

CENTRAL FEDERAL CORP  
Form FWP  
March 02, 2012

Investment Overview  
March 2012

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Executive Summary

Executive Summary

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Why Invest in a Community Bank Today?

Which Community Banks Are and Will Be Successful?

Why CFBK?

1

2

3

Offering Highlights

Issuer:

Security Offered:

Warrants:

Proposed Offering Price:

Proposed Offering Size:

Standby Purchaser Commitment:

Aggregate Net Proceeds:

Use of Proceeds:

Financial Advisor / Information Agent:

Central Federal Corporation (NASDAQ: CFBK)

Common shares

1 warrant to purchase 1 share for every 3 shares purchased.

Exercisable for 3 years at \$1.00 strike price.

\$1.00 per share

Up to 30,000,000 shares

5,035,000 shares

Approximately \$21.3 million to \$28.4 million

Invest \$13.5 million in wholly owned subsidiary CFBank to improve capital position and retain the rest at the holding company for general corporate purposes

ParaCap Group, LLC

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Changes at CFBK in the Past Two Years

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Promoted new CEO and President in May 2010

Engaged two different independent loan review firms, and a consulting firm to assess asset quality, workout strategies, and performance

Began process of reducing nonperforming assets

Strengthened allowance for loan losses

Re-engineered credit and workout operations

Retained a financial advisor to explore strategic alternatives

Attracted Timothy O Dell, Thad Perry and Bob Hoeweler to lead the Company's recapitalization

- 1
- 2
- 3
- 4
- 5
- 6
- 7

Improved Asset Quality  
Non-Performing Assets  
(\$000s)  
7  
12,265  
13,234  
14,066  
13,053

13,024  
14,566  
11,850  
9,522  
7,650  
2,000  
4,000  
6,000  
8,000  
10,000  
12,000  
14,000  
16,000  
Q3  
Q4  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3  
2009  
2010  
2011

Strengthened Reserves  
Loan Loss Reserves / Gross Loans  
(%)  
8  
1.9  
3.0  
3.2  
4.6

4.7  
4.9  
5.0  
4.5  
4.2  
0.0  
1.0  
2.0  
3.0  
4.0  
5.0  
6.0  
Q3  
Q4  
Q1  
Q2  
Q3  
Q4  
Q1  
Q2  
Q3  
2009  
2010  
2011

I. Why Invest in a Community  
Bank Today?  
9

Why Invest in a Community Bank Today?

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- 2
- 3
- 4
- 10

Major deterioration in public perception of big banks

Favorable year-over-year dynamics in the real estate market and economy

There are numerous attractive potential customers up for grabs, particularly small and medium-sized businesses, executives and professionals

Strong  
business  
model  
if  
derivatives  
and  
other  
complex  
financial  
instruments  
are  
avoided

Public Backlash Against Big Banks  
Management believes:

Stock Performance  
Last Two Years

11

Source: SNL

9.4%

(16.5%)

S&P Bank Index

Too Big To Fail List

(50.0)

(40.0)

(30.0)

(20.0)

(10.0)

0.0

10.0

20.0

30.0

The financial crisis has caused a severe backlash against the country's Too Big To Fail banks.

There has been a significant deterioration of the public's, investors and regulators perception of these institutions.

Both business and retail customers have experienced deteriorating service levels, long decision periods, and high uncertainty in dealing with the larger banks.

As a result, many Americans have called for a return to smaller community banks through protests and organized events such as the National Bank Transfer Day.

Too Big To Fail List as defined by the G-20 Financial Stability Board; Includes: Bank of America, Citi, Goldman Sachs, Wells Fargo, State Street, Bank of New York Mellon, JP Morgan, and Morgan Stanley

#### Favorable Economic Trends

Ohio has posted the **fifth largest increase in jobs of all 50 states**, on a year-over-year basis from December 2010, according to the Bureau of Labor Statistics

Since December 2010, **Ohio has added 72,400 jobs**, trailing only Texas, New York, Florida, and California.

All of CFBank's markets have witnessed a notable decline in the unemployment rate over the last year:

In the East Liverpool-Salem MSA, the improving manufacturing base and increased investment in the

Utica

Shale

region

have

caused

the

unemployment

rate

to

decrease

from

11.2%

to

8.8%

year-

over-year, nearly **two times greater than the year-over-year rate of decline of the** national unemployment rate.

The Akron MSA's diverse economic base has also led to relatively strong job growth. **In** December, Akron's unemployment rate was 7.3%, compared to 7.6% in Ohio and 8.5% nationally.

The Columbus MSA's unemployment rate has been consistently lower than the state and national averages throughout the recession. **In December, the Columbus MSA's unemployment** rate was 6.4%; significantly better than state and national figures.

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Housing Market Stabilizing  
Case-Shiller Home Price Index:  
Cleveland versus National Average  
Case-Shiller Percent  
Decline From Market Peak  
13  
City  
Percent

Decline  
Las Vegas  
-61.6%  
Phoenix  
-56.4%  
Miami  
-51.5%  
Tampa  
-48.0%  
Detroit  
-45.1%  
San Francisco  
-41.3%  
Los Angeles  
-40.5%  
San Diego  
-40.0%  
Minneapolis  
-36.3%  
Chicago  
-34.8%  
Atlanta  
-34.4%  
Seattle  
-31.1%  
Portland  
-28.6%  
Washington  
-27.3%  
New York  
-23.9%  
Cleveland  
-20.1%  
Boston  
-16.9%  
Charlotte  
-16.9%  
Denver  
-10.8%  
Dallas  
-9.2%  
75.00  
95.00  
115.00  
135.00  
155.00  
175.00  
195.00  
215.00  
Cleveland, OH

Composite 20

Opportunity to Attract Customers & Talent

Akron MSA

Columbus MSA

East Liverpool MSA

Source: 2011 FDIC Deposit Market Share Data

- 1.
- 2.
- 3.

- 4.
- 5.
- 1.
- 2.
- 3.
- 4.
- 5.
- 1.
- 2.
- 3.
- 4.
- 5.
- 14

Top 5 Deposit Market Share Leaders in CFBK s Markets

Historic P/TBV Multiples

Historic P/E Multiples

Valuations at Historic Lows

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Price /Tangible Book and Price/LTM Earnings Multiples for SNL Bank Index

II. Which Community Banks Are  
and Will Be Successful?

Which Community Banks Are and  
Will Be Successful?

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Strong, experienced leadership, focused on stakeholder values and balanced  
risk/returns

Directors and management willing to put their own money and relationships on  
the line

Large enough to be relevant, small enough to provide exceptional

service and  
maintain strong long term relationships and competitive advantage  
Attractive markets offering growth potential  
Ample capital to take advantage of market opportunities

- 1
- 2
- 3
- 4
- 5

Strong, Experienced Leadership  
Timothy  
T.  
O Dell

Proposed  
Chief  
Executive

Officer

Currently the owner of the Chetwood Group, which provides advisory services to a number of privately held enterprises in construction, health care, real estate and professional services

Prior to founding Chetwood in 2003, Mr. O Dell spent 22 years at Fifth Third Bank, and was a senior executive with Fifth Third's Central Ohio operations for 12 of those years, concluding his tenure serving as President and Chief

Executive Officer

For

10

of

his

years

with

Fifth

Third

Central

Ohio,

Mr.

O Dell

also

served

as

a

senior

lender

and

managed

its

commercial banking and residential and commercial real estate divisions

During his tenure, Fifth Third's Central Ohio division grew by \$4 billion in deposits and \$5 billion in loans from organic growth and through strategic acquisitions

Mr.

O Dell

served

on

the

board

of

the

Columbus

Chamber

of

Commerce

and

The

Ohio

State

University

Medical

Center,

and he was a founding investor in the Ohio TechAngel Venture Fund  
B.B.A.

Marshall  
University  
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Strong, Experienced Leadership  
Robert  
E.  
Hoeweler,  
Jr.

Proposed  
Chairman

Chief  
Executive  
Officer  
of  
a  
diverse  
group  
of  
companies  
owned  
by  
the

Hoeweler  
family,  
including  
manufacturing,

communication, distribution, business services and venture capital entities

Served as Vice Chairman of Winton Financial, Inc., a \$550 million Cincinnati-based S&L, from its initial public offering in 1988 through its ultimate sale in 2005 to WesBanco, Inc.

Has served on the boards of directors of one of the country's largest privately owned waste and recycling companies since 1986 and a privately owned commercial bakery since 1988

Director of Skipjack Financial Services, a provider of payment processing services that the Hoeweler family led from its inception through its sale to a super-regional banking company, from 1996 through 2009

B.S.

University of Cincinnati

Thad

R.

Perry

Proposed

President

Senior Partner with Accenture for over 30 years where he was involved in consulting, transaction structuring, and management of operations. He operated the firm's Columbus, Ohio practice and developed its regulated industries practice. From 1988 through 1998, Mr. Perry managed Accenture's German, Austrian and Swiss practices, which accounted for nearly \$1 billion in gross revenues

Former Chief Operating Officer of Western Europe operations, and

served on Accenture's European Management Board

and the Global Strategic Planning, Management, Markets, Executive, Outsourcing, and Technology Committees

His experiences in banking include the transformation of both the technical and business processes for credit card, internet banking and security, stock and trading exchanges, international banking and customer relationship management

M.B.A.

The Ohio State University

B.S.

The Ohio State University

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Strong, Experienced Leadership  
James  
Howard  
Frauenberg,  
II

Proposed  
Director

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Principal owner of Addison Holding, LLC which manages investments of private individuals

Active in opening new franchises for two retail chains, Five Guys Burgers and Fries and Flip Flops

Senior officer with Check Smart Financial in Dublin, Ohio from 1995 to 2008

Donal

Malenick

Proposed

Director

Chief Executive Officer of Columbus Steel Castings from 2003 through 2008

President of Worthington Steel from 1976 to 1999

Former board member of Max and Ermas Restaurants of Columbus, Ohio from 2006 until it was sold in 2008

Member of KeyBank's advisory board from 2001 to 2005

Private investor since 2008

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Strong, Experienced Leadership

Eloise L. Mackus

Current Chief Executive Officer

Named CEO in February 2011, after becoming Interim CEO in May 2010; will continue as General Counsel

Joined CFBank in July 2003 as Senior Vice President, General Counsel and Corporate Secretary, and became Executive Vice President of both institutions in January 2009

20 years of banking related experience

Previously served as Vice President and General Manager of International Operations and Assistant General Counsel for

J.M. Smucker Company, and Partner at Brouse McDowell

Executive Studies

Harvard and Thunderbird Universities

J.D.

University of Akron School of Law

B.A.

Calvin College

Therese Ann Liutkus

Current President, Treasurer and Chief Financial Officer

Named President in June 2010; will continue as CFO

Joined CFBank as Chief Financial Officer in November 2003

25 years of banking experience

Previously served as CFO and Treasurer of First Place Financial Corp. and FFY Financial Corp.

B.B.A.

Cleveland State University

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Strong, Experienced Leadership  
Timothy  
R.  
Fitzwater

Senior  
Commercial  
Officer

Joined CFBank in June 2010

39 years of banking experience

Previously worked for National City Bank (now PNC) for 36 years,  
rising to President of the Northeast Region

Managed approximately \$3 billion in assets and \$1 billion commercial loan portfolio

B.S.

Bowling Green State University

Keith D. Anderson

Senior Credit Officer

Joined CFBank in June 2005

33 years of banking experience

Previously served as Senior Credit Officer for over six years with Champaign National Bank in Bath, Ohio, and  
Senior Credit Officer of Summit Bank, headquartered in Fairlawn,

Ohio for six years

B.S.

University of Akron

Kemper

C.

Allison

Vice

President

of

Commercial

Loan

Workout

Joined CFBank in February 2010

22 years of banking experience

Previously served as Senior Vice President and Chief Lending Officer of Advantage Bank in Worthington, Ohio for  
nearly eight years, and held positions at Bank One, Akron, N.A. and State Savings Bank

B.S.B.A.

The Ohio State University

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Directors/Management Personally Invested  
23  
Existing  
Intended  
Ownership  
Purchase  
Current Directors and Executive Officers  
208,323

258,500

Proposed New Directors and Executive Officers

2,300,000

Proposed Other Standby Purchasers

2,735,000

Current Directors and Executive Officers as well as  
Standby Purchasers as a Group

208,323

5,293,500

Number of Shares

#### Competitive Size & Community Orientation

CFBK operates four branches in three attractive markets

The Bank has approximately \$265 million in assets before the growth that the recapitalized company may be able to achieve in future years.

CFBK is focused on consumers and small businesses in the communities it serves and does not deal in derivatives, capital markets operations or loan syndications

The Company is committed to offering a level of customer service that bigger banks cannot deliver while providing the services and technology that today's customers desire

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Market Opportunity  
Unemployment Rate By  
County

December  
2011  
CFBank Locations (4)  
25

Market Opportunity  
Source: SNL  
26  
Household  
Income  
(\$000s)  
0%  
5%

10%  
15%  
20%  
25%  
30%  
35%  
40%  
Did Not  
Complete High  
School  
High School  
Diploma  
Some College  
Associate  
Degree  
Bachelors  
Degree  
Graduate  
Degree  
Fairlawn  
Worthington  
Ohio  
United States  
0%  
5%  
10%  
15%  
20%  
25%  
30%  
35%  
40%  
45%  
< 25  
25 < 49  
50 < 99  
100 < 199  
> 200  
Fairlawn  
Worthington  
Ohio  
United States  
Education  
Level

Market Opportunity  
27

Well  
CFBank  
CFBank  
Peer  
Capitalized  
Regulatory Capital Ratios  
9/30/11  
Pro Forma

Medians (a)

Requirement

Tier 1 Capital to Tangible Assets (Leverage Ratio)

5.55%

10.16%

9.56%

5.00%

Tier 1 Capital to Risk Weighted Assets

9.13%

16.98%

14.29%

6.00%

Total Risk-Based Capital to Risk Weighted Assets

10.41%

18.22%

15.54%

10.00%

Note: Pro forma ratios reflect gross proceeds of \$22.5 million at an offering price of \$1.00/share (minimum of offering) net of assumed commissions and other transaction expenses, with \$13.5 million invested in CFBank.

Ratios do not include an additional \$7 - \$8 million that will be retained at the holding company.

(a) Peer group reflects 3Q'11 bank-level data from 148 Midwestern institutions with assets between \$250 - \$300 million

Capital to Take Advantage of Opportunities

For Growth

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### III. Why CFBK?

Solid Platform for Quality Growth  
CFBK Listed and Traded on NASDAQ  
Presence in Two Metro Markets Plus Two More Community Branch  
Banks

Akron (Fairlawn HQ)  
Springboard to Cleveland Metro Market

Columbus

Existing Presence with Untapped Potential

Historical Banking Relationships

Wellsville and Calcutta Community Branch Banks

Solid Core Deposits

Cincinnati

Future Expansion

Why CFBK?

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Model Focused on Diversification

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Diversified Balance Sheet, Less Reliance on Real Estate Loans, Greater Focus on Non-Credit Fee Income

Expanding on Community Banking Foundation

Focusing on High Quality Small and Middle Market Businesses, Plus the Private Banking Needs of

Executives and Entrepreneurs Who Own Them

Leveraging State of the Art Technology to Compete Against the Regional Bank Players and to Create Operational Efficiency

Delivered to Customers by Senior Business and Private Bankers

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Committed to Building and Developing a Highly Qualified Team  
Management and the Board Will Have Skin in the Game  
Hands-On Management Style that Stresses Accountability for Results  
Simple Plan with a Focus on Execution  
Strong Controls and Risk Management Processes  
Diversified Business and Asset Mix  
Focus on Increasing Product Offerings and Developing Core Deposits

Building a Culture that Strives for Excellence and Drives Stakeholder Value  
Key Operating Tenets

CFBK: A Unique Opportunity for  
Creating Stakeholder Value  
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