

CENTRAL FEDERAL CORP
Form FWP
June 28, 2012

Central Federal Corporation
Investment Overview

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Executive Summary

Why Invest in a Community Bank Today?
Which Community Banks Are and Will Be Successful?
Why CFBK?
Executive Summary
1
2
3
4

Changes at CFBK in the Past Two Years

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

5

Promoted

new

CEO

and

President

in

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

Improved Asset Quality
Non-Performing Assets

6

NPAs at 3/31/12 were down 43% from peak levels at 12/31/10

Strengthened Reserves
Loan Loss Reserves / Gross Loans
7

Asset Quality Considerations

Over the last five quarters, CFBK has reduced its non-performing assets by more than **40%**, or **\$6.3** million

Fresh capital should help accelerate the workout process

Because of the Company's present situation, lending has largely

been curtailed and the existing loan portfolio is well seasoned

There is an opportunity to further improve asset quality ratios simply by addressing pent up loan demand and reallocating excess liquidity

8

7,133,000

\$

Preferred stock (net of the discount associated with the warrant valuation)

217,000

Value of warrant (included in paid in capital on balance sheet)

609,000

Accrued dividends (included in other liabilities on balance sheet)

7,959,000

Total TARP obligation at 3/31/12

3,000,000

\$

Amount to be paid to Treasury

4,959,000

\$

Discount on TARP retirement (after-tax)

6.01

\$

Pre-money per share equity equivalent

TARP Discount

Notes: Amounts are as of 3/31/12 and TARP discount is predicated on a \$22.5MM capital raise.

Central Federal deferred but accrued another TARP dividend payment of approximately \$90,300 in May.

The impact of the TARP discount on Central Federal's capital ratios is explained on the subsequent slide.

9

Pro Forma Capital Ratios
10
TARP
CFBK
Offering
Repurchase
CFBK
(dollars in thousands)

3/31/2012

Adjustments (1)

Adjustments

Pro Forma

Consolidated Financial Summary

1

Total Reserves

5,641

\$

-

\$

-

\$

5,641

\$

2

Total Goodwill and Intangibles

79

-

-

79

3

Trust Preferred

5,155

-

-

5,155

4

Stockholders' Equity:

5

Preferred Stock

7,133

-

(7,133)

-

6

Unrealized Gain

493

-

-

493

7

Common Stock

1,595

20,836

4,742

27,173

8

Total Stockholders' Equity

9,221

20,836

(2,391)

27,666

9

Total Capitalization

14,376

\$

20,836

\$

(2,391)

\$

32,821

\$

Consolidated Financial Data

10

Consolidated Tangible Common Equity to Assets

0.83%

10.64%

11

Common Book Value Per Share

2.53

\$

1.75

\$

12

Tangible Common Book Value Per Share (2)

2.43

\$

1.74

\$

13

Offering Price / Tangible Book Value Per Share (2)

61.65%

86.05%

CFBank Regulatory Capital Ratios

14

Tier 1 Capital to Tangible Assets

5.39%

10.44%

15

Tier 1 Capital to Risk Weighted Assets

9.27%

18.25%

16

Total Risk-Based Capital to Risk Weighted Assets

10.55%

19.49%

Ownership

17

Shares Outstanding

825.710

15,000.000

0.000

15,825.710

(1)

(2) Pre-money book value and price to tangible book do not include the impact of the expected \$6.01 per share TARP discount

Assumes gross proceeds of \$22.5 million and an offering price of \$1.50 per share, net of assumed fees and other transaction expenses

I. Why Invest in a Community
Bank Today?
11

Why Invest in a Community Bank Today?

12

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

Major deterioration in public perception of big banks

- 1
- 2
- 3
- 4

Public Backlash Against Big Banks

Management believes:

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.

Stock Performance

Last Twelve Months (%)

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

13

Source: SNL

S&P Bank Index

Too Big To Fail List

Favorable Economic Trends

Ohio has posted the **fourth largest increase in jobs of all 50 states**, on a year-over-year basis from May 2011, according to the Bureau of Labor Statistics

Since May 2011, **Ohio has added 75,700 jobs**, trailing only Texas, New York 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

10.0%

to

8.3%

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. Akron's

unemployment

rate

declined

from

8.4%

to

7.0%

year-over-year,

a

stronger

decline

than

occurred statewide and nationally.

The Columbus MSA's unemployment rate has been consistently lower than the state and national

averages throughout the recession. In April, the Columbus MSA's unemployment rate was

6.4%,

significantly

better

than

state

and

national

figures.

14

Las Vegas
-61.1%
Phoenix
-51.3%
Miami
-48.4%
Detroit
-46.4%

Tampa
-45.7%
Los Angeles
-39.8%
San Francisco
-39.6%
San Diego
-39.2%
Chicago
-36.9%
Atlanta
-36.9%
Minneapolis
-33.1%
Seattle
-29.1%
Portland
-28.0%
Washington DC
-27.0%
New York
-26.0%
Cleveland
-20.1%
Boston
-16.8%
Charlotte
-16.2%
Denver
-8.6%
Dallas
-6.2%

Housing Market Stabilizing

Case-Shiller Home Price Index:

Cleveland versus National Average

Case-Shiller Percent

Decline From Market Peak

15

Ohio did not have as much of a housing bubble as some other parts of the country. Management believes that the real estate market is stabilizing in the Bank s market area.

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.
- 16

Top 5 Deposit Market Share Leaders in CFBK s Markets

Industry Valuations Remain at
Historic Lows

17

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

Historic P/BV Multiples

Historic P/E Multiples

II. Which Community Banks Are
and Will Be Successful?

Which Community Banks Are and
Will Be Successful?

19

1

2

3

4

5

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 reasonable growth potential

Ample capital to take advantage of market opportunities

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

20

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. for 209% of tangible book value

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

21

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

22

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

23

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

24

Existing
Intended
Ownership
Purchase
Current Directors and Executive Officers
\$60,940
\$258,500
Proposed New Directors and Executive Officers

-

2,300,000

Proposed Other Standby Purchasers

-

2,200,000

Current Directors, Executive Officers and Standby Purchasers as a Group

\$60,940

\$4,758,500

Directors/Management Personally Invested

25

Competitive Size & Community Orientation

CFBK operates four branches in three attractive markets

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

26

Unemployment Rate By
County

May
2012

CFBank Locations (4)

27

Market Opportunity

Market Opportunity
Source: SNL
28
Household
Income
(\$000s)
Did not
Completed High

School
High School
Diploma
Some College
Associate
Degree
Bachelors
Degree
Graduate
Degree
< 25
25 < 49
50 < 99
100 < 199
> 200
Household
Income
(\$000s)

Market Opportunity
29

Market Opportunity
Shale Activity
30

CFBank's Columbiana County branches are located in and serve communities that are deeply impacted by the development of the Utica Shale formation in Eastern Ohio

By 2015, Ohio's natural gas and crude oil industries are expected to generate more than \$34 billion in exploration and development, midstream, royalty and lease expenditures

It is estimated that approximately 2,800 new wells will be drilled and completed by 2015, leading to the creation of more than 200,000 new jobs and \$12 billion in annual salaries and personal income to Ohioans

Of the 33 drilling permits issued

in
the
Mahoning
Valley
in
2012,
28
were
issued
in Columbiana County

Studies suggest that employment in the natural gas production industry will
increase
by
approximately
260%
by
2035,
placing
Ohio
fifth
in
the
nation
for
employment in this field
Kleinhenz
&
Associates

Economic
Impact
Study,
September
2011
IHS Global Insight, June 2012
The Ohio Department of Natural Resources

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

Utica Shale opportunities

Cincinnati

Future expansion

Why CFBK?

32

Model Focused on Diversification

33

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

Community

Bank

Business

Bank

Private

Banking

34

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

To request additional information,
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