30, 2008. Our effective tax rate was 93.3% for the six months ended June 30, 2009 compared to 70.8% for the six months ended June 30, 2008.

HOW WE INTEND TO USE THE PROCEEDS FROM THE OFFERING

Although we will not be able to determine the amount of actual net proceeds we will receive from the sale of shares of common stock until the offering is completed, we anticipate that the net proceeds will be between $6.1 million and $8.6 million, or $10.0 million if the offering is increased by 15%, assuming in each case all shares are sold in the subscription offering.

Cullman Bancorp, Inc. intends to distribute the net proceeds from the offering as follows:

	694,450 Shares at Minimum of Offering Range		817,000 Shares at Midpoint of Offering Range		939,550 Shares at Maximum of Offering Range		1,080,483 Shares at Adjusted Maximum of Offering Range	
	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds
	(Dollars in thousands)							
Offering proceeds	$ 6,945	100.00%[1]	$ 8,170	100.00%[1]	$ 9,396	100.00%[1]	$ 10,805	100.00%[1]
Less: offering expenses	(820)	(11.81)[1]	(820)	(10.04)[1]	(820)	(8.73)[1]	(820)	(7.59)[1]
Net offering proceeds	6,125	88.19%[1]	7,350	89.96%[1]	8,576	91.27%[1]	9,985	92.41%[1]
Less:								
Amount contributed to Cullman Savings Bank, MHC	(50)	(0.82)	(50)	(0.68)	(50)	(0.58)	(50)	(0.50)
Proceeds contributed to Cullman Savings Bank	(3,063)	(50.01)	(3,675)	(50.00)	(4,288)	(50.00)	(4,993)	(50.01)
Proceeds used for loan to employee stock ownership plan	(633)	(10.34)[2]	(745)	(10.14)[2]	(857)	(9.99)[2]	(985)	(9.86)[2]
Proceeds retained by Cullman Bancorp, Inc.	$ 2,379	38.84%	$ 2,880	39.18%	$ 3,381	39.42%	$ 3,957	39.63%

(1) Percent of gross proceeds.

(2) The employee stock ownership plan will purchase 3.92% of our outstanding shares (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation). Therefore, the amount of the proceeds used for the loan to the employee stock ownership plan are $633,000, $745,000, $857,000 and $985,000, respectively, at the minimum, midpoint, maximum and adjusted maximum of the offering range. The loan will be repaid principally through Cullman Savings Bank s contribution to the employee stock ownership plan and dividends payable on common stock held by the employee stock ownership plan over the anticipated 20-year term of the loan. The interest rate for the employee stock ownership plan loan is expected to be an adjustable rate equal to the prime rate, as published in *The Wall Street Journal*, on the closing date of the offering. Thereafter the interest rate will adjust annually and will be the prime rate on the first business day of the calendar year, retroactive to January 1 of such year.

The net proceeds may vary because total expenses relating to the reorganization and offering may be more or less than our estimates. For example, our expenses would increase if a community or syndicated community offering were used to sell shares of common stock not purchased in the subscription offering. Payments for shares made through withdrawals from existing deposit accounts will not result in the receipt of new funds for investment but will result in a reduction of Cullman Savings Bank s deposits. Cullman Savings Bank will receive at least 50% of the net proceeds of the offering.

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We are undertaking the reorganization and offering at this time in order to increase the capital of Cullman Savings Bank and to ensure Cullman Savings Bank has the capital resources necessary to support its lending operations, particularly in the current economic recession. As economic conditions improve, the added capital is expected to allow Cullman Savings Bank to expand its business. For further information, see Management s Discussion and Analysis of Financial Condition and Results of Operations of Cullman Savings Bank Business Strategy. As a part of our formation of a mutual holding company, $50,000 will be contributed to Cullman Savings Bank, MHC. The offering proceeds will increase our capital resources and the amount of funds available to us for lending and investment purposes. The proceeds will also give us greater flexibility to diversify operations and expand the products and services we offer to our customers. We expect that the offering proceeds will be sufficient to sustain our proposed activities for the foreseeable future.

Cullman Bancorp, Inc. may use the proceeds it retains from the offering:

- to invest in securities;
- to make a loan to the employee stock ownership plan;
- to allow us to pay cash dividends and repurchase shares of our common stock;
- to finance acquisitions of financial institutions, branch offices or other financial services businesses, or to expand through de novo branching, although no specific transactions are being considered at this time and no expansion outside Cullman County is being considered at this time; or
- for general corporate purposes.

Under current Office of Thrift Supervision regulations, we may not repurchase shares of our common stock during the first year following the reorganization and offering, except to fund stock-based benefit plans or when extraordinary circumstances exist and with prior regulatory approval. The loan that will be used to fund the purchases by the employee stock ownership plan will accrue interest.

Cullman Savings Bank may use the proceeds it receives from the offering:

- to increase our lending capacity by providing us with additional capital to support new loans and higher lending limits;
- to fund new loans, including one- to four-family mortgage loans, commercial real estate loans, and, to a lesser extent, multi-family loans, construction loans, consumer loans and home equity lines-of-credit;
- to increase our capital base which will provide greater flexibility to invest in longer-term, higher yielding assets;
- to support new products and services;

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to increase our capacity to invest in securities, including mortgage-backed securities;

to expand our retail banking franchise, by establishing or acquiring new branches or by acquiring other financial institutions, or other financial services companies, although no such transactions are specifically being considered at this time and no expansion outside Cullman County is being considered at this time; or

for general corporate purposes.

Cullman Savings Bank also intends to contribute $100,000 to our Cullman Savings Bank Charitable Foundation. The use of the proceeds may change based on changes in interest rates, equity markets, laws and regulations affecting the financial services industry, our relative position in the financial services industry, the attractiveness of potential acquisitions to expand our operations, and overall market conditions.

OUR POLICY REGARDING DIVIDENDS

We do not intend initially to pay dividends on our common stock. Any future payment of dividends will depend upon a number of factors, including the amount of net proceeds retained by us following the offering, investment opportunities available to us, regulatory capital requirements, our financial condition and results of operations, tax considerations, statutory and regulatory limitations, and general economic conditions.

We cannot assure you that we will pay dividends, or that if paid, we will not reduce or eliminate dividends in the future. If Cullman Bancorp, Inc. pays dividends to its stockholders, it also will be required to pay dividends to Cullman Savings Bank, MHC, unless Cullman Savings Bank, MHC elects to waive the receipt of dividends. We anticipate that Cullman Savings Bank, MHC will waive any dividends paid by Cullman Bancorp, Inc. Any decision to waive dividends will be subject to regulatory approval. Under Office of Thrift Supervision regulations, public stockholders would not be diluted for any dividends waived by Cullman Savings Bank, MHC in the event Cullman Savings Bank, MHC converts to stock form. That is, the ratio of new shares issued in exchange for existing shares held by public stockholders would not be reduced to account for the value of dividends waived by Cullman Savings Bank, MHC. See Supervision and Regulation Holding Company Regulation.

Dividends from Cullman Bancorp, Inc. will depend, in part, upon receipt of dividends from Cullman Savings Bank, because Cullman Bancorp, Inc. initially will have no source of income other than dividends from Cullman Savings Bank, earnings from the investment of proceeds it retains from the sale of shares of common stock, and interest payments with respect to Cullman Bancorp, Inc. s loan to the employee stock ownership plan. A regulation of the Office of Thrift Supervision imposes limitations on capital distributions by savings institutions such as Cullman Savings Bank. Cullman Bancorp, Inc., however, will not be subject to Office of Thrift Supervision regulatory restrictions on the payment of dividends. See Supervision and Regulation Federal Banking Regulation Capital Distributions.

Additionally, we have committed to the Office of Thrift Supervision that, during the three-year period following the completion of the reorganization and offering, we will not take

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any action to declare an extraordinary dividend to our stockholders that would be treated by such stockholders as a tax-free return of capital for federal income tax purposes, without prior approval of the Office of Thrift Supervision.

MARKET FOR THE COMMON STOCK

Cullman Bancorp, Inc. is a newly formed company and has never issued capital stock. Cullman Savings Bank, as a mutual institution, has never issued capital stock. Cullman Bancorp, Inc. anticipates that its common stock will be traded in the over-the-counter market and quoted on the OTC Bulletin Board. Keefe, Bruyette & Woods, Inc. has advised us that it intends to make a market in our common stock following the reorganization and offering, but it is under no obligation to do so.

The development of an active trading market depends on the existence of willing buyers and sellers, the presence of which is not within our control, or that of any market maker. The number of active buyers and sellers of the shares of common stock at any particular time may be limited. Under such circumstances, you could have difficulty selling your shares of common stock on short notice, and, therefore, you should not view the shares of common stock as a short-term investment. In addition, our public float, which is the total number of our outstanding shares less the shares held by Cullman Savings Bank, MHC, our employee stock ownership plan and our directors and executive officers, is likely to be quite limited. As a result, it is unlikely that an active trading market for the common stock will develop or that, if it develops, it will continue. Furthermore, we cannot assure you that, if you purchase shares of common stock, you will be able to sell them at or above $10.00 per share. Purchasers of common stock in this stock offering should have long-term investment intent and should recognize that there will be a limited trading market in the common stock. This may make it difficult to sell the common stock after the stock offering and may have an adverse impact on the price at which the common stock can be sold.

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REGULATORY CAPITAL COMPLIANCE

At March 31, 2009, Cullman Savings Bank exceeded all regulatory capital requirements. The following table sets forth our compliance, as of March 31, 2009, with the regulatory capital standards, on a historical and pro forma basis assuming that (i) the indicated number of shares of common stock were sold as of such date at $10.00 per share, (ii) Cullman Savings Bank received 50% of the net proceeds of the offering, (iii) an employee stock ownership plan and stock-based incentive plan are implemented on the basis set forth as described in this Prospectus with the related expense amounts reflected in regulatory capital and (iv) the remaining net proceeds are retained by Cullman Bancorp, Inc. Based on the above, proceeds received by Cullman Savings Bank have been assumed to equal $3.06 million, $3.68 million, $4.29 million and $4.99 million at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively. For a discussion of the applicable capital requirements, see Supervision and Regulation Federal Banking Regulation Capital Requirements.

	Historical at March 31, 2009		Pro Forma at March 31, 2009, Based Upon the Sale of 694,450 Shares at Minimum of Offering Range		817,000 Shares at Midpoint of Offering Range		939,550 Shares at Maximum of Offering Range		1,080,483 Shares at Adjusted Maximum of Offering Range[1]	
	Amount	Percent of Assets[2]	Amount	Percent of Assets[2]	Amount	Percent of Assets[2]	Amount	Percent of Assets[2]	Amount	Percent of Assets[2]
					(Dollars in thousands)					
GAAP capital[3]	$ 25,963	12.10%	$ 28,342	13.00%	$ 28,843	13.20%	$ 29,344	13.40%	$ 29,920	13.70%
Tangible capital:										
Tangible capital	$ 26,159	12.20%	$ 28,538	13.10%	$ 29,039	13.30%	$ 29,540	13.50%	$ 30,117	13.70%
Requirement	3,216	1.50	3,261	1.50	3,270	1.50	3,280	1.50	3,290	1.50
Excess	$ 22,943	10.70%	$ 25,277	11.60%	$ 25,769	11.80%	$ 26,261	12.00%	$ 26,826	12.20%
Core capital:										
Core capital[4]	$ 26,159	12.20%	$ 28,538	13.10%	$ 29,039	13.30%	$ 29,540	13.50%	$ 30,117	13.70%
Requirement[5]	8,576	4.00	8,697	4.00	8,721	4.00	8,746	4.00	8,774	4.00
Excess	$ 17,583	8.20%	$ 19,842	9.10%	$ 20,318	9.30%	$ 20,795	9.50%	$ 21,342	9.70%
Risk-based capital:										
Tier 1 risk-based	$ 26,159	17.20%	$ 28,538	18.60%	$ 29,039	18.60%	$ 29,540	19.10%	$ 30,117	19.50%
Requirement	6,091	4.00	6,151	4.00	6,164	4.00	6,176	4.00	6,190	4.00
Excess	$ 20,068	13.20%	$ 22,387	14.60%	$ 22,875	14.80%	$ 23,364	15.10%	$ 23,926	15.50%
Total risk-based capital:										
Total risk-based capital[4][6]	$ 26,692	17.57%	$ 29,071	18.90%	$ 29,572	19.20%	$ 30,073	19.50%	$ 30,650	19.80%
Requirement	12,182	8.00	12,303	8.00	12,327	8.00	12,352	8.00	12,380	8.00
Excess	$ 14,510	9.57%	$ 16,768	10.90%	$ 17,245	11.20%	$ 17,721	11.50%	$ 18,269	11.80%
Reconciliation of capital infused into Cullman Savings Bank:										
Net proceeds of offering			$ 6,125		$ 7,350		$ 8,576		$ 9,985	
Less proceeds to Cullman Savings Bank			3,063		3,675		4,288		4,993	
Less capitalization of Cullman Savings Bank,			50		50		50		50	

MHC				
Less stock acquired by employee stock ownership plan	633	745	857	985
Pro forma increase in GAAP and regulatory capital	$ 2,379	$ 2,880	$ 3,381	$ 3,957

(1) As adjusted to give effect to a 15% increase in the number of shares of common stock outstanding after the offering which could occur due to an increase in the maximum of the independent valuation as a result of regulatory considerations, demand for the shares of common stock, or changes in market conditions or general financial and economic conditions following the commencement of the offering.

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(2) Tangible capital levels are shown as a percentage of tangible assets. Core capital levels are shown as a percentage of total adjusted assets. Risk-based capital levels are shown as a percentage of risk-weighted assets.

(3) Derived from Cullman Savings Bank s unaudited March 31, 2009 financial statements.

(4) Pro forma capital levels assume that Cullman Bancorp, Inc. funds restricted stock awards under the stock-based incentive plan with purchases in the open market of 1.96% of the shares of common stock issued (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation) at a price equal to the price for which the shares of common stock are sold in the offering, and that the employee stock ownership plan purchases 3.92% of our outstanding shares (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation) with funds borrowed from Cullman Bancorp, Inc. Cullman Savings Bank s pro forma GAAP and regulatory capital has been reduced by the amount required to fund both of these plans. See Management for a discussion of the stock-based incentive plan and employee stock ownership plan.

(5) The current core capital requirement for savings associations that receive the highest supervisory rating for safety and soundness is 3% of total adjusted assets and 4% to 5% of total adjusted assets for all other savings associations. See Supervision and Regulation Federal Banking Regulation Capital Requirements.

(6) Assumes net proceeds are invested in assets that carry a 50% risk-weighting.

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CAPITALIZATION

The following table presents the historical capitalization of Cullman Savings Bank at March 31, 2009, and the pro forma consolidated capitalization of Cullman Bancorp, Inc. after giving effect to the offering, based upon the sale of the number of shares of common stock indicated in the table and the other assumptions set forth under Pro Forma Data.

	Cullman Savings Bank Historical Capitalization(1)	Pro Forma Consolidated Capitalization of Cullman Bancorp, Inc. Based Upon the Sale for $10.00 Per Share of			
		694,450 Shares at Minimum of Offering Range	817,000 Shares at Midpoint of Offering Range	939,550 Shares at Maximum of Offering Range	1,080,483 Shares at Adjusted Maximum of Offering Range(2)
	(Dollars in thousands)				
Deposits(3)	$ 134,860	$ 134,860	$ 134,860	$ 134,860	$ 134,860
Borrowings	52,328	52,328	52,328	52,328	52,328
Total interest-bearing liabilities	$ 187,188	$ 187,188	$ 187,188	$ 187,188	$ 187,188
Stockholders equity:					
Preferred Stock, $0.01 par value per share, 1,000,000 shares authorized; none to be issued	$	$	$	$	$
Common Stock, $0.01 par value per share:					
20,000,000 shares authorized; shares to be issued as reflected		16	19	22	25
Additional paid-in capital(4)		6,432	7,711	8,991	10,463
Retained earnings	26,159	26,159	26,159	26,159	26,159
Accumulated other comprehensive loss	(196)	(196)	(196)	(196)	(196)
Less:					
After-tax expense of contribution to charitable foundation(5)		279	317	354	398
Assets retained by Cullman Savings Bank, MHC(6)		50	50	50	50
Common Stock acquired by employee stock ownership plan(7)		633	745	857	985
Common Stock acquired by the stock-based incentive plan(8)		317	372	428	493
Total stockholders equity	$ 25,963	$ 31,132	$ 32,209	$ 33,287	$ 34,525
Pro forma shares outstanding:					
Total shares outstanding		1,615,000	1,900,000	2,185,000	2,512,750
Shares issued to Cullman Savings Bank, MHC		888,250	1,045,000	1,201,750	1,382,012
Shares offered for sale		694,450	817,000	939,550	1,080,483
Shares issued to charitable foundation		32,300	38,000	43,700	50,255
Total stockholders equity as a percentage of pro forma total assets	12.12%	14.19%	14.61%	15.04%	15.50%

(1) Derived from Cullman Savings Bank s unaudited March 31, 2009 consolidated financial statements.
(2) As adjusted to give effect to a 15% increase in the number of shares of common stock outstanding after the offering which could occur due to an increase in the maximum of the independent valuation as a result of regulatory considerations, demand for the shares of common stock, or changes in market conditions or general financial and economic conditions following the commencement of the offering.

(3) Does not reflect withdrawals from deposit accounts for the purchase of shares of common stock in the offering. Such withdrawals would reduce pro forma deposits by the amount of such withdrawals.

(4) The sum of the par value and additional paid-in capital equals the net conversion proceeds plus the market value of the shares issued to the charitable foundation. No effect has been given to the issuance of additional shares of common stock pursuant to stock options under the stock-based incentive plan that Cullman Bancorp, Inc. expects to adopt. The plan of reorganization permits Cullman Bancorp, Inc. to adopt one or more stock benefit plans, subject to stockholder approval, in an amount up to 25% of the number of shares of common stock held by persons other than Cullman Savings Bank, MHC.

(5) Represents the expense of the contribution to the charitable foundation based on a 34.0% tax rate. The realization of the deferred tax benefit is limited annually to a maximum deduction for charitable foundations equal to 10% of our annual taxable income, subject to our ability to carry forward any unused portion of the deduction for five years following the year in which the contribution is made.

(6) Pro forma stockholders equity reflects a $50,000 initial capitalization of Cullman Savings Bank, MHC.

(footnotes continue on following page)

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(7) Assumes that 3.92% of the shares of common stock outstanding following the reorganization and offering (including shares issued to Cullman Savings Bank Charitable Foundation) will be purchased by the employee stock ownership plan and that the funds used to acquire the employee stock ownership plan shares will be borrowed from Cullman Bancorp, Inc. The common stock acquired by the employee stock ownership plan is reflected as a reduction of stockholders equity. Cullman Savings Bank will provide the funds to repay the employee stock ownership plan loan. See Management Benefit Plans.

(8) Assumes that subsequent to the offering, 1.96% of the shares of common stock issued in the reorganization and offering (including shares of common stock issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation) are purchased by Cullman Bancorp, Inc. for stock awards under the stock-based incentive plan in the open market. The shares of common stock to be purchased by the stock-based incentive plan are reflected as a reduction of stockholders equity. See Pro Forma Data and Management. The plan of reorganization permits Cullman Bancorp, Inc. to adopt one or more stock benefit plans that award stock or stock options, in an aggregate amount up to 25% of the number of shares of common stock held by persons other than Cullman Savings Bank, MHC. The stock-based incentive plan will not be implemented for at least six months after the reorganization and offering and, if required under applicable regulations, until it has been approved by stockholders.

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PRO FORMA DATA / DILUTION

We cannot determine the actual net proceeds from the sale of the common stock until the offering is completed. However, we estimate that net proceeds will be between $6.1 million and $8.6 million, or $10.0 million if the offering range is increased by 15%, based upon the following assumptions:

- we will sell all shares of common stock in the subscription offering;
- expenses of the offering, other than fees and expenses to be paid to Keefe, Bruyette & Woods, Inc., are estimated to be $605,000; and
- Keefe, Bruyette & Woods, Inc. will receive a fee equal to $145,000 plus reimbursement of expenses of up to $70,000 for the stock offering, and a fee of $20,000 for records management.

We calculated the pro forma consolidated net income and stockholders equity of Cullman Bancorp, Inc. for the year ended December 31, 2008 and the three months ended March 31, 2009 as if the shares of common stock had been sold at the beginning of those periods and the net proceeds had been invested at 0.55% for the three months ended March 31, 2009 and 0.44% for the year ended December 31, 2008, which rates are equal to the one year United States Treasury yield for those periods. We believe these rates more accurately reflect a pro forma reinvestment rate than the arithmetic average method, which assumes reinvestment of the net proceeds at a rate equal to the average of the yield on interest-earning assets and the cost of deposits for those periods. We assumed a tax rate of 34% for those periods. This results in an annualized after-tax yield of 0.36% for the three months ended March 31, 2009 and 0.29% for the year ended December 31, 2008.

We calculated historical and pro forma per share amounts by dividing historical and pro forma amounts of consolidated net income and stockholders equity by the indicated number of shares of common stock. We adjusted these figures to give effect to the shares of common stock purchased by the employee stock ownership plan. We computed per share amounts for each period as if the common stock was outstanding at the beginning of the periods, but we did not adjust per share historical or pro forma stockholders equity to reflect the earnings on the estimated net proceeds.

The pro forma data gives effect to the implementation of an employee stock ownership plan that will purchase an amount of shares equal to 3.92% of our outstanding shares, including shares held by Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation, with a loan from Cullman Bancorp, Inc., provided that if Cullman Savings Bank s tangible capital immediately following the stock issuance is less than 10% of its assets, then our employee stock ownership plan will purchase in the stock offering an amount of shares equal to only 3.43% of our outstanding shares. The loan will be repaid in substantially equal principal payments over a period of 20 years.

The pro forma tables give effect to the implementation of a stock-based incentive plan. We have assumed that the stock-based incentive plan will acquire an amount of common stock

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equal to 1.96% of our outstanding shares of common stock, including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation, at the same price for which they were sold in the offering. We assume that shares of common stock are granted under the plan in awards that vest over a five-year period. The plan of reorganization provides that we may grant awards of restricted stock under one or more stock benefit plans in an aggregate amount up to 25% of the number of shares of common stock held by persons other than Cullman Savings Bank, MHC. However, any awards of restricted stock in excess of 1.96% of the outstanding shares, including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation, currently would require prior approval of the Office of Thrift Supervision.

We have assumed that the stock-based incentive plan will grant options to acquire common stock equal to 4.90% of our outstanding shares of common stock (including shares of common stock issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation). In preparing the following tables, we also assumed that stockholder approval was obtained, that the exercise price of the stock options and the market price of the stock at the date of grant were $10.00 per share and that the stock options had a term of ten years and vested over five years. We applied the Black-Scholes option pricing model to estimate a grant-date fair value of $3.71 for each option. In addition to the terms of the options described above, the Black-Scholes option pricing model incorporated an estimated volatility rate of 18.98% for the common stock based on an index of publicly traded mutual holding companies, a dividend yield of zero, an expected option life of 10 years and a risk free interest rate of 3.29%. The plan of reorganization provides that we may grant awards of stock options under one or more stock benefit plans in an amount up to 25% of the number of shares of common stock held by persons other than Cullman Savings Bank, MHC. However, any awards of options in excess of 4.90% of our outstanding shares, including shares issued to Cullman Savings Bank, MHC, would require prior approval of the Office of Thrift Supervision.

As discussed under How We Intend to Use the Proceeds from the Offering, Cullman Bancorp, Inc. intends to retain not more than $4.0 million of the net proceeds of the offering (after funding the loan to our employee stock ownership plan) and to contribute the remaining net proceeds from the offering to Cullman Savings Bank. Cullman Bancorp, Inc. will use a portion of the proceeds it retains for the purpose of making a loan to the employee stock ownership plan, contribute $100,000 to the charitable foundation and retain the rest of the proceeds for future use.

The pro forma tables do not give effect to:

- withdrawals from deposit accounts for the purpose of purchasing shares of common stock in the offering;
- Cullman Bancorp, Inc. s results of operations after the offering; or
- changes in the market price of the common stock after the offering.

The following pro forma information may not represent the financial effects of the offering at the date on which the offering actually occurs and you should not use the tables to

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indicate future results of operations. Pro forma stockholders equity represents the difference between the stated amount of assets and liabilities of Cullman Bancorp, Inc., computed in accordance with U.S. generally accepted accounting principles. We did not increase or decrease stockholders equity to reflect the difference between the carrying value of loans and other assets and their market value. Pro forma stockholders equity is not intended to represent the fair market value of the common stock, and may be different than the amounts that would be available for distribution to stockholders if we liquidated. Pro forma stockholders equity does not give effect to the impact of intangibles and tax bad debt reserves in the event we are liquidated.

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	At or For the Three Months Ended March 31, 2009 Based Upon the Sale at $10.00 Per Share of			
	694,450 Shares at Minimum of Offering Range	817,000 Shares at Midpoint of Offering Range	939,550 Shares at Maximum of Offering Range	1,080,483 Shares at Adjusted Maximum of Offering Range(1)
	(Dollars in thousands, except per share amounts)			
Gross proceeds	$ 6,945	$ 8,170	$ 9,396	$ 10,805
Market value of shares issued to charitable foundation	323	380	437	503
Market value of shares issued to Cullman Savings Bank, MHC	8,883	10,450	12,018	13,820
Market value of Cullman Bancorp, Inc. (fully converted)	16,151	19,000	21,851	25,128
Expenses	(820)	(820)	(820)	(820)
Estimated net proceeds	6,125	7,350	8,576	9,985
Cullman Savings Bank, MHC capitalization	(50)	(50)	(50)	(50)
Cash contribution to charitable foundation	(100)	(100)	(100)	(100)
Common stock acquired by employee stock ownership plan(2)	(633)	(745)	(857)	(985)
Common stock acquired by stock-based incentive plan(3)	(317)	(372)	(428)	(493)
Estimated net proceeds after adjustment for charitable foundation, stock benefit plans and capitalization to Cullman Savings Bank, MHC	$ 5,025	$ 6,083	$ 7,141	$ 8,357
For the three months ended March 31, 2009				
Net income:				
Historical(4)	$ (342)	$ (342)	$ (342)	$ (342)
Pro forma adjustments:				
Income on adjusted net proceeds	5	6	6	8
Employee stock ownership plan(2)	(5)	(6)	(7)	(8)
Shares granted under stock-based incentive plan(3)	(10)	(12)	(14)	(16)
Options granted under stock-based incentive plan(5)	(13)	(16)	(18)	(21)
Pro forma net income(7)	$ (365)	$ (370)	$ (375)	$ (379)
Net income per share:				
Historical	$ (0.22)	$ (0.19)	$ (0.16)	$ (0.14)
Pro forma adjustments:				
Income on net proceeds	0.00	0.00	0.00	0.00
Employee stock ownership plan(2)	0.00	0.00	0.00	0.00
Shares granted under stock-based incentive plan(3)	(0.01)	(0.01)	(0.01)	(0.01)
Options granted under stock-based incentive plan(5)	(0.01)	(0.01)	(0.01)	(0.01)
Pro forma net income per share(2)(3)(5)(7)	$ (0.24)	$ (0.21)	$ (0.18)	$ (0.16)
Offering price to pro forma net income per share (annualized)	(10.42)x	(11.90)x	(13.89)x	(15.63)x
Shares considered outstanding in calculating pro forma net income per share	1,552,483	1,826,451	2,100,419	2,415,481

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At March 31, 2009				
Stockholders equity:				
Historical[4]	$ 25,963	$ 25,963	$ 25,963	$ 25,963
Estimated net proceeds	6,125	7,350	8,576	9,985
Stock contribution to charitable foundation	323	380	437	503
Less: Capitalization of Cullman Savings Bank, MHC	(50)	(50)	(50)	(50)
After-tax effect of contribution to charitable foundation	(279)	(317)	(354)	(398)
Common stock acquired by employee stock ownership plan[2]	(633)	(745)	(857)	(985)
Common stock acquired by stock-based incentive plan[3]	(317)	(372)	(428)	(493)
Pro forma stockholders equity[6]	$ 31,132	$ 32,209	$ 33,287	$ 34,525
Stockholders equity per share:				
Historical	$ 16.08	$ 13.66	$ 11.88	$ 10.33
Estimated net proceeds	3.79	3.87	3.92	3.97
Stock contribution to charitable foundation	0.20	0.20	0.20	0.20
Less: Capitalization of Cullman Savings Bank, MHC	(0.03)	(0.03)	(0.02)	(0.02)
After-tax effect of contribution to charitable foundation	(0.17)	(0.17)	(0.16)	(0.16)
Common stock acquired by employee stock ownership plan[2]	(0.39)	(0.39)	(0.39)	(0.39)
Common stock acquired by stock-based incentive plan[3]	(0.20)	(0.20)	(0.20)	(0.20)
Pro forma stockholders equity per share[3] [6]	$ 19.28	$ 16.94	$ 15.23	$ 13.73
Offering price as percentage of pro forma stockholders equity per share	51.87%	59.03%	65.66%	72.83%
Shares considered outstanding in calculating offering price as a percentage of pro forma stockholders equity per share	1,615,000	1,900,000	2,185,000	2,512,750
Charitable foundation ownership	2.00%	2.00%	2.00%	2.00%
Mutual holding company ownership	55.00%	55.00%	55.00%	55.00%
Minority ownership	43.00%	43.00%	43.00%	43.00%

(1) As adjusted to give effect to a 15% increase in the number of shares outstanding after the offering which could occur due to an increase in the maximum of the independent valuation as a result of regulatory considerations, demand for the shares, or changes in market conditions or general financial and economic conditions following the commencement of the offering.

(2) It is assumed that 3.92% of the shares outstanding following the stock offering will be purchased by the employee stock ownership plan. For purposes of this table, the funds used to acquire such shares are assumed to have been borrowed by the employee stock ownership plan from Cullman Bancorp, Inc. The amount to be borrowed is reflected as a reduction of stockholders equity. Cullman Savings Bank intends to make annual contributions to the employee stock ownership plan in an amount at least equal to the principal and interest requirement of the debt. Cullman Savings Bank s total annual payment of the employee stock ownership plan debt is based upon 20 equal annual installments of principal and interest. The pro forma net earnings information makes the following assumptions: (i) Cullman Savings Bank s contribution to the employee stock ownership plan is equivalent to the debt service requirement for the period presented and was made at the end of the period; (ii) the employee stock ownership plan acquires 63,308, 74,480, 85,652 and 98,500 shares at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively; (iii) 791, 931, 1,071 and 1,231 shares at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively, (based on a twenty year loan term) were committed to be released during the quarter ended March 31, 2009, at an average fair value equal to the price for which the shares are sold in the stock offering in accordance with Statement of Position 93-6; and (iv) only the employee stock ownership plan shares committed to be released were considered outstanding for purposes of the net earnings per share calculations. Employee stock ownership plan participants who elect to receive their benefit distributions in the form of our common stock may require us to purchase the common stock distributed at fair value if, under the Internal Revenue Code, the stock does not meet the standard of being readily tradable on an established securities market. Currently, we are unable to determine whether this standard will be met. If this contingent repurchase obligation does apply, it will reduce stockholders equity by an amount that represents the market value of all common stock held by the employee stock ownership plan and allocated to participants, without regard to whether it is likely that the shares would be distributed or that the recipients of the shares would be likely to exercise their right to require us to purchase the shares.

(footnotes continue on following page)

(3) Gives effect to the stock-based incentive plan expected to be adopted following the stock offering. We have assumed that this plan acquires a number of shares of common stock equal to 1.96% of the shares issued in the reorganization and offering (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation) either through open market purchases or from authorized but unissued shares of common stock or treasury stock of Cullman Bancorp, Inc., if any. Funds used by the stock-based incentive plan to purchase the shares will be contributed to the plan by Cullman Bancorp, Inc. In calculating the pro forma effect of the stock-based incentive plan, it is assumed that the shares were acquired by the plan in open market purchases at the beginning of the period presented for a purchase price equal to the price for which the shares are sold in the stock offering, and that 20% of the amount contributed was an amortized expense (based upon a five-year vesting period) during the three months ended March 31, 2009. The actual purchase price of the shares granted under the stock-based incentive plan may not be equal to the subscription price of $10.00 per share. If shares are acquired from the issuance of authorized but unissued shares of common stock of Cullman Bancorp, Inc., there would be a dilutive effect of up to 1.92% on the ownership interest of persons who purchase common stock in the offering. The above table shows pro forma net income per share and pro forma stockholders equity per share, assuming all the shares to fund the stock-based incentive plan are obtained from authorized but unissued shares.

(4) Derived from Cullman Savings Bank s unaudited March 31, 2009 financial statements.

(5) Gives effect to the stock-based incentive plan expected to be adopted following the stock offering. We have assumed that options will be granted to acquire common stock equal to 4.90% of the shares of common stock issued in the reorganization and offering (including shares of common stock issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation). In calculating the pro forma effect of the stock options, it is assumed that the exercise price of the stock options and the trading price of the stock at the date of grant were $10.00 per share, the estimated grant-date fair value pursuant to the application of the Black-Scholes option pricing model was $3.71 for each option, the aggregate grant-date fair value of the stock options was amortized to expense on a straight-line basis over a five-year vesting period of the options, and that 25% of the amortization expense (the assumed portion relating to options granted to directors) resulted in a tax benefit using an assumed tax rate of 34%. Under the above assumptions, the adoption of the stock-based incentive plan will result in no additional shares under the treasury stock method for purposes of calculating earnings per share. The actual exercise price of the stock options may not be equal to the $10.00 price per share. If a portion of the shares issued to satisfy the exercise of options under the stock-based incentive plan are obtained from the issuance of authorized but unissued shares, our net income per share and stockholders equity per share will decrease. This will also have a dilutive effect of up to 4.67% on the ownership interest of persons who purchase common stock in the offering.

(6) The retained earnings of Cullman Savings Bank will continue to be substantially restricted after the stock offering. See Supervision and Regulation Federal Banking Regulation.

(7) Does not give effect to the non-recurring expense that will be recognized during 2009 as a result of the contribution to the charitable foundation. The following table shows the estimated after-tax expense associated with the contribution to the charitable foundation, as well as pro forma net income and pro forma net income per share assuming the contribution to the charitable foundation had been expensed during the three months ended March 31, 2009.

For the Three Months Ended March 31, 2009	**694,450 Shares at Minimum of Offering Range**	**817,000 Shares at Midpoint of Offering Range**	**939,550 Shares at Maximum of Offering Range**	**1,080,483 Shares at Adjusted Maximum of Offering Range**
		(In thousands, except per share amounts)		
After-tax expense of contribution to charitable foundation	$ 279	$ 317	$ 354	$ 398
Pro forma net income, adjusted for foundation contribution	(644)	(687)	(729)	(777)
Pro forma net income per share	(0.41)	(0.38)	(0.35)	(0.32)

The pro forma data assume that we will realize 100.0% of the income tax benefit as a result of the contribution to the charitable foundation based on a 34.0% tax rate. The realization of the tax benefit is limited annually to 10.0% of our annual taxable income. However, for federal and state tax purposes, we can carry forward any unused portion of the deduction for five years following the year in which the contribution is made.

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	At or For the Year Ended December 31, 2008 Based Upon the Sale at $10.00 Per Share of			
	694,450 Shares at Minimum of Offering Range	817,000 Shares at Midpoint of Offering Range	939,550 Shares at Maximum of Offering Range	1,080,483 Shares at Adjusted Maximum of Offering Range[1]
	(Dollars in thousands, except per share amounts)			
Gross proceeds	$ 6,945	$ 8,170	$ 9,396	$ 10,805
Market value of shares issued to charitable foundation	323	380	437	503
Market value of shares issued to Cullman Savings Bank, MHC	8,883	10,450	12,018	13,820
Market value of Cullman Bancorp, Inc. (fully converted)	16,151	19,000	21,851	25,128
Expenses	(820)	(820)	(820)	(820)
Estimated net proceeds	6,125	7,350	8,576	9,985
Cullman Savings Bank, MHC capitalization	(50)	(50)	(50)	(50)
Cash contribution to charitable foundation	(100)	(100)	(100)	(100)
Common stock acquired by employee stock ownership plan[2]	(633)	(745)	(857)	(985)
Common stock acquired by stock-based incentive plan[3]	(317)	(372)	(428)	(493)
Estimated net proceeds after adjustment for charitable foundation, stock benefit plans and capitalization to Cullman Savings Bank, MHC	$ 5,025	$ 6,083	$ 7,141	$ 8,357
For the year ended December 31, 2008				
Net income:				
Historical[4]	$ 296	$ 296	$ 296	$ 296
Pro forma adjustments:				
Income on adjusted net proceeds	15	18	21	24
Employee stock ownership plan[2]	(21)	(25)	(28)	(33)
Shares granted under stock-based incentive plan[3]	(42)	(49)	(56)	(65)
Options granted under stock-based incentive plan[5]	(54)	(63)	(73)	(84)
Pro forma net income[7]	$ 194	$ 177	$ 160	$ 138
Net income per share:				
Historical	$ 0.19	$ 0.16	$ 0.14	$ 0.12
Pro forma adjustments:				
Income on net proceeds	0.01	0.01	0.01	0.01
Employee stock ownership plan[2]	(0.01)	(0.01)	(0.01)	(0.01)
Shares granted under stock-based incentive plan[3]	(0.03)	(0.03)	(0.03)	(0.03)
Options granted under stock-based incentive plan[5]	(0.03)	(0.03)	(0.03)	(0.03)
Pro forma net income per share[2][3][5][7]	$ 0.13	$ 0.10	$ 0.08	$ 0.06
Offering price to pro forma net income per share	76.92x	100.00x	125.00x	166.67x
Shares considered outstanding in calculating pro forma net income per share	1,554,857	1,829,244	2,103,631	2,419,175

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At December 31, 2008				
Stockholders equity:				
Historical[4]	$ 26,445	$ 26,445	$ 26,445	$ 26,445
Estimated net proceeds	6,125	7,350	8,576	9,985
Stock contribution to charitable foundation	323	380	437	503
Less: Capitalization of Cullman Savings Bank, MHC	(50)	(50)	(50)	(50)
After-tax effect of contribution to charitable foundation	(279)	(317)	(354)	(398)
Common stock acquired by employee stock ownership plan[2]	(633)	(745)	(857)	(985)
Common stock acquired by stock-based incentive plan[3]	(317)	(372)	(428)	(493)
Pro forma stockholders equity[6]	$ 31,614	$ 32,691	$ 33,769	$ 35,007
Stockholders equity per share:				
Historical	$ 16.37	$ 13.92	$ 12.10	$ 10.52
Estimated net proceeds	3.79	3.87	3.92	3.97
Stock contribution to charitable foundation	0.20	0.20	0.20	0.20
Less: Capitalization of Cullman Savings Bank, MHC	(0.03)	(0.03)	(0.02)	(0.02)
After-tax effect of contribution to charitable foundation	(0.17)	(0.17)	(0.16)	(0.16)
Common stock acquired by employee stock ownership plan[2]	(0.39)	(0.39)	(0.39)	(0.39)
Common stock acquired by stock-based incentive plan[3]	(0.20)	(0.20)	(0.20)	(0.20)
Pro forma stockholders equity per share[3][6]	$ 19.57	$ 17.20	$ 15.45	$ 13.92
Offering price as percentage of pro forma stockholders equity per share	51.10%	58.14%	64.72%	71.84%
Shares considered outstanding in calculating offering price as a percentage of pro forma stockholders equity per share	1,615,000	1,900,000	2,185,000	2,512,750
Charitable foundation ownership	2.00%	2.00%	2.00%	2.00%
Mutual holding company ownership	55.00%	55.00%	55.00%	55.00%
Public ownership	43.00%	43.00%	43.00%	43.00%

(1) As adjusted to give effect to a 15% increase in the number of shares outstanding after the offering which could occur due to an increase in the maximum of the independent valuation as a result of regulatory considerations, demand for the shares, or changes in market conditions or general financial and economic conditions following the commencement of the offering.

(2) It is assumed that 3.92% of the shares outstanding following the stock offering will be purchased by the employee stock ownership plan. For purposes of this table, the funds used to acquire such shares are assumed to have been borrowed by the employee stock ownership plan from Cullman Bancorp, Inc. The amount to be borrowed is reflected as a reduction of stockholders equity. Cullman Savings Bank intends to make annual contributions to the employee stock ownership plan in an amount at least equal to the principal and interest requirement of the debt. Cullman Savings Bank s total annual payment of the employee stock ownership plan debt is based upon 20 equal annual installments of principal and interest. The pro forma net earnings information makes the following assumptions: (i) Cullman Savings Bank s contribution to the employee stock ownership plan is equivalent to the debt service requirement for the period presented and was made at the end of the period; (ii) the employee stock ownership plan acquires 63,308, 74,480, 85,652 and 98,500 shares at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively; (iii) 3,165, 3,724, 4,283 and 4,925 shares at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively, (based on a twenty year loan term) were committed to be released during the year ended December 31, 2008, at an average fair value equal to the price for which the shares are sold in the stock offering in accordance with Statement of Position 93-6; and (iv) only the employee stock ownership plan shares committed to be released were considered outstanding for purposes of the net earnings per share calculations. Employee stock ownership plan participants who elect to receive their benefit distributions in the form of our common stock may require us to purchase the common stock distributed at fair value if, under the Internal Revenue Code, the stock does not meet the standard of being readily tradable on an established securities market. Currently, we are unable to determine whether this standard will be met. If this contingent repurchase obligation does apply, it will reduce stockholders equity by an amount that represents the market value of all common stock held by the employee stock ownership plan and allocated to participants, without regard to whether it is likely that the shares would be distributed or that the recipients of the shares would be likely to exercise their right to require us to purchase the shares.

(footnotes continue on following page)

(3) Gives effect to the stock-based incentive plan expected to be adopted following the stock offering. We have assumed that this plan acquires a number of shares of common stock equal to 1.96% of the shares issued in the reorganization and offering (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation) either through open market purchases or from authorized but unissued shares of common stock or treasury stock of Cullman Bancorp, Inc., if any. Funds used by the stock-based incentive plan to purchase the shares will be contributed to the plan by Cullman Bancorp, Inc. In calculating the pro forma effect of the stock-based incentive plan, it is assumed that the shares were acquired by the plan in open market purchases at the beginning of the period presented for a purchase price equal to the price for which the shares are sold in the stock offering, and that 20% of the amount contributed was an amortized expense (based upon a five-year vesting period) during the year ended December 31, 2008. The actual purchase price of the shares granted under the stock-based incentive plan may not be equal to the subscription price of $10.00 per share. If shares are acquired from the issuance of authorized but unissued shares of common stock of Cullman Bancorp, Inc., there would be a dilutive effect of up to 1.92% on the ownership interest of persons who purchase common stock in the offering. The above table shows pro forma net income per share and pro forma stockholders equity per share, assuming all the shares to fund the stock-based incentive plan are obtained from authorized but unissued shares.

(4) Derived from Cullman Savings Bank s audited December 31, 2008 financial statements included elsewhere in this prospectus.

(5) Gives effect to the stock-based incentive plan expected to be adopted following the stock offering. We have assumed that options will be granted to acquire common stock equal to 4.90% of the shares of common stock issued in the reorganization and offering (including shares of common stock issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation). In calculating the pro forma effect of the stock-based incentive plan, it is assumed that the exercise price of the stock options and the trading price of the stock at the date of grant were $10.00 per share, the estimated grant-date fair value pursuant to the application of the Black-Scholes option pricing model was $3.71 for each option, the aggregate grant-date fair value of the stock options was amortized to expense on a straight-line basis over a five-year vesting period of the options, and that 25% of the amortization expense (the assumed portion relating to options granted to directors) resulted in a tax benefit using an assumed tax rate of 34.0%. Under the above assumptions, the adoption of the stock-based incentive plan will result in no additional shares under the treasury stock method for purposes of calculating earnings per share. The actual exercise price of the stock options may not be equal to the $10.00 price per share. If a portion of the shares issued to satisfy the exercise of options under the stock-based incentive plan are obtained from the issuance of authorized but unissued shares, our net income per share and stockholders equity per share will decrease. This will also have a dilutive effect of up to 4.67% on the ownership interest of persons who purchase common stock in the offering.

(6) The retained earnings of Cullman Savings Bank will continue to be substantially restricted after the stock offering. See Supervision and Regulation Federal Banking Regulation.

(7) Does not give effect to the non-recurring expense that will be recognized during 2009 as a result of the contribution to the charitable foundation. The following table shows the estimated after-tax expense associated with the contribution to the charitable foundation, as well as pro forma net income and pro forma net income per share assuming the contribution to the charitable foundation had been expensed during the year ended December 31, 2008.

For the Year Ended December 31, 2008	**694,450 Shares at Minimum of Offering Range**	**817,000 Shares at Midpoint of Offering Range**	**939,550 Shares at Maximum of Offering Range**	**1,080,483 Shares at Adjusted Maximum of Offering Range**
		(In thousands, except per share amounts)		
After-tax expense of contribution to charitable foundation	$ 279	$ 317	$ 354	$ 398
Pro forma net income, adjusted for foundation contribution	(85)	(140)	(194)	(260)
Pro forma net income per share	$ (0.05)	$ (0.08)	$ (0.09)	$ (0.11)

The pro forma data assume that we will realize 100.0% of the income tax benefit as a result of the contribution to the charitable foundation based on a 34.0% tax rate. The realization of the tax benefit is limited annually to 10.0% of our annual taxable income. However, for federal and state tax purposes, we can carry forward any unused portion of the deduction for five years following the year in which the contribution is made.

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COMPARISON OF VALUATION AND PRO FORMA INFORMATION

WITH AND WITHOUT THE CHARITABLE FOUNDATION

As reflected in the table below, if the charitable foundation is not established and funded as part of the stock offering, Keller & Company, Inc. estimates that our pro forma valuation would be greater and, as a result, a greater number of shares of common stock would be issued in the stock offering. At the minimum, midpoint, maximum and adjusted maximum of the valuation range, our pro forma valuation is $16.15 million, $19.0 million, $21.85 million and $25.13 million with the charitable foundation, as compared to $17.0 million, $20.0 million, $23.0 million and $26.45 million, respectively, without the charitable foundation. There is no assurance that in the event the charitable foundation were not formed, the appraisal prepared at that time would conclude that our pro forma market value would be the same as that estimated in the table below. Any appraisal prepared at that time would be based on the facts and circumstances existing at that time, including, among other things, market and economic conditions.

For comparative purposes only, set forth below are certain pricing ratios and financial data and ratios at and for the three months ended March 31, 2009 at the minimum, midpoint, maximum and adjusted maximum of the offering range, assuming the stock offering was completed at the beginning of the three-month period, with and without the charitable foundation.

	Minimum of Offering Range		Midpoint of Offering Range		Maximum of Offering Range		Adjusted Maximum of Offering Range	
	With Foundation	Without Foundation	With Foundation	Without Foundation	With Foundation	Without Foundation	With Foundation	Without Foundation
	(Dollars in thousands, except per share amounts)							
Estimated stock offering amount	$ 6,945	$ 7,650	$ 8,170	$ 9,000	$ 9,396	$ 10,350	$ 10,805	$ 11,903
Estimated full value	16,150	17,000	19,000	20,000	21,850	23,000	25,128	26,450
Total assets	219,381	219,992	220,458	221,166	221,353	222,340	222,774	223,689
Total liabilities	188,249	188,248	188,249	188,249	188,066	188,250	188,249	188,248
Pro forma stockholders equity	31,132	31,744	32,209	32,917	33,287	34,090	34,525	35,441
Pro forma net income	(365)	(367)	(370)	(372)	(375)	(376)	(379)	(381)
Pro forma stockholders equity per share	19.28	18.67	16.95	16.45	15.23	14.82	13.74	13.40
Pro forma net income per share	(0.24)	(0.23)	(0.21)	(0.20)	(0.18)	(0.17)	(0.16)	(0.15)
Pro forma pricing ratios:								
Offering price as a percentage of pro forma stockholders equity per share	51.87%	53.56%	59.00%	60.79%	65.66%	67.48%	72.78%	74.63%
Offering price to pro forma net income per share	(10.42)x	(10.87)x	(11.90)x	(12.50)x	(13.89)x	(14.71)x	(15.63)x	(16.67)x
Offering price to assets	7.36%	7.73%	8.62%	9.04%	9.87%	10.34%	11.28%	11.82%
Pro forma financial ratios:								
Return on assets (annualized)	(0.33)%	(0.33)%	(0.34)%	(0.34)%	(0.34)%	(0.34)%	(0.34)%	(0.34)%
Return on equity (annualized)	(2.34)	(2.31)	(2.30)	(2.26)	(2.25)	(2.21)	(2.20)	(2.15)
Equity to assets	14.19	14.43	14.61	14.88	15.04	15.33	15.50	15.84

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS OF CULLMAN SAVINGS BANK

This section is intended to help potential investors understand the financial performance of Cullman Savings Bank through a discussion of the factors affecting our financial condition at March 31, 2009 and December 31, 2008 and our results of operations for the three months ended March 31, 2009 and 2008 and for the years ended December 31, 2008 and 2007. This section should be read in conjunction with the consolidated financial statements and notes to the consolidated financial statements that appear elsewhere in this prospectus.

Overview

We have historically operated as a traditional thrift institution. A significant majority of our assets consist of long-term, fixed-rate residential mortgage loans and mortgage-backed securities, which we have funded primarily with deposit accounts and Federal Home Loan Bank of Atlanta advances. Our results of operations depend primarily on our net interest income. Net interest income is the difference between the interest income we earn on our interest-earning assets, consisting primarily of loans, investment securities (including U.S. Government and federal agency securities and mortgage-backed securities) and other interest-earning assets, primarily interest-earning deposits at other financial institutions, and the interest paid on our interest-bearing liabilities, consisting primarily of savings and transaction accounts, certificates of deposit, and Federal Home Loan Bank of Atlanta advances. Our results of operations also are affected by our provisions for loan losses, non-interest income and non-interest expense. Non-interest income currently consists primarily of service charges on deposit accounts, income on bank-owned life insurance and miscellaneous other income. Non-interest expense currently consists primarily of compensation and employee benefits, occupancy and equipment expenses, data processing, professional and supervisory fees, office expense and other operating expenses. Our results of operations also may be affected significantly by general and local economic and competitive conditions, changes in market interest rates, governmental policies and actions of regulatory authorities.

As a thrift institution, we have historically focused on originating one- to four-family residential mortgage loans. Beginning in 1999, we began to diversify our loan portfolio by increasing our originations of commercial real estate loans, and this effort accelerated beginning in 2006, when we added two experienced commercial lending officers to our senior management team. We intend to continue this diversification strategy following the stock offering. Our emphasis on conservative loan underwriting has resulted in low levels of non-performing assets at a time when many financial institutions are experiencing significant asset quality issues. Our non-performing assets and troubled debt restructurings totaled 1.22% of total assets at March 31, 2009. Our total nonperforming loans to total loans ratio was 0.33% at March 31, 2009. Total loan delinquencies as of March 31, 2009 were $3.0 million.

Other than our loans for the construction of one- to four-family residential mortgage loans, we do not offer interest only mortgage loans on one- to four-family residential properties (where the borrower pays interest for an initial period, after which the loan converts to a fully amortizing loan). We also do not offer loans that provide for negative amortization of principal, such as Option ARM loans, where the borrower can pay less than the interest owed

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on his or her loan, resulting in an increased principal balance during the life of the loan. We do not offer subprime loans (loans that generally target borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies, or borrowers with questionable repayment capacity as evidenced by low credit scores or high debt-burden ratios) or Alt-A loans (generally defined as loans having less than full documentation).

All but one of our mortgage-backed securities have been issued or guaranteed by Freddie Mac, Fannie Mae or Ginnie Mae, all of which are U.S. government-sponsored enterprises. These agencies guarantee the payment of principal and interest on our mortgage-backed securities. We do not own any preferred stock issued by Fannie Mae or Freddie Mac. We do not own any trust preferred securities.

In October 2008, the Emergency Economic Stabilization Act of 2008 was enacted. One of the programs that resulted from the legislation is the Troubled Asset Relief Program Capital Purchase Program (CPP), which provides for direct equity investments by the U.S. Treasury Department in perpetual preferred stock of qualifying financial institutions. The program is voluntary and requires an institution to comply with a number of restrictions and provisions, including limits on executive compensation, stock redemptions and declaration of dividends. The board of directors of Cullman Savings Bank considered these restrictions and determined that the costs of the CPP funds did not justify Cullman Savings Bank s participation in this program, especially in light of Cullman Savings Bank s current capital levels, access to additional capital through the reorganization and stock offering, and anticipated capital needs.

Anticipated Increase in Non-Interest Expense Due to Stock Benefit Plans

Following the completion of the reorganization and stock offering, we anticipate that our non-interest expense will increase as a result of increased compensation expenses associated with the implementation of our employee stock ownership plan and the implementation of a stock-based incentive plan, if that incentive plan is approved by our stockholders.

Assuming that the adjusted maximum number of shares is sold in the offering:

- the employee stock ownership plan will acquire 98,500 shares of common stock with a $984,998 loan that is expected to be repaid over 20 years, resulting in an annual expense (after-tax) of approximately $33,000 (assuming that the common stock maintains a value of $10.00 per share; the actual expense would be higher if the stock price is higher);

- the stock-based incentive plan would grant options to purchase shares equal to 4.90% of the total outstanding shares (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation), or 123,125 shares to eligible participants, which would result in compensation expense over the vesting period of the options. Assuming the market price of the common stock is $10.00 per share; the options are granted with an exercise price of $10.00 per share; the dividend yield on the stock is zero; the expected option life is 10 years; the risk free interest rate is 3.29% (based on the 10-year Treasury rate) and

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the volatility rate on the common stock is 18.98% (based on an index of publicly traded mutual holding company institutions), the estimated grant-date fair value of the options utilizing the Black-Scholes option pricing model is $3.71 per option granted. Assuming this value is amortized over a five-year vesting period, the corresponding annual expense (after-tax) associated with the stock options would be approximately $84,000; and

the stock-based incentive plan would award a number of restricted shares of common stock equal to 1.96% of the outstanding shares (including shares issued to Cullman Savings Bank, MHC and Cullman Savings Bank Charitable Foundation), or 49,250 shares, to eligible participants, which would be expensed as the awards vest. Assuming that all shares awarded under the stock-based incentive plan have a value of $10.00 per share, and that the awards vest over a five-year period, the corresponding annual expense (after-tax) associated with restricted shares awarded under the stock-based incentive plan would be approximately $65,000.

These estimates are subject to change. The actual expense that will be recorded for the employee stock ownership plan will be determined by the fair market value of the shares of common stock as they are released to employees over the term of the loan, and whether the loan is repaid faster than its contractual term. Accordingly, increases in the stock price above $10.00 per share will increase the total employee stock ownership plan expense, and any accelerated repayment of the loan will increase the annual employee stock ownership plan expense. Further, the actual expense of the stock awards issued under the stock-based incentive plan will be determined by the fair market value of the stock on the grant date, which might be greater than $10.00 per share. The actual expense of the stock options issued under the stock-based incentive plan will be determined by the grant-date fair value of the options which will depend on a number of factors, including the valuation assumptions used in the Black-Scholes option pricing model.

Critical Accounting Policies

We consider accounting policies that require management to exercise significant judgment or discretion or make significant assumptions that have, or could have, a material impact on the carrying value of certain assets or on income, to be critical accounting policies. We consider the following to be our critical accounting policies:

Allowance for Loan Losses. Our allowance for loan losses is the estimated amount considered necessary to reflect probable incurred credit losses in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses, which is charged against income. In determining the allowance for loan losses, management makes significant estimates and has identified this policy as one of the most critical for Cullman Savings Bank. The methodology for determining the allowance for loan losses is considered a critical accounting policy by management due to the high degree of judgment involved, the subjectivity of the assumptions utilized and the potential for changes in the economic environment that could result in changes to the amount of the recorded allowance for loan losses.

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As a substantial amount of our loan portfolio is collateralized by real estate, appraisals of the underlying value of property securing loans and discounted cash flow valuations of properties are critical in determining the amount of the allowance required for specific loans. Assumptions for appraisals and discounted cash flow valuations are instrumental in determining the value of properties. Overly optimistic assumptions or negative changes to assumptions could significantly impact the valuation of a property securing a loan and the related allowance determined. The assumptions supporting such appraisals and discounted cash flow valuations are carefully reviewed by management to determine that the resulting values reasonably reflect amounts realizable on the related loans.

Management performs a quarterly evaluation of the allowance for loan losses. Consideration is given to a variety of factors in establishing this estimate including, but not limited to, current economic conditions, delinquency statistics, geographic and industry concentrations, the value of the underlying collateral, the financial strength of the borrower, results of internal loan reviews and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision based on changes in economic and real estate market conditions.

The analysis of the allowance for loan losses has two components: specific and general allocations. Specific allocations are made for loans that are determined to be impaired. Impairment loss is measured by determining the present value of expected future cash flows or, for collateral-dependent loans, the fair value of the collateral adjusted for market conditions and selling expenses. The general allocation is determined by segregating classified loans from the remaining loans, and then categorizing each group by type of loan. Loans within each type exhibit common characteristics including terms, collateral type, and other risk characteristics. We also analyze historical loss experience, delinquency trends, general economic conditions and geographic and industry concentrations. This analysis establishes factors that are applied to the loan groups to determine the amount of the general allocations. Actual loan losses may be significantly more than the allowance for loan losses we have established which could have a material negative effect on our financial results.

Deferred Income Taxes. We use the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. If current available information raises doubt as to the realization of the deferred tax assets, a valuation allowance is established. These judgments and estimates are reviewed on a continual basis as regulatory and business factors change.

Securities Impairment. Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities, and Staff Accounting Bulletin 59, Noncurrent Marketable Equity Securities, require us to perform periodic reviews of individual securities in our investment portfolios to determine whether a decline in the value of a security is other than temporary. We conduct a quarterly review and evaluation of our securities portfolio to make this determination and consider many factors, including the severity

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and duration of the impairment; our intent and ability to hold the security for a period of time sufficient for a recovery in value; and for debt securities, external credit ratings and recent downgrades. Securities on which there is an unrealized loss that is deemed to be other-than-temporary are written down to fair value with the write-down recorded as a realized loss. If such decline is deemed other-than-temporary, we would adjust the cost basis of the security by writing down the security to estimated fair market value through a charge to current period operations.

Business Strategy

We have focused primarily on improving the execution of our community oriented retail banking strategy. Highlights of our current business strategy include the following:

Continue to Focus on Residential Lending. We have been and will continue to be primarily a one- to four-family residential mortgage lender for borrowers in our market area. As of March 31, 2009, $88.4 million, or 52.6%, of our total loan portfolio consisted of one- to four-family residential mortgage loans (including home equity loans and lines of credit). We have recently developed a secondary mortgage capacity so that we can offer loans, including long-term fixed-rate loans, to our customers that we do not wish to retain in our loan portfolio from an asset/liability management standpoint. We consider the current interest rate environment in making decisions as to whether to hold our originated mortgage loans for investment or to sell the loans to investors, choosing the strategy that is most advantageous to us from a profitability and risk management standpoint.

Increase Commercial Real Estate Lending. While we will continue to emphasize one- to four-family residential mortgage loans, we also have increased and intend to continue to increase our origination of commercial real estate loans in order to increase the yield of, and reduce the term to repricing of, our total loan portfolio. We originated $4.5 million and $25.5 million of commercial real estate loans during the three months ended March 31, 2009 and the year ended December 31, 2008, respectively. At March 31, 2009, $57.1 million, or 34.0%, of our total loan portfolio consisted of commercial real estate loans. The additional capital raised in the stock offering will increase our commercial lending capacity by enabling us to originate more loans and loans with larger balances. This will permit us to serve commercial borrowers with larger lending needs and to originate larger commercial loans than we have in the past.

Manage Interest Rate Risk While Maintaining or Enhancing to the Extent Practicable our Net Interest Margin. Subject to market conditions, we have sought to enhance net interest income by emphasizing controls on the cost of funds rather than attempting to maximize asset yields, as loans with high yields often involve greater credit risk or may be repaid during periods of decreasing market interest rates. We promote core deposits such as passbook and statement savings accounts, money market accounts and regular and commercial checking accounts, which generally are lower-cost sources of funds than certificates of deposit, and which are less sensitive to withdrawal when interest rates fluctuate. At March 31, 2009, 41.1% of our deposits were core deposits. We intend to attract and retain core deposits by offering competitive products that meet the full-service banking needs of our customers, by emphasizing quality customer service, and through our convenient locations and advertising and promotions programs.

Expand Banking Relationships to a Larger Base of Customers. We were established in 1887 and have been operating continuously in Cullman County since that time. Our share of FDIC-insured deposits in Cullman County as of June 30, 2008 (the latest date for which such information is available) was 9.7%. We will seek to expand our customer base and offer our products and services to the new base of customers, by using our recognized brand name and the goodwill developed over years of providing timely, efficient banking services.

Maintain Strong Asset Quality. We have emphasized maintaining strong asset quality by following conservative underwriting guidelines, sound loan administration, and focusing on loans secured by real estate located within our market area only. Our non-performing assets and troubled debt restructurings totaled $2.6 million or 1.22% of total assets at March 31, 2009. Our total nonperforming loans to total loans ratio was 0.33% at March 31, 2009. Total loan delinquencies, greater than 30 days, as of March 31, 2009 were $3.0 million, or 1.8%.

Comparison of Financial Condition at March 31, 2009 and December 31, 2008

Our total assets decreased to $214.2 million at March 31, 2009 from $217.4 million at December 31, 2008. The decrease was due to a decrease in securities available for sale, to $22.0 million at March 31, 2009 from $24.5 million at December 31, 2008, partially offset by an increase in net loans of $1.5 million, or 0.9%, to $166.7 million at March 31, 2009 from $165.2 million at December 31, 2008. The decrease in investment securities reflected $725,000 in other-than-temporary impairment losses on available-for-sale securities and restricted equity securities for the three months ended March 31, 2009, and the deployment of cash flows to fund the origination of new loans. During the three months ended March 31, 2009, net loans continued to increase reflecting steady demand for loans in our market area and the low interest rate environment. One- to four-family residential mortgage loans increased by $663,000, or 0.7%, multi-family loans increased by $2.0 million, or 54.8%, construction loans increased by $836,000, or 25.6%, and commercial loans increased by $1.1 million, or 16.4%. Partially offsetting these increases was a decrease of $2.6 million, or 4.4% in commercial real estate loans.

Deposits increased slightly to $134.9 million at March 31, 2009 from $134.2 million at December 31, 2008. The increase in deposits reflected a $2.0 million, or 19.8%, increase in regular savings and other deposits to $11.9 million at March 31, 2009 from $9.9 million at December 31, 2008. The increase reflected our efforts to attract such core deposits by offering a competitive selection of deposit products, competitive rates, customer service, convenience and the favorable image of Cullman Savings Bank in our community. Certificates of deposit decreased to $79.4 million at March 31, 2009 from $80.0 million at December 31, 2008, as we sought to reduce this generally higher-costing funding source for our lending. Federal Home

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Loan Bank of Atlanta advances decreased to $51.5 million at March 31, 2009 from $54.7 million at December 31, 2008, reflecting the decreased need for this alternative funding source given the slight decrease in total assets during the three months ended March 31, 2009.

Total equity decreased to $26.0 million at March 31, 2009 from $26.4 million at December 31, 2008. The decrease resulted from a net loss of $342,000 for the three months ended March 31, 2009 and an increase in accumulated other comprehensive loss to $196,000 at March 31, 2009 from $56,000 at December 31, 2008.

Comparison of Financial Condition at December 31, 2008 and December 31, 2007

Our total assets increased to $217.4 million at December 31, 2008 from $204.1 million at December 31, 2007. The increase was due to an increase in net loans of $1.9 million, or 1.2%, to $165.2 million at December 31, 2008 from $163.3 million at December 31, 2007, as well as an increase in securities available for sale of $3.2 million, or 15.2%, to $24.5 million at December 31, 2008 from $21.3 million at December 31, 2007 and an increase in cash and cash equivalents of $4.8 million. The increase in net loans reflected steady demand for loans in our market area in a low interest rate environment, particularly for commercial real estate loans. The largest growth in our loan portfolio during the year ended December 31, 2008 was in commercial real estate loans, which increased to $59.7 million at December 31, 2008 from $56.6 million at December 31, 2007, reflecting our emphasis on the origination of this type of loan product. Commercial real estate loans help us manage interest rate risk as these types of loans have a higher yield and shorter term than one- to four-family residential mortgage loans. The increase in investment securities reflected growth in deposits to $134.2 million at December 31, 2008 from $128.9 million at December 31, 2007 and the investment of excess liquidity in securities. Cash and cash equivalents increased to $8.9 million at December 31, 2008 from $4.1 million at December 31, 2007, reflecting normal cash flows as well as an increase in deposits. Bank-owned life insurance increased to $2.1 million at December 31, 2008 from $163,000 at December 31, 2007, as Cullman Savings Bank purchased life insurance policies on certain officers and directors during the year ended December 31, 2008.

Deposits increased $5.4 million, or 4.2%, to $134.2 million at December 31, 2008 from $128.9 million at December 31, 2007. The increase in deposits was due to increases in certificates of deposit of $6.6 million, or 9.0%, and money market deposits of $2.6 million, or 34.1%, as some investors shifted funds to these higher-rate deposit products from equity-based investments, given the extreme volatility in the stock markets during the year. The increase in total deposits also reflected an increase in regular savings and other deposits to $9.9 million at December 31, 2008 from $8.1 million at December 31, 2007, as we continued to emphasize these lower-costing core deposits as a funding source of growth. We generally do not accept brokered deposits and no brokered deposits were accepted during the 12 months ended December 31, 2008. Federal Home Loan Bank of Atlanta advances increased to $54.7 million at December 31, 2008 from $46.9 million at December 31, 2007. We continue to utilize borrowings as an alternative funding source, and our borrowings from the Federal Home Loan Bank of Atlanta consist of advances with laddered terms of up to five years. In recent years under our current senior management team, we generally have not used borrowings for purposes of funding wholesale leveraging, and our borrowings from the Federal Home Loan Bank of Atlanta have decreased from earlier levels and are expected to continue to decrease.

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Total equity was $26.4 million at December 31, 2008 compared to $26.1 million at December 31, 2007. The increase resulted from net income of $296,000 for the year ended December 31, 2008 and a reduction in accumulated other comprehensive loss at December 31, 2008 to $56,000 compared to $121,000 of accumulated other comprehensive loss at December 31, 2007.

Comparison of Operating Results for the Three Months Ended March 31, 2009 and March 31, 2008

General. We recorded a net loss of $342,000 for the three months ended March 31, 2009 compared to net income of $247,000 for the three months ended March 31, 2008. The decrease reflected $725,000 of pretax other-than-temporary impairment losses on available-for-sale securities and restricted equity securities in the 2009 period compared to none in the same period in 2008, partially offset by higher net interest income and moderate increases in deposit service charge income, income from bank-owned life insurance and gains on sales of mortgage loans.

Interest Income. Interest income decreased to $3.0 million for the three months ended March 31, 2009 from $3.2 million for the three months ended March 31, 2008, reflecting a slight decrease in average interest earning assets to $196.2 million for the 2009 period compared to $196.8 million for the 2008 period. In addition, the average yield on interest-earning assets decreased to 6.23% from 6.49%. The decrease in market interest rates contributed to the downward repricing of a portion of our existing assets and to lower rates for new assets.

Interest income on loans decreased to $2.7 million for the three months ended March 31, 2009 from $2.8 million for the three months ended March 31, 2008, as an increase in the average balance of our loans to $166.5 million from $165.7 million was more than offset by a decrease in the average yield on such loans, to 6.65% from 6.85%. The decrease in yields reflected lower market interest rates. The lower average yield on our loan portfolio reflected the impact of decreases in interest rates on our adjustable-rate loan products, as well as decreased rates on newly originated loans with interest rates based on lower market interest rates. Interest income on investment securities increased to $281,000 for the three months ended March 31, 2009 from $270,000 for the three months ended March 31, 2008, reflecting an increase in the average balance of such securities to $22.2 million from $22.0 million, as well as an increase in the average yield on such securities to 5.14% from 4.93%.

Interest Expense. Interest expense decreased $338,000, or 18.9%, to $1.5 million for the three months ended March 31, 2009 from $1.8 million for the three months ended March 31, 2008. The decrease reflected a decrease in the average rate paid on deposits and borrowings in the 2009 period compared to the 2008 period, which more than offset increases in the average balance of such deposits and borrowings.

Interest expense on certificates of deposit decreased to $723,000 for the three months ended March 31, 2009 from $904,000 for the three months ended March 31, 2008, as an increase in the average balance of such certificates to $78.8 million from $76.5 million was more than offset by a decrease in the average cost of such certificates to 3.72% from 4.75%. The increase in average balances of our certificates of deposit resulted primarily from our customers seeking

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lower-risk investments in lieu of higher volatility equity investments, while the decrease in the average cost of such certificates reflected the repricing in response to interest rate cuts initiated by the Federal Reserve Board and the lower market interest rates resulting from such cuts. Interest expense on NOW and demand deposits decreased to $97,000 for the three months ended March 31, 2009 from $217,000 for the three months ended March 31, 2008, reflecting a decrease of $6.1 million, or 15.7%, in the average balance of such deposits as well as a decrease in the average cost of such deposits to 1.21% from 2.26%.

Interest expense on borrowings, primarily advances from the Federal Home Loan Bank of Atlanta, decreased to $541,000 for the three months ended March 31, 2009 from $584,000 for the three months ended March 31, 2008, as the average rate paid on such borrowings decreased to 4.15% from 4.65%, and more than offset an increase in the average balance of such advances to $52.9 million from $50.9 million.

Net Interest Income. Net interest income increased to $1.6 million for the three months ended March 31, 2009 from $1.4 million for the three months ended March 31, 2008. The increase resulted from an increase in our interest rate spread to 3.07% from 2.57%, which more than offset a slight decrease in the ratio of our interest earning assets to average interest bearing liabilities to 1.05X from 1.07X. Our net interest margin also increased to 3.23% from 2.83%. The increases in our interest rate spread and net interest margin reflected the continuing steepening of the United States treasury yield curve due to decreases in the Federal Reserve Board s target Federal Funds rate.

Provision for Loan Losses. We establish a provision for loan losses, which is charged to operations, in order to maintain the allowance for loan losses at a level we consider necessary to absorb credit losses incurred in the loan portfolio that are both probable and reasonably estimable at the balance sheet date. In determining the level of the allowance for loans losses, we consider past and current loss experience, evaluations of real estate collateral, current economic conditions, volume and type of lending, adverse situations that may affect a borrower s ability to repay a loan and the levels of nonperforming loans. The amount of the allowance is based on estimates and the ultimate losses may vary from such estimates as more information becomes available or economic conditions change. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as circumstances change or as more information becomes available. We assess the allowance for loan losses on a quarterly basis and make provisions for loan losses as required in order to maintain the allowance.

Based on the above factors, we recorded a provision for loan losses of $125,000 for the three months ended March 31, 2009 compared to $50,000 for the three months ended March 31, 2008. The allowance for loan losses was $599,000 or 0.36% of total loans at March 31, 2009 compared to $417,000, or 0.25% of total loans at March 31, 2008. Total nonperforming assets were $1.4 million at March 31, 2009 compared to $2.8 million at March 31, 2008. While we used the same methodology in assessing the allowances for both periods, we increased the impact of qualitative factors in the first quarter of 2009 to reflect further deterioration in the economy. This resulted in a higher provision and allowance for loan losses even though there were no charge offs during the quarter. To the best of our knowledge, we have recorded all

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losses that are both probable and reasonably estimable for the three months ended March 31, 2009 and 2008.

Noninterest Income. Noninterest income decreased to ($491,000) for the three months ended March 31, 2009 from $146,000 for the three months ended March 31, 2008. The decrease in noninterest income was due to $725,000 of pretax other-than-temporary impairment losses on available-for-sale securities and restricted equity securities. These losses were partially offset by increased service charges on deposit accounts to $116,000 from $100,000 (reflecting higher balances of deposits) and increased income on bank-owned life insurance to $25,000 from $1,000 (reflecting an increase in the balance of bank-owned life insurance to $2.2 million at March 31, 2009), and increased gains on sales of mortgage loans to $76,000 from $31,000 (reflecting an increase in mortgage loans sold to $3.9 million for the three month period ended March 31, 2009 from $2.0 million for the three month period ended March 31, 2008).

Noninterest Expense. Noninterest expense increased $56,000, or 5.1%, to $1.15 million for the three month period ended March 31, 2009 from $1.1 million for the three month period ended March 31, 2008. The increase in noninterest expense was primarily attributable to moderate increases in salaries and employee benefits (which increased to $635,000 from $613,000 due to the addition of a deferred compensation and bonus plan for directors and officers, respectively), occupancy and equipment expense (which increased to $180,000 from $177,000), data processing expense (which increased to $128,000 from $120,000), and other noninterest expense (which increased by $34,000, of which $33,000 was attributable to higher FDIC deposit insurance premiums). These increases were partially offset by moderate decreases in office expenses and advertising expenses.

Income Tax Expense. The provision for income taxes was $140,000 for the three months ended March 31, 2009 compared to $146,000 for the three months ended March 31, 2008, reflecting the pretax loss of $202,000 in the 2009 period compared to pretax income of $393,000 in the 2008 period. Our effective tax rate was 69.3% for the three months ended March 31, 2009 compared to 37.1% for the three months ended March 31, 2008. The difference in our effective tax rate was primarily attributable to $725,000 of pretax other-than-temporary impairment losses on available-for-sale investments and investments in restricted equity securities. Losses on equity securities are considered capital losses and only deductible to the extent of capital gains for federal income tax purposes. Therefore a valuation allowance was needed for the associated deferred tax asset, resulting in income tax expense in spite of a pretax loss for the quarter.

Comparison of Operating Results for the Years Ended December 31, 2008 and December 31, 2007

General. Net income decreased to $296,000 for the year ended December 31, 2008 from $550,000 for the year ended December 31, 2007. The decrease reflected lower noninterest income and a higher provision for loan losses, partially offset by higher net interest income and higher deposit service charge income, income from bank-owned life insurance and gains on sales of mortgage loans.

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Interest Income. Interest income increased $1.1 million, or 9.6%, to $12.8 million for the year ended December 31, 2008 from $11.7 million for the year ended December 31, 2007. The increase reflected a substantial increase in average interest-earning assets to $201.3 million for the 2008 period compared to $185.6 million for the 2007 period. In addition, the average yield on interest-earning assets increased to 6.35% in 2008 from 6.28% in 2007, reflecting an increase in the proportion of higher-yielding loans and investment securities compared to the proportion of lower-yielding other interest-earning assets.

Interest income on loans increased $1.2 million or 11.9%, to $11.3 million for the year ended December 31, 2008 from $10.1 million for the year ended December 31, 2007, reflecting growth in our loan portfolio, the average balance of which increased to $168.5 million from $154.6 million, as well as higher average yields on such balances, to 6.72% in 2008 from 6.54% in 2007. The higher yields reflected the larger proportion of higher-yielding commercial real estate loans and multi-family loans in our loan portfolio in 2008 compared to 2007. Interest income on investment securities increased to $1.3 million for the year ended December 31, 2008 from $1.0 million for the year ended December 31, 2007, reflecting an increase in the average balance of such securities to $24.9 million in 2008 from $20.7 million in 2007, as well as an increase in the average yield on such securities to 5.02% from 4.84%.

Interest Expense. Interest expense decreased $415,000, or 5.8%, to $6.8 million for the year ended December 31, 2008 from $7.2 million for the year ended December 31, 2007. The decrease reflected a decrease in the average rate paid on deposits and borrowings in 2008 compared to 2007, which more than offset increases in the average balance of such deposits and borrowings.

Interest expense on certificates of deposit decreased slightly to $3.36 million for the year ended December 31, 2008 from $3.37 million for the year ended December 31, 2007. An increase in the average balance of such certificates to $79.1 million from $68.9 million was offset by a decrease in the average cost of such certificates to 4.25% from 4.90%. The increase in average balances of our certificates of deposit resulted primarily from our customers seeking lower-risk investments in lieu of higher volatility equity investments during 2008. Interest expense on money market deposits and NOW and demand deposits decreased to $897,000 for the year ended December 31, 2008 from $1.2 million for the year ended December 31, 2007. The decrease was due to the lower average cost on the money market deposits (to 2.32% from 5.43%) and the NOW and demand deposits (to 1.72% from 3.89%), which more than offset the increased average balances of such deposits to $48.1 million from $29.6 million.

Interest expense on borrowings, primarily advances from the Federal Home Loan Bank of Atlanta, decreased $62,000, or 2.5%, to $2.4 million for the year ended December 31, 2008 from $2.5 million for the year ended December 31, 2007. The decrease reflected the lower average rate paid on such borrowings to 4.46% from 4.62%, which more than offset the higher average balances of such borrowings to $53.8 million for the year ended December 31, 2008 from $53.3 million for the year ended December 31, 2007.

Net Interest Income. Net interest income increased to $6.0 million for the year ended December 31, 2008 from $4.5 million for the year ended December 31, 2007. The increase resulted from an increase in our interest rate spread to 2.78% from 2.10%, which more than offset a slight decrease in the ratio of our average interest earning assets to average interest bearing liabilities to 1.06X from 1.08X. Our net interest margin increased to 2.98% from 2.41%. The increases in our interest rate spread and net interest margin reflected a steepening of the United States Treasury yield curve due to significant decreases during 2008 in the Federal Reserve Board s target federal funds rate.

Provision for Loan Losses. We recorded a provision for loan losses of $145,000 for the year ended December 31, 2008. We recorded no provision for loan losses for the year ended December 31, 2007. The provision for loan losses in 2008 reflected net charge offs of $103,000 for the year ended December 31, 2008 compared to $27,000 for the year ended December 31, 2007. The allowance for loan losses was $472,000, or 0.28% of total loans at December 31, 2008 compared to $430,000, or 0.26% of total loans at December 31, 2007. Total nonperforming assets were $988,000 at December 31, 2008 compared to $1.7 million at December 31, 2007. We used the same methodology in assessing the allowances for both periods. At December 31, 2006, we had identified substandard loans totaling $1,459,000. Of that amount, $1,086,000 were considered impaired and specific reserves of $163,000 were established. At December 31, 2007, we considered all substandard loans (totaling $1,486,000) impaired and established specific reserves of $33,000. The decline in specific reserves from 2006 to 2007 as well as the continued low level of chargeoffs ($27,000 in 2007, $24,000 in 2006 and net recoveries of $17,000 in 2005) indicated that a provision for loan losses was not needed in 2007 as the allowance for loan losses was deemed to be sufficient to absorb probable incurred credit losses. Even though nonaccrual loans increased from $78,000 at year end 2006 to $1,461,000 at year end 2007, all nonaccrual loans were considered impaired and evaluated for specific reserves. At December 31, 2008, substandard loans had increased to $4,060,000, all of which were considered impaired. Specific reserves of $69,000 were established. In addition, net chargeoffs increased from $27,000 in 2007 to $103,000 in 2008. The increase in specific reserves and increased level of chargeoffs were the primary reason for the provision for loan losses of $145,000 in 2008. To the best of our knowledge, we have recorded all losses that are both probable and reasonably estimable for the years ended December 31, 2008 and 2007.

Noninterest Income. Noninterest income decreased to ($253,000) for the year ended December 31, 2008 from $435,000 for the year ended December 31, 2007. The decrease in noninterest income was primarily attributable to a $1.2 million impairment charge for the other-than-temporary decline in the fair value of a mutual fund during 2008. During 2008, the impairment charge reflected the length of time this investment had been impaired , the unpredictability for recovery to cost and losses on sales of shares of the mutual fund during 2008. These losses were partially offset by increased service charges on deposit account to $485,000 from $262,000, reflecting higher balances of deposits, increased income on bank-owned life insurance to $177,000 (including a death benefit of $90,000) from $4,000, reflecting an increase in the balance of bank-owned life insurance to $2.1 million at December 31, 2008 from $163,000 at December 31, 2007, and increased gains on sales of mortgage loans to $317,000 from $23,000, reflecting a $14.1 million increase in mortgage loans sold during 2008.

Noninterest Expense. Noninterest expense increased $503,000, or 12.3%, to $4.6 million for the year ended December 31, 2008 from $4.1 million for the year ended December

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31, 2007. The increase was due to increased salaries and employee benefits expense to $2.5 million for the year ended December 31, 2008 from $2.1 million for the year ended December 31, 2007, reflecting normal annual salary increases, payouts under our benefit plans and the purchase of bank-owned life insurance. The number of full time equivalent employees increased to 38 in the 2008 period from 37 in the 2007 period. Additionally, other noninterest expenses increased $142,000, reflecting increases in FDIC insurance premiums and charitable contributions of $61,000 and $56,000, respectively.

Income Tax Expense. The provision for income taxes was $733,000 for the year ended December 31, 2008 compared to $280,000 for the year ended December 31, 2007, reflecting an increase in pretax income. Our effective tax rate was 71.2% for the year ended December 31, 2008 compared to 33.7% for the year ended December 31, 2007. The increase in our effective tax rate for 2008 was primarily attributable to $1.2 million of pretax other-than-temporary impairment losses on available-for-sale investments. This loss is considered a capital loss and, therefore, requires a valuation allowance against the related deferred tax asset, which has the effect of increasing our effective tax rate for the period.

Analysis of Net Interest Income

Net interest income represents the difference between the income we earn on interest-earning assets and the interest expense we pay on interest-bearing liabilities. Net interest income also depends upon the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on them.

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The following tables set forth average balance sheets, average yields and costs, and certain other information for the periods indicated. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the tables as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income.

	At March 31, 2009		For The Three Months Ended March 31, 2009			2008		
	Actual Balance	Yield/Cost	Average Balance	Interest and Dividends	Yield/Cost	Average Balance	Interest and Dividends	Yield/Cost
				(Dollars in thousands)				
Assets:								
Interest-earning assets:								
Loans	$ 166,733	6.27%	$ 166,517	$ 2,730	6.65%	$ 165,726	$ 2,821	6.85%
Investment securities	21,970	4.77	22,178	281	5.14	22,018	270	4.93
Other interest-earning assets	7,425	0.06	7,465	2	0.11	9,056	87	3.86
Total interest-earning assets	196,128	5.87	196,160	3,013	6.23	196,800	3,178	6.49
Noninterest-earning assets	18,084		17,987			13,880		
Total assets	$ 214,212		$ 214,147			$ 210,680		
Liabilities and equity:								
Interest-bearing liabilities:								
NOW and demand deposits	$ 32,783	0.99	$ 32,542	$ 97	1.21	$ 38,594	$ 217	2.26
Money market deposits	10,396	1.68	11,052	51	1.87	8,960	58	2.60
Regular savings and other deposits	11,854	1.35	10,958	39	1.44	8,184	26	1.28
Certificates of deposit	79,402	3.63	78,846	723	3.72	76,518	904	4.75
Total interest-bearing deposits	134,435	2.63	133,398	910	2.77	132,256	1,205	3.66
FHLB advances	51,468	4.02	52,059	537	4.18	50,009	579	4.66
Other borrowings	860	3.00	860	4	1.86	925	5	2.17
Total interest-bearing liabilities	186,763	3.02	186,317	1,451	3.16	183,190	1,789	3.93
Noninterest-bearing demand deposits	425		10			23		
Other noninterest-bearing liabilities	1,061		1,026			1,183		
Total liabilities	188,249		187,353			184,396		
Retained earnings	26,159		26,851			26,403		
Accumulated other comprehensive income	(196)		(57)			(119)		
Total equity	25,963		26,794			26,284		
Total liabilities and equity	$ 214,212		$ 214,147			$ 210,680		
Net interest income				$ 1,562			$ 1,389	
Interest rate spread		2.85%			3.07%			2.57%
Net interest margin		3.23%			3.23%			2.83%
Average interest-earning assets to average interest-bearing liabilities			1.05X			1.07X		

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				For the Year Ended December 31, (Dollars in thousands)					
	2008			2007			2006		
	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost	Average Balance	Interest and Dividends	Yield/ Cost
Assets:									
Interest-earning assets:									
Loans	$ 168,477	$ 11,316	6.72%	$ 154,564	$ 10,111	6.54%	$ 143,011	$ 8,925	6.24%
Investment securities	24,916	1,251	5.02	20,663	1,000	4.84	25,023	1,448	5.79
Other interest-earning assets	7,923	208	2.63	10,361	544	5.25	9,915	169	1.70
Total interest-earning assets	201,316	12,775	6.35	185,588	11,655	6.28	177,949	10,542	5.92
Noninterest-earning assets	16,465			13,001			13,820		
Total assets	$ 217,781			$ 198,589			$ 191,769		
Liabilities and equity:									
Interest-bearing liabilities:									
NOW and demand deposits	$ 36,682	$ 631	1.72	$ 23,466	$ 914	3.89	$	$	
Regular savings and other deposits	8,700	107	1.23	19,879	97	0.49	41,079	638	1.55
Money market deposits	11,454	266	2.32	6,116	332	5.43			
Certificates of deposit	79,120	3,360	4.25	68,863	3,374	4.90	67,048	2,853	4.26
Total interest-bearing deposits	135,956	4,364	3.21	118,324	4,717	3.99	108,127	3,491	3.23
FHLB advances	52,947	2,387	4.51	52,422	2,444	4.66	56,831	2,533	4.46
Other borrowings	893	15	1.68	904	20	2.21	890	22	2.47
Total interest-bearing liabilities	189,796	6,766	3.56	171,650	7,181	4.18	165,848	6,046	3.65
Noninterest-bearing demand deposits	18			50			62		
Other noninterest-bearing liabilities	1,315			1,097			927		
Total liabilities	191,129			172,797			166,837		
Retained earnings	27,008			26,094			25,488		
Accumulated other comprehensive Income (loss)	(356)			(302)			(556)		
Total equity	26,652			25,792			24,932		
Total liabilities and equity	$ 217,781			$ 198,589			$ 191,769		
Net interest income		$ 6,009			$ 4,474			$ 4,496	
Interest rate spread			2.78%			2.10%			2.27%
Net interest margin			2.98%			2.41%			2.53%
Average interest-earning assets to average interest-bearing liabilities	1.06X			1.08X			1.07X		

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Rate/Volume Analysis

The following table presents the dollar amount of changes in interest income and interest expense for the major categories of Cullman Savings Bank s interest-earning assets and interest-bearing liabilities. Information is provided for each category of interest-earning assets and interest-bearing liabilities with respect to (i) changes attributable to changes in volume (i.e., changes in average balances multiplied by the prior-period average rate) and (ii) changes attributable to rate (i.e., changes in average rate multiplied by prior-period average balances). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

2008 Compared to 2007	**Volume**	**Rate**	**Net**
		(In thousands)	
Interest income:			
Loans receivable	$ 928	$ 277	$ 1,205
Investment securities	213	38	251
Other interest-earning assets	(108)	(228)	(336)
Total	1,033	87	1,120
Interest expense:			
Deposits	1,148	(1,501)	(353)
FHLB advances	25	(82)	(57)
Other borrowings		(5)	(5)
Total	1,173	(1,588)	(415)
Increase (decrease) in net interest income	$ (140)	$ 1,675	$ 1,535

2007 Compared to 2006	**Volume**	**Rate**	**Net**
		(In thousands)	
Interest income:			
Loans receivable	$ 742	$ 444	$ 1,186
Investment securities	(231)	(218)	(448)
Other interest-earning assets	7	368	375
Total	518	594	1,113
Interest expense:			
Deposits	352	874	1,226
FHLB advances	(219)	130	(89)
Other borrowings		(2)	(2)
Total	133	1,002	1,135
Increase (decrease) in net interest income	$ 385	$ (407)	$ (22)

Three Months Ended March 31, 2009

Compared to Three Months Ended March 31, 2008	**Volume**	**Rate**	**Net**
		(In thousands)	
Interest income:			
Loans receivable	$ 18	$ (109)	$ (91)

Investment securities	3	8	11
Other interest-earning assets	(13)	(71)	(85)
Total	8	(172)	(165)
Interest expense:			
Deposits	11	(305)	(295)
FHLB advances	28	(70)	(42)
Other borrowings		(1)	(1)
Total	39	(376)	(338)
Increase (decrease) in net interest income	$ (31)	$ 204	$ 173

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Management of Market Risk

Our most significant form of market risk is interest rate risk because, as a financial institution, the majority of our assets and liabilities are sensitive to changes in interest rates. Therefore, a principal part of our operations is to manage interest rate risk and limit the exposure of our net interest income to changes in market interest rates. Our board of directors is responsible for the review and oversight of our asset/liability strategies. The Asset/Liability Committee of the board of directors meets quarterly and is charged with developing an asset/liability management plan. Our board of directors has established an Asset/Liability Management Committee, consisting of senior management. This committee meets weekly to review pricing and liquidity needs and to assess our interest rate risk. This committee is responsible for evaluating the interest rate risk inherent in our assets and liabilities, for determining the level of risk that is appropriate, given our business strategy, operating environment, capital, liquidity and performance objectives, and for managing this risk consistent with the guidelines approved by the board of directors.

Among the techniques we are currently using to manage interest rate risk are: (i) maintaining our portfolio of adjustable-rate one- to four-family residential loans; (ii) selling into the secondary mortgage market a portion of the fixed-rate one- to four-family residential mortgage loans that we originate; (iii) expanding our commercial real estate loans as they generally reprice more quickly than residential mortgage loans; (iv) reducing the interest rate sensitivity of our liabilities by using fixed-rate Federal Home Loan Bank advances with laddered terms up to five years; (v) emphasizing less interest rate sensitive and lower-cost core deposits; and (vi) maintaining a strong capital position, which provides for a favorable level of interest-earning assets relative to interest-bearing liabilities.

While these strategies have helped reduce our interest rate exposure, they do pose risks. For example, the annual interest rate caps and prepayment options embedded in adjustable-rate one- to four-family residential loans, which allow for early repayment at the borrower s discretion, may result in prepayment before the loan reaches the fully indexed rate. Conversely, in a falling interest rate environment, borrowers may refinance to fixed rate loans to lock in the then lower rates. In addition, multi-family and commercial real estate lending generally presents higher credit risks than residential one- to four-family lending.

An important measure of interest rate risk is the amount by which the net present value of an institution s cash flow from assets, liabilities and off balance sheet items changes in the event of a range of assumed changes in market interest rates. We have utilized the Office of Thrift Supervision net portfolio value model (NPV) to provide an analysis of estimated changes in our NPV under the assumed instantaneous changes in the United States treasury yield curve. The financial model uses a discounted cash flow analysis and an option-based pricing approach to measuring the interest rate sensitivity of the NPV. Set forth below is an analysis of the changes to the economic value of our equity that would occur to our NPV as of March 31, 2009 in the event of designated changes in the United States treasury yield curve. At March 31, 2009, our economic value of equity exposure related to these hypothetical changes in market interest rates was within the current guidelines we have established.

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	Economic Value	Percentage Change from Base	Percentage of Total Assets
		(Dollars in Thousands)	
Up 300 basis points	$ 24,262	(17.00)%	11.45%
Up 200 basis points	26,822	(9.00)	12.40
Up 100 basis points	28,542	(3.00)	12.97
Base	29,378		13.15
Down 100 basis points	28,768	(2.00)	12.75

Certain shortcomings are inherent in the methodology used in the above interest rate risk measurement. Modeling changes in net portfolio value requires making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the net portfolio value table presented assumes that the composition of our interest-sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the net portfolio value table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our net interest income and will differ from actual results.

Our policies do not permit hedging activities, such as engaging in futures, options or swap transactions, or investing in high-risk mortgage derivatives, such as collateralized mortgage obligation residual interests, real estate mortgage investment conduit residual interests or stripped mortgage backed securities.

Liquidity and Capital Resources

Our primary sources of funds are deposits and the proceeds from principal and interest payments on loans and investment securities. While maturities and scheduled amortization of loans and securities are predicable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition. We generally manage the pricing of our deposits to be competitive within our market and to increase core deposit relationships.

Our cash flows are comprised of three primary classifications: (i) cash flows provided by operating activities, (ii) investing activities, and (iii) financing activities. Net cash flows from operating activities were $287,000 for the three months ended March 31, 2009 and $1.7 million for the year ended December 31, 2008. Net cash from investing activities consisted primarily of disbursements for loan originations and the purchase of securities, offset by principal collections on loans, and proceeds from maturation and sales of securities. Net cash flows provided by investing activities were $824,000 for the three months ended March 31, 2009 and net cash flows used in investing activities were $9.9 million for the year ended December 31, 2008. Net cash provided by financing activities consisted primarily of activity in deposits and borrowings. Net cash flows used in financing activities were $2.6 million for the three months ended March 31, 2009 and net cash flows from financing activities were $13.0 million for the year ended

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December 31, 2008. The changes in net cash flows provided by financing activities over the periods were primarily due to the repayment of advances from the Federal Home Loan Bank of Atlanta.

Our most liquid assets are cash and short-term investments. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period. At March 31, 2009 and December 31, 2008, cash and short-term investments totaled $7.5 million and $8.9 million, respectively. We may also utilize the sale of securities available-for-sale, federal funds purchased, Federal Home Loan Bank of Atlanta advances and other borrowings as sources of funds.

At March 31, 2009 and December 31, 2008, we had outstanding commitments to originate loans of $3.3 million and $5.6 million, respectively, and unfunded commitments under lines of credit and standby letter of credit of $11.1 million and $11.0 million, respectively. We anticipate that we will have sufficient funds available to meet our current loan commitments. Loan commitments have, in recent periods, been funded through liquidity and normal deposit flows. Certificates of deposit scheduled to mature in one year or less from March 31, 2009 totaled $60.8 million. Management believes, based on past experience, that a significant portion of such deposits will remain with us. Based on the foregoing, in addition to our level of core deposits and capital, we consider our liquidity and capital resources sufficient to meet our outstanding short-term and long-term needs.

Liquidity management is both a daily and long-term responsibility of management. We adjust our investments in liquid assets based upon management s assessment of (i) expected loan demand, (ii) expected deposit flows, (iii) yields available on interest-earning deposits and investment securities, and (iv) the objectives of our asset/liability management program. Excess liquid assets are invested generally in interest-earning overnight deposits, federal funds sold, and short and intermediate-term U.S. Government and agency obligations and mortgage-backed securities of short duration. If we require funds beyond our ability to generate them internally, we have additional borrowing capacity with the Federal Home Loan Bank of Atlanta. At March 31, 2009, we had $51.5 million in advances from the Federal Home Loan Bank of Atlanta and an available borrowing limit of $34.2 million. It is anticipated that immediately upon completion of the reorganization and offering, Cullman Bancorp, Inc. and Cullman Savings Bank s liquid assets will be increased. See How We Intend to Use the Proceeds from the Offering.

We are subject to various regulatory capital requirements. At March 31, 2009, we were in compliance with all applicable capital requirements. See Supervision and Regulation Federal Banking Regulation Capital Requirements and Pro Forma Data and Note 9 of the Notes to our Consolidated Financial Statements.

Off-Balance Sheet Arrangements. In the normal course of operations, we engage in a variety of financial transactions that, in accordance with U.S. generally accepted accounting principles, are not recorded in our financial statements. These transactions involve, to varying degrees, elements of credit, interest rate and liquidity risk. Such transactions are used primarily to manage customers requests for funding and take the form of loan commitments and lines of credit. For information about our loan commitments and unused lines of credit, see Note 10 of the Notes to our Financial Statements.

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For fiscal year 2008 and the three months ended March 31, 2009, we did not engage in any off-balance-sheet transactions other than loan origination commitments in the normal course of our lending activities.

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement No.157, Fair Value Measurements (FAS 157). This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard was effective for fiscal years beginning after November 15, 2007. See Note 13 to our Consolidated Financial Statements.

In February 2008, the FASB issued Staff Position (FSP) 157-2, Effective Date of FASB Statement No. 157. This FSP delays the effective date of FAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The impact of adoption was not material to our consolidated financial statements.

In October 2008, the Financial Accounting Standards Board issued FSP FAS No. 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FSP FAS 157-3). FSP FAS 157-3 clarifies the application of SFAS 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. FSP FAS 157-3 is effective upon issuance, including prior periods for which financial statements have not been issued. We adopted the provisions of FSP FAS 157-3 and such adoption did not have a material impact on our consolidated financial statements.

In April 2009, the FASB issued Staff Position (FSP) No. 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset and Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly*. This FSP emphasizes that even if there has been a significant decrease in the volume and level of activity, the objective of a fair value measurement remains the same. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants.

The FSP provides a number of factors to consider when evaluating whether there has been a significant decrease in the volume and level of activity for an asset or liability in relation to normal market activity. In addition, when transactions or quoted prices are not considered orderly, adjustments to those prices based on the weight of available information may be needed to determine the appropriate fair value. The FSP also requires increased disclosures. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, and shall be applied prospectively. Early adoption is permitted for periods ending after March 15, 2009. We plan to adopt this FSP in the second calendar quarter of 2009; however, we do not expect the adoption to have a material effect on our results of operations or financial position.

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In April 2009, the FASB issued Staff Position (FSP) No. 115-2 and No. 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments,* which amends existing guidance for determining whether impairment is other-than-temporary for debt securities. The FSP requires an entity to assess whether it intends to sell, or it is more likely than not that it will be required to sell a security in an unrealized loss position before recovery of its amortized cost basis. If either of these criteria is met, the entire difference between amortized cost and fair value is recognized in earnings. For securities that do not meet the aforementioned criteria, the amount of impairment recognized in earnings is limited to the amount related to credit losses, while impairment related to other factors is recognized in other comprehensive income. Additionally, the FSP expands and increases the frequency of existing disclosures about other-than-temporary impairments for debt and equity securities. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We plan to adopt this FSP in the second calendar quarter of 2009; however, we do not expect the adoption to have a material effect on our results of operations or financial position because our other-than-temporary impairment charges have been related to equity securities that are outside the scope of FAS 157-3.

In April 2009, the FASB issued Staff Position (FSP) No. 107-1 and APB 28-1, *Interim Disclosures about Fair Value of Financial Instruments*. This FSP amends FASB Statement No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies that were previously only required in annual financial statements. This FSP is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We plan to adopt this FSP in the second calendar quarter of 2009 and will include the relevant disclosures at that time.

In December 2007, the FASB issued FAS No. 141 (revised 2007), Business Combinations (FAS 141(R)), which establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in an acquiree, including the recognition and measurement of goodwill acquired in a business combination. FAS No. 141(R) is effective for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited. The adoption of this standard is not expected to have a material effect on our results of operations or financial position.

In February 2007, the FASB issued Statement No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. The standard provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The new standard was effective for us on January 1, 2008. We did not elect the fair value option for any financial assets or financial liabilities as of January 1, 2008 or subsequently.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB No. 51 (SFAS No. 160), which will change the accounting and reporting for minority interests, which will be recharacterized as noncontrolling interests and classified as a component of equity within the consolidated balance

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sheets. FAS No. 160 is effective as of the beginning of the first fiscal year beginning on or after December 15, 2008. Earlier adoption is prohibited, and we do not expect the adoption of FAS No. 160 to have a significant impact on our results of operations or financial position.

In May 2008, the Financial Accounting Standards Board issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS 162). SFAS 162 identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. SFAS 162 is effective 60 days following the Securities and Exchange Commission s approval of the Public Company Accounting Oversight Board amendments to Audit Standards Section 411. We do not expect the adoption of SFAS 162 to have any impact on our results of operations or financial position.

In September 2006, the FASB Emerging Issues Task Force finalized Issue No. 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements. This issue requires that a liability be recorded during the service period when a split-dollar life insurance agreement continues after participants employment or retirement. The required accrued liability will be based on either the post-employment benefit cost for the continuing life insurance or based on the future death benefit depending on the contractual terms of the underlying agreement. This issue was effective for fiscal years beginning after December 15, 2007. There was no impact of the adoption of this standard on our consolidated financial statements as none of our split dollar arrangements continue after retirement.

On November 5, 2007, the SEC issued Staff Accounting Bulletin No. 109, *Written Loan Commitments Recorded at Fair Value through Earnings* (SAB 109). Previously SAB 105, *Application of Accounting Principles to Loan Commitments,* stated that in measuring the fair value of a derivative loan commitment, a company should not incorporate the expected net future cash flows related to the associated servicing of the loan. SAB 109 supersedes SAB 105 and indicates that the expected net future cash flows related to the associated servicing of the loan should be included in measuring fair value for all written loan commitments that are accounted for at fair value through earnings. SAB 105 also indicated that internally developed intangible assets should not be recorded as part of the fair value of a derivative loan commitment, and SAB 109 retains that view. SAB 109 was effective for derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. The impact of adoption was not material to our results of operations or financial position.

In December 2007, the SEC issued SAB No. 110, which expresses the views of the SEC regarding the use of a simplified method, as discussed in SAB No. 107, in developing an estimate of expected term of plain vanilla share options in accordance with SFAS No. 12(R), Share-Based Payment. The SEC concluded that a company could, under certain circumstances, continue to use the simplified method for share option grants after December 31, 2007. Cullman Savings Bank does not use the simplified method for share options and therefore SAB No. 110 will have no impact on Cullman Bancorp, Inc. s results of operations or financial position.

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Impact of Inflation and Changing Prices

The financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles in the United States of America which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. The primary impact of inflation on our operations is reflected in increased operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates, generally, have a more significant impact on a financial institution s performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

BUSINESS OF CULLMAN BANCORP, INC.

We have not engaged in any business to date. Upon completion of the reorganization and offering, we will own all of the issued and outstanding common stock of Cullman Savings Bank. We may retain up to 50% of the net proceeds from the offering. A portion of the net proceeds we retain will be used to make a loan to fund the purchase of our shares of common stock by the Cullman Savings Bank employee stock ownership plan. We will contribute the remaining net proceeds to Cullman Savings Bank as additional capital. We intend to invest our capital as discussed in How We Intend to Use the Proceeds from the Offering.

In the future, Cullman Bancorp, Inc., as the holding company of Cullman Savings Bank, will be authorized to pursue other business activities permitted by applicable laws and regulations for savings and loan holding companies, which may include the acquisition of banking and financial services companies. We have no plans for any mergers or acquisitions, or other diversification of the activities of Cullman Bancorp, Inc. at the present time.

Our cash flow will depend on earnings from the investment of the net proceeds we retain, and any dividends received from Cullman Savings Bank. Initially, Cullman Bancorp, Inc. will neither own nor lease any property, but will instead use the premises, equipment and furniture of Cullman Savings Bank. At the present time, we intend to employ only persons who are officers of Cullman Savings Bank to serve as officers of Cullman Bancorp, Inc. However, we will use the support staff of Cullman Savings Bank from time to time. These persons will not be separately compensated by Cullman Bancorp, Inc. Cullman Bancorp, Inc. may hire additional employees, as appropriate, to the extent it expands its business in the future.

BUSINESS OF CULLMAN SAVINGS BANK

General

Our principal business consists of attracting retail deposits from the general public in our market and investing those deposits, together with funds generated from operations and, to a lesser extent, borrowings in one- to four-family residential mortgage loans and commercial real estate loans, and, to a lesser extent, multi-family mortgage loans, construction loans, land loans, home equity loans, commercial loans and consumer loans. We also invest in U.S. Government and federal agency securities, mortgage-backed securities and, to a lesser extent, mutual funds that invest in those securities. Our revenues are derived principally from the interest on loans and securities, loan origination and servicing fees and fees levied on deposit accounts. Our primary sources of funds are principal and interest payments on loans and securities, deposits and advances from the Federal Home Loan Bank of Atlanta.

In 1999, we amended our business plan to increase significantly our commercial real estate lending in order to enhance the yield and interest rate sensitivity of our loan portfolio. In 2006, we appointed a new President and Chief Executive Officer from within our organization and hired a new Executive Vice President in charge of lending, both of whom have significant commercial lending experience. In the years since these management changes, our portfolio of commercial real estate loans has increased significantly. We expect this portfolio to continue to increase in the future, but at a more measured pace.

Reflecting our focus on our community, in 2002 we formed Cullman Savings Foundation, a private foundation. In connection with the stock offering, we are forming another charitable foundation called Cullman Savings Bank Charitable Foundation and funding it with common stock and $100,000 in cash. We will form a new foundation rather than making this contribution to Cullman Savings Foundation based on certain Internal Revenue Service regulations that may limit our ability to make a contribution of Cullman Bancorp, Inc. common stock to an existing foundation. The corporate purpose of this new foundation will be substantially the same as Cullman Savings Foundation.

Our website address is www.cullmansavingsbank.com. Information on our website should not be considered a part of this prospectus.

Market Area and Competition

We conduct business through our main office and one branch office located in Cullman, Alabama and an additional branch office located in Hanceville, Alabama. All three of our offices are located in Cullman County, which is centrally located between the Huntsville and Birmingham metropolitan areas, approximately 55 miles south of Huntsville and approximately 50 miles north of Birmingham.

Our primary market area, which consists of Cullman County and the contiguous surrounding counties, is mostly rural and suburban in nature. The regional economy is fairly diversified, with services, wholesale/retail trade, manufacturing and government providing the primary support for the area economy. Farming also continues to play a prominent role in the local economy, as Cullman County is ranked as one of the top sixty counties in the United States for total agricultural income. The largest employers in Cullman County include the Cullman County and Cullman City School Systems, the State and County Government, Wal-Mart, the Cullman Regional Medical Center, REHAU, Inc. (a polymer processing concern) and Golden Rod Broilers (a poultry processor).

While the local economy has been affected by the recession, the downturn in the Cullman County economy has been somewhat mitigated by the diversity of the employment base and the relatively stable housing market. Cullman County s and Alabama s respective December 2008 unemployment rates of 6.1% and 6.4% were below the comparable U.S. unemployment rate of 7.1%. In 2008, per capita income for Cullman County was $19,578 and the median household

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income was $38,302, compared to per capita income for the United States and the State of Alabama of $28,151 and $21,522, respectively, and median household income of $54,749 and $40,844, respectively.

We face competition within our market area both in making loans and attracting deposits. The Cullman area has a moderate concentration of financial institutions including large money center and regional banks, community banks and credit unions. Some of our competitors offer products and services that we currently do not offer, such as trust services and private banking. As of June 30, 2008 our market share of deposits represented 9.66% of FDIC-insured deposits in Cullman County, Alabama.

Competition for financial services in our primary market area is significant, particularly in light of the relatively modest population base of Cullman County and the relatively large number of institutions that maintain a presence in the county. Among our competitors are much larger and more diversified institutions, which have greater resources than we maintain. Financial institution competitors in our primary market area include other locally based thrifts and banks, as well as regional, super regional and money center banks. To meet our competition, we seek to emphasize our community orientation, local and timely decision making and superior customer service.

Lending Activities

The principal lending activity of Cullman Savings Bank is originating one- to four-family residential mortgage loans and commercial real estate loans, and, to a lesser extent, multi-family mortgage loans, construction loans, land loans, home equity loans, commercial loans and consumer loans. In recent years we have expanded our commercial real estate loan portfolio in an effort to diversify our overall loan portfolio, increase the yield of our loans and shorten asset duration. We expect commercial real estate lending will continue to be an area of loan growth, and we have focused our efforts in this area on borrowers seeking loans in the $50,000 to $1.0 million range. As a long-standing community lender, we believe we can effectively compete for this business by emphasizing superior customer service and local underwriting, which differentiates us from larger commercial banks that have recently commenced operations in our primary market area.

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Loan Portfolio Composition. The following table sets forth the composition of our loan portfolio by type of loan at the dates indicated.

	At March 31, 2009		At December 31, 2008		2007		2006		2005		2004	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)											
Real estate loans:												
One- to four-family [1]	$ 81,100	48.27%	$ 80,454	48.34%	$ 84,925	51.59%	$ 84,011	56.40%	$ 79,880	58.62%	$ 69,301	62.64%
Multi-family	5,760	3.43	3,722	2.24	3,272	1.99	3,392	2.28	4,181	3.07	4,559	4.12
Commercial real estate	57,060	33.97	59,655	35.85	56,609	34.39	51,407	34.51	36,677	26.91	23,078	20.86
Construction	4,099	2.44	3,263	1.96	6,701	4.07	1,645	1.10	8,699	6.38	4,632	4.19
Total real estate loans	148,019	88.11	147,094	88.39	151,507	92.05	140,455	94.30	129,437	94.98	101,570	91.81
Commercial loans	7,675	4.57	6,592	3.96	1,414	0.86	169	0.11		0.00		0.00
Consumer loans:												
Home equity loans and lines of credit	7,338	4.37	7,321	4.40	5,539	3.37	2,882	1.93	2,237	1.64	1,660	1.50
Other consumer loans	4,954	2.95	5,411	3.25	6,141	3.73	5,444	3.66	4,605	3.38	7,404	6.69
Total consumer loans	12,292	7.32	12,732	7.65	11,680	7.10	8,326	5.60	6,842	5.02	9,064	8.19
Total loans	$ 167,986	100.00%	$ 166,418	100.00%	$ 164,601	100.00%	$ 148,950	100.00%	$ 136,279	100.00%	$ 110,634	100.00%
Net deferred loan fees	654		703		874		938		873		797	
Allowance for losses	599		472		430		457		260		283	
Loans, net	$ 166,733		$ 165,243		$ 163,297		$ 147,555		$ 135,146		$ 109,554	

[1] Excludes loans held-for-sale.

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Contractual Maturities and Interest Rate Sensitivity. The following table summarizes the scheduled repayments of our loan portfolio at December 31, 2008. Demand loans, loans having no stated repayment schedule or maturity, and overdraft loans are reported as being due in one year or less. Loans are presented net of loans in process.

	One- to Four-Family Residential	Multi-Family and Commercial Real Estate	Construction	Commercial	Home equity lines of credit	Consumer & Other	Total
			(In thousands)				
Amounts due in:							
One year or less	$ 1,046	$ 3,728	$ 3,263	$ 2,846	$ 274	$ 2,176	$ 13,333
More than one to two years	389	1,212		37	249	363	2,250
More than two to three years	284	1,429		2,519	781	835	5,848
More than three to five years	4,527	18,331		1,190	6,017	2,037	32,102
More than five to ten years	9,201	2,856					12,057
More than ten to fifteen years	7,749	11,208					18,957
More than fifteen years	56,808	25,063					81,871
Total	$ 80,004	$ 63,827	$ 3,263	$ 6,592	$ 7,321	$ 5,411	$ 166,418
Interest rate terms on amounts due after one year:							
Fixed-rate loans	$ 58,757	32,028		3,427	2,318	3,235	99,765
Adjustable-rate loans	20,201	28,071		319	4,729		53,320
Total	$ 78,958	$ 60,099	$	$ 3,746	$ 7,047	$ 3,235	$ 153,085

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The following table sets forth our fixed and adjustable-rate loans at December 31, 2008 that are contractually due after December 31, 2009. Loans are presented net of loans in process.

	Due After December 31, 2009		
	Fixed	Adjustable	Total
		(In thousands)	
Real Estate:			
One- to four-family	$ 58,757	$ 20,201	$ 78,958
Multi-family, commercial real estate and land	32,028	28,071	60,099
Construction			
Total real estate loans	90,785	48,272	139,057
Consumer and other loans:			
Consumer	3,235		3,235
Home equity lines-of-credit and other	2,318	4,729	7,047
Commercial business	3,427	319	3,746
Total consumer and other loans	8,980	5,048	14,028
Total	$ 99,765	$ 53,320	$ 153,085

***Loan Approval Procedures and Authority*.** Pursuant to federal law, the aggregate amount of loans that Cullman Savings Bank is permitted to make to any one borrower or a group of related borrowers is generally limited to 15% of Cullman Savings Bank s unimpaired capital and surplus (25% if the amount in excess of 15% is secured by readily marketable collateral or 30% for certain residential development loans). At March 31, 2009, based on the 15% limitation, Cullman Savings Bank s loans-to-one-borrower limit was approximately $3.9 million. On the same date, Cullman Savings Bank had no borrowers with outstanding balances in excess of this amount. At March 31, 2009, our largest commercial real estate loan totaled $3.5 million and was secured by a mortgage on a church building in our primary market area. At March 31, 2009, this loan was performing in accordance with its terms.

Our lending is subject to written underwriting standards and origination procedures. Decisions on loan applications are made on the basis of detailed applications submitted by the prospective borrower and property valuations (consistent with our appraisal policy) prepared by outside independent licensed appraisers approved by our board of directors as well as internal evaluations, where permitted by regulations. The loan applications are designed primarily to determine the borrower s ability to repay the requested loan, and the more significant items on the application are verified through use of credit reports, financial statements and tax returns.

Under our loan policy, the individual processing an application is responsible for ensuring that all documentation is obtained prior to the submission of the application to an officer for approval. An officer then reviews these materials and verifies that the requested loan meets our underwriting guidelines described below.

Our senior lending officers have approval authority for real estate loans of up to $300,000, secured vehicle loans (including farm equipment) of up to $100,000 and unsecured loans of up to $100,000. Loans above these amounts require approval by any two of the following three officers: President and Chief Executive Officer, Executive Vice President and Director of Lending and Vice President/Senior Loan Officer. An individual loan or an aggregate credit commitment in excess of $1.5 million up to our legal lending limit requires the approval of all three of these officers and must be reported to our board of directors before the loan is closed. To ensure adequate liquidity, under our loan policy, aggregate loans outstanding should not exceed our total deposits and advances from the Federal Home Loan Bank of Atlanta.

Generally, we require title insurance or abstracts on our mortgage loans as well as fire and extended coverage casualty insurance in amounts at least equal to the principal amount of the loan or the value of improvements on the property, depending on the type of loan.

One- to Four-Family Residential Real Estate Lending. The cornerstone of our lending program has long been the origination of long-term permanent loans secured by mortgages on owner-occupied one- to four-family residences. At March 31, 2009, $81.1 million, or 48.27% of our total loan portfolio consisted of permanent loans on one- to four-family residences. At that date, our average outstanding one- to four-family residential loan balance was $89,000 and our largest outstanding residential loan had a principal balance of $1.0 million. Virtually all of the residential loans we originate are secured by properties located in our market area. See Originations, Sales and Purchases of Loans.

Due to consumer demand in the current low market interest rate environment, many of our recent originations are 15- to 30-year fixed-rate loans secured by one- to four-family residential real estate. We generally originate our fixed-rate one- to four-family residential loans in accordance with secondary market standards to permit their sale on a servicing-released basis. At March 31, 2009, we had $15.9 million of fixed-rate residential loans with original contractual maturities of 10 years or less, $10.9 million of fixed-rate residential loans with original contractual maturities between 10 and 20 years and $36.7 million of fixed-rate residential loans with original contractual maturities in excess of 20 years in our portfolio.

In order to reduce the term to repricing of our loan portfolio, we also originate adjustable-rate one- to four-family residential mortgage loans. Our current adjustable-rate mortgage loans carry interest rates that adjust annually at a margin (generally 300 basis points) over the OTS Cost of Funds rate, which is a lagging index that generally adjusts more slowly than a U.S. Treasury index. Many of our adjustable-rate one- to four-family residential mortgage loans have fixed rates for initial terms of five or ten years. Such loans carry terms to maturity of up to 30 years. The adjustable-rate mortgage loans currently offered by us generally provide for a 100 basis point annual interest rate change cap and a lifetime cap of 400 basis points over the initial rate.

Although adjustable-rate mortgage loans may reduce to an extent our vulnerability to changes in market interest rates because they periodically reprice, as interest rates increase, the required payments due from the borrower also increase (subject to rate caps), increasing the potential for default by the borrower. At the same time, the marketability of the underlying collateral may be adversely affected by higher interest rates. Upward adjustments of the contractual interest rate are also limited by the maximum periodic and lifetime rate adjustments permitted by our loan documents. Moreover, the interest rates on many of our adjustable-rate loans do not adjust for the first five to ten years. As a result, the effectiveness of adjustable-rate mortgage loans may be limited during periods of rapidly rising interest rates. At March 31,

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2009, $24.9 million, or 29.0% of our one- to four-family residential loans, had adjustable rates of interest.

We evaluate both the borrower s ability to make principal, interest and escrow payments and the value of the property that will secure the loan. Our one- to four-family residential mortgage loans do not currently include prepayment penalties, are non-assumable and do not produce negative amortization. Our one- to four-family residential mortgage loans customarily include due-on-sale clauses giving us the right to declare the loan immediately due and payable in the event that, among other things, the borrower sells the property subject to the mortgage. We currently originate residential mortgage loans for our portfolio with loan-to-value ratios of up to 90% for owner-occupied one- to four-family homes and up to 80% for non-owner occupied homes.

At March 31, 2009, we had one one- to four-family residential mortgage loan that was 60 days or more delinquent.

***Commercial Real Estate Lending*.** In recent years, we have sought to increase our commercial real estate loans. Our commercial real estate loans are secured primarily by office buildings, apartments, farms, retail and mixed-use properties, churches, warehouses and restaurants located in our primary market area. At March 31, 2009, we had $57.1 million in commercial real estate loans, representing 33.97% of our total loan portfolio.

Most of our commercial real estate loans have a five-year balloon term with amortization periods of up to 20 years. The maximum loan-to-value ratio of our commercial real estate loans is generally 75%. At March 31, 2009, our largest commercial real estate loan totaled $3.5 million and was secured by a mortgage on a church building in our primary market area. At March 31, 2009, this loan was performing in accordance with its terms.

Set forth below is information regarding our commercial real estate loans at March 31, 2009.

Type of Loan	**Number of Loans**	**Balance (In thousands)**
Office	15	$ 7,765
Farm	9	10,764
Retail	18	10,615
Mixed use	27	7,354
Church	7	8,781
Other	21	11,781
Total	97	$ 57,060

We consider a number of factors in originating commercial real estate loans. We evaluate the qualifications and financial condition of the borrower, including credit history, profitability and expertise, as well as the value and condition of the property securing the loan. When evaluating the qualifications of the borrower, we consider the financial resources of the borrower, the borrower s experience in owning or managing similar property and the borrower s payment history with us and other financial institutions. In evaluating the property securing the loan, the factors we consider include the net operating income of the mortgaged property before debt service and depreciation, the ratio of the loan amount to the appraised value of the mortgaged property and the debt service coverage ratio (the ratio of net operating income to debt service). All commercial real estate loans are appraised by outside independent appraisers approved by the board of directors or by internal evaluations, where permitted by regulation. Personal guarantees are generally obtained from the principals of commercial real estate borrowers and, in the case of church loans, guarantees from the applicable denomination are generally obtained.

Loans secured by commercial real estate generally are larger than one- to four-family residential loans and involve greater credit risk. Commercial real estate loans often involve large loan balances to single borrowers or groups of related borrowers. Repayment of these loans depends to a large degree on the results of operations and management of the properties securing the loans or the businesses conducted on such property, and may be affected to a greater extent by adverse conditions in the real estate market or the economy in general, including today s economic recession. Accordingly, the nature of these loans makes them more difficult for management to monitor and evaluate. At March 31, 2009, we had $169,000 of non-performing commercial real estate loans.

***Multi-Family Real Estate Lending*.** At March 31, 2009, we had $5.8 million in multi-family real estate loans, representing 3.43% of our total loan portfolio. The multi-family real estate loans we originate generally have a maximum term of 20 years and are secured by apartment buildings located within our primary market area. The interest rates on these loans are generally fixed for an initial period of three to five years and then adjust every one to five years based on the relevant OTS Cost of Funds Rate, plus a margin. These loans are generally made in amounts of up to 80% of the lesser of the appraised value or the purchase price of the property with an appropriate projected debt service coverage ratio.

Appraisals on properties securing multi-family real estate loans are performed by an outside independent appraiser designated by us or internal evaluations, where permitted by regulation. All appraisals on multi-family real estate loans are reviewed by our management. Our underwriting procedures include considering the borrower s expertise and require verification of the borrower s credit history, income and financial statements, banking relationships, references and income projections for the property. We generally obtain personal guarantees on these loans.

The borrower s financial information on multi-family loans is monitored on an ongoing basis by requiring periodic financial statement updates, payment history reviews and periodic face-to-face meetings with the borrower. We require such borrowers to provide annually updated financial statements and federal tax returns. These requirements also apply to the principals of our corporate borrowers.

At March 31, 2009, our largest multi-family loan had a balance of $1.5 million and was secured by a real estate mortgage on a 52-unit apartment complex in our primary market area. At March 31, 2009, this loan was 30 days delinquent.

Multi-family real estate loans generally present a higher level of risk than loans secured by one- to four-family residences. This greater risk is due to several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions on income-producing properties and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by multi-family residential real estate is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced (for example, if leases are not obtained or renewed), the borrower s ability to repay the loan may be impaired. At March 31, 2009, we had no multi-family loans that were 60 days or more delinquent.

Construction Lending. We make construction loans to individuals for the construction of their primary residences and, to a limited extent, loans to builders and commercial borrowers for owner-occupied projects. We also make a limited amount of land loans to complement our construction lending activities, as such loans are generally secured by lots that will be used for residential development. Land loans also include loans secured by farm land and land purchased for investment purposes. At March 31, 2009, our construction loans, including land loans, totaled $4.1 million, representing 2.44% of our total loan portfolio.

Loans to individuals for the construction of their residences typically run for up to 12 months and then convert to permanent loans. These construction loans have rates and terms comparable to one- to four-family residential loans offered by us. During the construction phase, the borrower pays interest only. The maximum loan-to-value ratio of owner-occupied single-family construction loans is 85%. Residential construction loans are generally underwritten pursuant to the same guidelines used for originating permanent residential loans. Land loans are generally offered for terms of up to 15 years. The maximum loan-to-value ratio of land loans is 75%.

At March 31, 2009, our largest outstanding residential construction loan was for $1.5 million of which $842,000 was outstanding. This loan was performing according to its terms at March 31, 2009. At March 31, 2009, there were no construction loans that were 60 days or more delinquent.

The application process for a construction loan includes a submission to Cullman Savings Bank of accurate plans, specifications and costs of the project to be constructed or developed. These items are used as a basis to determine the appraised value of the subject property. Loans are based on the lesser of current appraised value and/or the cost of construction (land plus building). Our construction loan agreements generally provide that loan proceeds are disbursed in increments as construction progresses. Outside independent licensed appraisers inspect the progress of the construction of the dwelling before disbursements are made.

Construction and land lending generally are made for relatively short terms. However, to the extent our construction loans are not made to owner-occupants of single-family homes, they are more vulnerable to changes in economic conditions and the concentration of credit with a limited number of borrowers. Further, the nature of these loans is such that they are more difficult to evaluate and monitor. Our risk of loss on a construction or land loan is dependent largely upon the accuracy of the initial estimate of the property s value upon completion of the project and the estimated cost (including interest) of the project. If the estimate of value proves to be inaccurate, we may be confronted, at or prior to the maturity of the loan, with a project with a value which is insufficient to assure full repayment and/or the possibility of having to make substantial investments to complete and sell the project. Because defaults in repayment may not

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occur during the construction period, it may be difficult to identify problem loans at an early stage.

Commercial Business Lending. Our commercial business lending has been fairly limited. From time to time, we originate commercial business loans and lines of credit to small- and medium-sized companies in our primary market area. Our commercial business loans are generally used for working capital purposes or for acquiring equipment, inventory or furniture. The commercial business loans that we offer are floating-rate loans indexed to the prime rate as published in *The Wall Street Journal* and fixed-rate loans generally for a one-year term. Our commercial business loan portfolio consists primarily of secured loans, along with a small amount of unsecured loans.

At March 31, 2009, Cullman Savings Bank had $7.7 million of commercial business loans outstanding, representing 4.57% of the total loan portfolio.

When making commercial business loans, we consider the financial statements of the borrower, the lending history of the borrower, the debt service capabilities of the borrower, the projected cash flows of the business, the value of the collateral, if any, and whether the loan is guaranteed by the principals of the borrower. Commercial business loans are generally secured by accounts receivable, inventory and equipment.

Commercial business loans generally have a greater credit risk than residential mortgage loans. Unlike residential mortgage loans, which generally are made on the basis of the borrower s ability to make repayment from his or her employment and other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial business loans are of higher risk and typically are made on the basis of the borrower s ability to make repayment from the cash flow of the borrower s business. As a result, the availability of funds for the repayment of commercial business loans may be substantially dependent on the success of the business itself. Further, the collateral securing the loans may depreciate over time, may be difficult to appraise and may fluctuate in value based on the success of the business. We seek to minimize these risks through our underwriting standards.

At March 31, 2009, our largest commercial business loan relationship was a $1.8 million loan to a medical company secured by medical equipment and limited personal guarantees by several individuals, including one of our directors. At March 31, 2009, this loan was performing in accordance with its terms.

Home Equity Lending. We originate variable-rate and fixed-rate home equity lines-of-credit secured by a lien on the borrower s primary residence. Our home equity products are limited to 90% of the property value less any other mortgages. We use the same underwriting standards for home equity lines-of-credit as we use for one- to four-family residential mortgage loans. Our variable-rate home equity line-of-credit product carries an interest rate tied to the prime rate published in *The Wall Street Journal* with a margin that ranges from (100) basis points to 100 basis points. Our home equity lines-of-credit provide for an initial draw period of up to five years, with monthly payments of 1.5% of the outstanding balance or interest only payments calculated on the outstanding balance. At the end of the initial five years, the line may be paid in full or restructured at our then current home equity program.

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At March 31, 2009, we had $7.3 million or 4.37% of our total loans in home equity loans and outstanding advances under home equity lines and an additional $5.1 million of funds committed, but not advanced, under the home equity lines-of-credit.

Consumer Lending. To date, our consumer lending apart from home equity lines-of-credit has been quite limited. At March 31, 2009, Cullman Savings Bank had $5.0 million of consumer loans outstanding, representing 2.95% of the total loan portfolio. Consumer loans consist of loans secured by deposits, auto loans and miscellaneous other types of installment loans.

Consumer loans may entail greater credit risk than residential mortgage loans, particularly in the case of consumer loans that are unsecured or are secured by rapidly depreciable assets, such as automobiles. In addition, consumer loan collections are dependent on the borrower s continuing financial stability, and thus are more likely to be affected by adverse personal circumstances. Furthermore, the application of various federal and state laws, including bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans. At March 31, 2009, we had no consumer loans that were non-performing.

Originations, Purchases and Sales of Loans

Lending activities are conducted primarily by our salaried loan personnel operating at our main and branch office locations and a commissioned loan officer. All loans originated by us are underwritten pursuant to our policies and procedures. We originate both fixed-rate and adjustable-rate loans. Our ability to originate fixed or adjustable-rate loans is dependent upon relative customer demand for such loans, which is affected by current and expected future levels of market interest rates. We originate real estate and other loans through our commissioned loan officer, marketing efforts, our customer base, walk-in customers and referrals from real estate brokers, builders and attorneys.

We may sell certain of the loans we originate into the secondary market. Additionally, we consider the current interest rate environment in making decisions as to whether to hold the mortgage loans we originate for investment or to sell such loans to investors, choosing the strategy that is most advantageous to us from a profitability and risk management standpoint. At March 31, 2009, we had $426,000 in loans held for sale. Generally, we have not retained the servicing rights on the mortgage loans sold in the secondary mortgage market.

From time to time, to diversify our risk, we will purchase or sell interests in loans. We underwrite our participation portion of the loan according to our own underwriting criteria and procedures. At March 31, 2009, we had $681,000 in loan participation interests.

We generally do not purchase whole loans from third parties to supplement our loan production.

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The following table shows our loan origination and principal repayment activity for loans originated for our portfolio during the periods indicated. Loans are presented net of loans in process.

	Three Months Ended March 31,		Years Ended December 31,	
	2009	2008	2008	2007
	(In thousands)			
Total loans at beginning of period	$ 166,418	$ 164,601	$ 164,601	$ 148,950
Loans originated:				
Real estate loans:				
One- to four-family	3,491	7,466	12,375	10,690
Multi-family				
Commercial real estate	4,533	2,016	25,482	12,131
Construction	1,606	2,713	8,903	7,561
Total real estate loans	9,630	12,195	46,760	30,382
Commercial loans	2,354	2,398	6,898	4,382
Consumer loans	448	1,478	4,866	5,527
Home equity loans and lines of credit			3,748	2,544
Other consumer loans				
Total loans originated	12,432	16,071	62,272	42,835
Deduct:				
Principal repayments	(10,864)	(14,108)	(60,455)	(27,184)
Net loan activity	1,568	1,963	1,817	15,651
Total loans at end of period	$ 167,986	$ 166,564	$ 166,418	$ 164,601

The following table shows loan origination and sale activity for one- to four-family residential mortgage loans originated for sale during the periods indicated. No other loans were originated for sale during the periods indicated.