

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?

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2

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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?
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Why Invest in a Community Bank Today?

- 1
- 2
- 3
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- 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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