UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

þ **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2007

o **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 0-25045

CENTRAL FEDERAL CORPORATION.

(Exact name of registrant as specified in its charter)

Delaware (State or Other Jurisdiction of Incorporation or Organization)	34-1877137 (I.R.S. Employer Identification No.)
2923 Smith Road, Fairlawn, Ohio (Address of Principal Executive Offices)	44333 (Zip Code)

(330) 666-7979
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Common Stock, par value $.01 per share (Title of Class)	Nasdaq® Capital Market (Name of Exchange on which Registered)

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act YES o NO þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act YES o NO þ

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES þ NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o   Accelerated filer o   Non-accelerated filer o   Smaller reporting company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES o NO þ

The aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates as of June 29, 2007 was $27.9 million based upon the closing price as reported on the Nasdaq® Capital Market for that date.

As of March 15, 2008, there were 4,434,787 shares of the registrant's Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Rule 14a-3(b) Annual Report to Shareholders for its fiscal year ended December 31, 2007 and its Proxy Statement for the 2008 Annual Meeting of Stockholders to be held on May 15, 2008, which was filed with the Securities and Exchange Commission (the Commission) on March 27, 2008, are incorporated herein by reference into Parts II and III, respectively, of this Form 10-K.

INDEX

	Page
PART I	
Item 1. Business	3
Item 2. Properties	32
Item 3. Legal Proceedings	32
Item 4. Submission of Matters to a Vote of Security Holders	33
PART II	
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	33
Item 6. Selected Financial Data	34
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation	34
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	34
Item 8. Financial Statements	34
Item 9. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure	34
Item 9A. Controls and Procedures	34
Item 9B. Other Information	35
PART III	
Item 10. Directors, Executive Officers and Corporate Governance	35
Item 11. Executive Compensation	37
Item 12. Security Ownership of Certain Beneficial Owners and Management And Related Stockholder Matters	37
Item 13. Certain Relationships and Related Transactions, and Director Independence	37
Item 14. Principal Accounting Fees and Services	37
Item 15. Exhibits, Financial Statement Schedules	38
SIGNATURES	

EXHIBIT INDEX

EX-3.3
EX-11.1
EX-13.1
EX-21.1
EX-23.1
EX-31.1
EX-31.2
EX-32.1

Forward-Looking Statements

This Form 10-K contains "forward-looking statements" which may be identified by the use of such words as "may," "believe," "expect," "anticipate," "should," "plan," "estimate," "predict," "continue" and "potential" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, estimates with respect to our financial condition, results of operations and business that are subject to various factors which could cause actual results to differ materially from these estimates. These factors include, but are not limited to (i) general and local economic conditions, (ii) changes in interest rates, deposit flows, demand for mortgages and other loans, real estate values and competition, (iii) changes in accounting principles, policies or guidelines, (iv) changes in legislation or regulation and (v) other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services.

Any or all of our forward-looking statements in this Form 10-K and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed and we caution readers not to place undue reliance on any such forward-looking statements. We undertake no obligation to publicly release revisions to any forward-looking statements to reflect events or circumstances after the date of such statements.

PART I

Item 1. Business.

General

Central Federal Corporation (the Company), formerly known as Grand Central Financial Corp., was organized as a Delaware corporation in September 1998 as the holding company for CFBank in connection with CFBank's conversion from a mutual to stock form of organization. CFBank is a community-oriented savings institution which was originally organized in 1892, and was formerly known as Central Federal Savings and Loan Association of Wellsville and more recently as Central Federal Bank. As used herein, the terms "we," "us," "our" and the "Company" refer to Central Federal Corporation and its subsidiaries, unless the context indicates to the contrary. As a savings and loan holding company, we are subject to regulation by the Office of Thrift Supervision (OTS). Reserve Mortgage Services, Inc. (Reserve), a wholly owned subsidiary of CFBank from October 2004 until May 12, 2005 when it was merged into CFBank, was acquired in October 2004 to expand our mortgage services business. Central Federal Capital Trust I (the Trust), a wholly owned subsidiary of the Company, was formed in 2003 to raise additional funding for the Company. Under accounting guidance in Financial Accounting Standards Board (FASB) Interpretation No. 46, as revised in December 2003, the Trust is not consolidated with the Company. Accordingly, the Company does not report the securities issued by the Trust as liabilities, and instead reports as liabilities the subordinated debentures issued by the Company and held by the Trust. Ghent Road, Inc., a wholly owned subsidiary of the Company, was formed in 2006 and owns land adjacent to CFBank's Fairlawn office. Currently, we do not transact any material business other than through CFBank and the Trust. At December 31, 2007, assets totaled $279.6 million and stockholders' equity totaled $27.4 million.

CFBank is a community-oriented financial institution offering a variety of financial services to meet the needs of the communities we serve. Our client-centric method of operation emphasizes personalized service, clients' access to decision makers, solution-driven lending and quick execution, efficient use of

technology and the convenience of remote deposit, telephone banking, corporate cash management and online internet banking. We attract deposits from the general public and use the deposits, together with borrowings and other funds, primarily to originate commercial and commercial real estate loans, single-family and multi-family residential mortgage loans and home equity lines of credit. We also invest in consumer loans, construction and land loans and securities. In 2003, we began originating more commercial, commercial real estate and multi-family mortgage loans than in the past as part of our expansion into business financial services. Revenues are derived principally from the generation of interest and fees on loans originated and, to a lesser extent, interest and dividends on securities. Our primary sources of funds are retail savings deposits and certificates of deposit, brokered certificates of deposit and, to a lesser extent, principal and interest payments on loans and securities, Federal Home Loan Bank (FHLB) advances and other borrowings and proceeds from the sale of loans. Our principal market area for loans and deposits includes the following Ohio counties: Summit County through our office in Fairlawn, Ohio; Franklin County through our office in Worthington, Ohio; and Columbiana County through our offices in Calcutta and Wellsville, Ohio. We originate commercial and conventional real estate loans and business loans primarily throughout Ohio.

Market Area and Competition

Our primary market area is a competitive market for financial services and we face competition both in making loans and in attracting deposits. Direct competition comes from a number of financial institutions operating in our market area, many with a statewide or regional presence, and in some cases, a national presence. Many of these financial institutions are significantly larger and have greater financial resources than we do. Competition for loans and deposits comes from savings institutions, mortgage banking companies, commercial banks, credit unions, brokerage firms and insurance companies.

Lending Activities

Loan Portfolio Composition. The loan portfolio consists primarily of mortgage loans secured by single-family and multi-family residences, commercial real estate loans and commercial loans. At December 31, 2007, gross loans receivable totaled $233.5 million. Commercial, commercial real estate and multi-family mortgage loans totaled $174.2 million and represented 74.6% of the gross loan portfolio at December 31, 2007 compared to 67.7% at December 31, 2006 and 57.7% at December 31, 2005. The increase in the percentage of commercial, commercial real estate and multi-family mortgage loans in the portfolio was a result of the growth strategy implemented in 2003 to expand into business financial services. Single-family residential mortgage loans totaled $31.1 million and represented 13.3% of total gross loans at year-end 2007 compared to $30.2 million or 16.2% at year-end 2006 and $23.6 million or 18.8% at year-end 2005. The remainder of the portfolio consisted of consumer loans, which totaled $28.2 million, or 12.1% of gross loans receivable at year-end 2007.

The types of loans originated are subject to federal and state law and regulations. Interest rates charged on loans are affected by the demand for such loans, the supply of money available for lending purposes and the rates offered by competitors. In turn, these factors are affected by, among other things, economic conditions, fiscal policies of the federal government, monetary policies of the Federal Reserve Board and legislative tax policies.

Table of Contents

The following table sets forth the composition of the loan portfolio in dollar amounts and as a percentage of the portfolio at the dates indicated.

	At December 31,									
	2007		2006		2005		2004		2003	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)									
Real estate mortgage loans:										
Single-family	$ 31,082	13.31%	$ 30,209	16.15%	$ 23,627	18.81%	$ 42,577	38.97%	$35,420	60.63%
Multi-family	43,789	18.75%	47,247	25.25%	30,206	24.04%	25,602	23.43%	1,250	2.14%
Commercial real estate	95,088	40.71%	47,474	25.37%	25,937	20.64%	20,105	18.40%	5,040	8.62%
Total real estate mortgage loans	169,959	72.77%	124,930	66.77%	79,770	63.49%	88,284	80.80%	41,710	71.39%
Consumer loans:										
Home equity loans	604	0.26%	865	0.46%	734	0.58%	663	0.61%	1,003	1.72%
Home equity lines of credit	18,726	8.02%	22,148	11.84%	23,852	18.98%	5,928	5.43%	1,640	2.81%
Automobile	7,957	3.41%	6,448	3.45%	4,237	3.37%	6,735	6.16%	9,292	15.90%
Other	961	0.41%	785	0.42%	717	0.57%	626	0.57%	663	1.13%
Total consumer loans	28,248	12.10%	30,246	16.17%	29,540	23.50%	13,952	12.77%	12,598	21.56%
Commercial loans	35,334	15.13%	31,913	17.06%	16,347	13.01%	7,030	6.43%	4,116	7.05%
Total loans receivable	233,541	100.00%	187,089	100.00%	125,657	100.00%	109,266	100.00%	58,424	100.00%
Less:										
Net deferred loan fees	(382)		(285)		(136)		(139)		15	
Allowance for loan losses	(2,684)		(2,109)		(1,495)		(978)		(415)	
Loans receivable, net	$230,475		$184,695		$124,026		$108,149		$58,024	

Real estate mortgage loans include $6,184, $4,454, $1,466, $9,774 and $1,096 in construction loans at year-end 2007, 2006, 2005, 2004 and 2003.

Loan Maturity. The following table shows the remaining contractual maturity of the loan portfolio at December 31, 2007. Demand loans and other loans having no stated schedule of repayments or no stated maturity are reported as due within one year. The table does not include potential prepayments or scheduled principal amortization.

	At December 31, 2007			
	Real Estate Mortgage Loans(1)	Consumer Loans	Commercial Loans	Total Loans Receivable
	(Dollars in thousands)			
Amounts due:				
Within one year	$ 15,478	$ 1,117	$ 20,986	$ 37,581
After one year:				
More than one year to three years	15,786	1,949	3,493	21,228
More than three years to five years	21,376	5,065	5,427	31,868
More than five years to 10 years	72,563	2,207	4,547	79,317
More than 10 years to 15 years	16,355	163	811	17,329
More than 15 years	28,401	17,747	70	46,218
Total due after 2007	154,481	27,131	14,348	195,960
Total amount due	$ 169,959	$ 28,248	$ 35,334	$ 233,541

(1) Real estate mortgage loans include single-family, multi-family and commercial real estate loans.

The following table sets forth at December 31, 2007, the dollar amount of total loans receivable contractually due after December 31, 2008, and whether such loans have fixed interest rates or adjustable interest rates.

	Due after December 31, 2008		
	Fixed	Adjustable	Total
	(Dollars in thousands)		
Real estate mortgage loans(1)	$ 57,957	$ 96,524	$154,481
Consumer loans	8,691	18,440	27,131
Commercial loans	6,446	7,902	14,348
Total loans	$ 73,094	$122,866	$195,960

(1) Real estate mortgage loans include single-family, multi-family and commercial real estate loans.

Origination of Loans. Lending activities are conducted through our offices. In 2003, we began originating commercial, commercial real estate and multi-family mortgage loans to take advantage of opportunities for expansion into business financial services and growth in the Fairlawn and Columbus, Ohio markets. These loans are predominantly adjustable rate loans. A majority of our single-family mortgage loan originations are fixed-rate loans. Current originations of long-term fixed-rate single-family mortgages are generally sold rather than retained in portfolio. Although the decision to sell current single-family mortgage originations rather than retain the loans in portfolio may result in declining single-family loan portfolio balances and lower earnings from that portfolio in the near term, it protects future profitability. We believe it is not prudent to retain all of these long-term, fixed-rate loan originations and subject our performance to the interest rate risk and reduced future earnings associated with a rise in interest rates. In a transaction with the Federal Home Loan Mortgage Corporation (Freddie Mac) in the

second quarter of 2005, we securitized single-family residential mortgage loans held in our portfolio with an outstanding principal balance of $18.6 million, reducing single-family mortgage loan balances. The securitization increased liquidity as the securities retained were readily marketable, eliminated credit risk on the loans and reduced CFBank's risk-based capital requirement. Although we currently expect that most of the long-term fixed-rate mortgage loan originations will continue to be sold on a servicing-released basis, a portion of the loans may be retained for portfolio within our interest rate risk and profitability guidelines.

Single-Family Mortgage Lending. A significant lending activity has been the origination of permanent conventional mortgage loans secured by single-family residences located predominantly in our primary market area. We currently sell substantially all of the fixed-rate single-family mortgage loans that we originate on a servicing released basis. Prior to 2004, servicing rights were generally retained on loans sold. Most single-family mortgage loans are underwritten according to Freddie Mac guidelines. Loan originations are obtained from our loan officers and their contacts with the local real estate industry, existing or past customers, and members of the local communities. At December 31, 2007, single-family mortgage loans totaled $31.1 million, or 13.3% of total loans, of which $15.1 million, or 48.5%, were fixed-rate loans.

Our policy is to originate single-family residential mortgage loans in amounts up to 85% of the appraised value of the property securing the loan and up to 100% of the appraised value if private mortgage insurance is obtained. Mortgage loans generally include due-on-sale clauses which provide us with the contractual right to deem the loan immediately due and payable in the event the borrower transfers ownership of the property without our consent. Due-on-sale clauses are an important means of adjusting the rates on the fixed-rate mortgage loan portfolio, and we exercise our rights under these clauses. The single-family mortgage loan originations are generally for terms to maturity of up to 30 years.

We offer several adjustable-rate mortgage (ARM) loan programs with terms of up to 30 years and interest rates that adjust with a maximum adjustment limitation of 2.0% per year and a 6.0% lifetime cap. The interest rate adjustments on ARM loans currently offered are indexed to a variety of established indices and these loans do not provide for initial deep discount interest rates or for negative amortization.

The volume and types of single-family ARM loans originated have been affected by such market factors as the level of interest rates, consumer preferences, competition and the availability of funds. In recent years, demand for single-family ARM loans in our primary market area has been weak due to consumer preference for fixed-rate loans as a result of the low interest rate environment. Consequently, in recent years our origination of ARM loans on single-family residential properties has not been significant as compared to our origination of fixed-rate loans.

Commercial and Multi-Family Real Estate Lending. Beginning in 2003, we expanded into business financial services and positioned ourselves for growth in the Fairlawn and Columbus, Ohio markets and, as a result, originations of commercial real estate and multi-family residential mortgage loans increased significantly. Commercial real estate and multi-family residential mortgage loans totaled $138.9 million at December 31, 2007, or 59.5% of gross loans, an increase of $44.2 million, or 46.7%, from $94.7 million at December 31, 2006, or 50.6% of gross loans, and an increase of $82.8, million or 147.6%, from $56.1 million, or 44.7% of gross loans, at December 31, 2005. We anticipate that commercial real estate and multi-family residential mortgage lending activities will continue to grow in the future as we continue to execute our strategic growth plan.

We originate commercial real estate loans that are secured by properties used for business purposes, such as manufacturing facilities, office buildings or retail facilities. Commercial real estate and multi-family residential mortgage loans are secured by properties generally located in our primary market area. Underwriting policies provide that commercial real estate and multi-family residential mortgage loans may be made in amounts up to 80% of the appraised value of the property. In underwriting commercial

real estate and multi-family residential mortgage loans, we consider the appraisal value and net operating income of the property, the debt service ratio and the property owner's financial strength, expertise and credit history.

Commercial real estate and multi-family residential mortgage loans are generally considered to involve a greater degree of risk than single-family residential mortgage loans. Because payments on loans secured by commercial real estate and multi-family properties are dependent on successful operation or management of the properties, repayment of such loans may be subject to a greater extent to adverse conditions in the real estate market or the economy. We seek to minimize these risks through underwriting policies which require such loans to be qualified at origination on the basis of the property's income and debt coverage ratio and the financial strength of the owners.

At December 31, 2007, three multi-family mortgage loans to one borrower, totaling $1.3 million and secured by apartment buildings in the Columbus, Ohio area, were identified as significant problem loans that are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged. A complete documentation review has been performed, and the loans are in the active process of being collected. The borrower continued to make payments on the loans as of December 31, 2007 and the loans are neither impaired nor nonaccrual at year-end 2007; however, the loans exhibit weaknesses that could lead to nonaccrual classification in the future. As substandard assets, the loans are characterized by the distinct possibility that some loss will be sustained if the deficiencies are not corrected. See "*Delinquencies and Classified Assets*."

Commercial Lending. Expansion into business lending in 2003 also resulted in increased originations of commercial loans. Commercial loans totaled $35.3 million, or 15.1% of gross loans, at December 31, 2007, an increase of $3.4 million, or 10.7%, from $31.9 million, or 17.1% of gross loans, at December 31, 2006, and an increase of $19.0 million, or 116.6%, from $16.3 million, or 13.0% of gross loans, at December 31, 2005. We anticipate that commercial lending activities will continue to grow in the future.

We make commercial business loans primarily to businesses that are generally secured by business equipment, inventory, accounts receivable and other business assets. In underwriting commercial loans, we consider the net operating income of the company, the debt service ratio and the financial strength, expertise and credit history of the owners.

Commercial loans are generally considered to involve a greater degree of risk than loans secured by real estate. Because payments on commercial loans are dependent on successful operation of the business enterprise, repayment of such loans may be subject to a greater extent to adverse conditions in the economy. We seek to minimize these risks through underwriting policies which require such loans to be qualified at origination on the basis of the enterprise's income and debt coverage ratio and the financial strength of the owners.

At December 31, 2007, six commercial loans totaling $2.1 million, including three commercial loans to one borrower totaling $1.5 million and secured by a golf course in Macedonia, Ohio, were identified as significant problem loans that are inadequately protected by the current net worth and paying capacity of the obligors or of the collateral pledged. Complete documentation reviews have been performed, and the loans are in the active process of being collected. Payments on these loans are current as of December 31, 2007 and the loans are neither impaired, nor nonaccrual at year-end 2007; however, the loans exhibit weaknesses that could lead to nonaccrual classification in the future. As substandard assets, the loans are characterized by the distinct possibility that some loss will be sustained if the deficiencies are not corrected. See "*Delinquencies and Classified Assets*."

Construction and Land Lending. To a lesser extent, we originate construction and land development loans in our primary market areas. Construction loans are made to finance the construction of residential and commercial properties. Construction loans are fixed or adjustable-rate loans which may convert to

permanent loans with maturities of up to 30 years. Policies provide that construction loans may be made in amounts up to 80% of the appraised value of the property, and an independent appraisal of the property is required. Loan proceeds are disbursed in increments as construction progresses and as inspections warrant, and regular inspections are required to monitor the progress of construction. Land loans are evaluated on an individual basis, but generally they do not exceed 75% of the actual cost or current appraised value of the property, whichever is less.

Construction and land financing is considered to involve a higher degree of credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value at completion of construction or development compared to the estimated cost (including interest) of construction. If the estimate of value proves to be inaccurate, we may be confronted with a project, when completed, having a value which is insufficient to assure full repayment.

Consumer and Other Lending. The consumer loan portfolio generally consists of home equity lines of credit, automobile loans, home equity and home improvement loans and loans secured by deposits. At December 31, 2007, the consumer loan portfolio totaled $28.2 million, or 12.1% of gross loans receivable.

Home equity lines of credit comprise the majority of consumer loan balances and totaled $18.7 million at December 31, 2007. We offer a variable rate home equity line of credit with rates adjusting monthly at up to 3% above the prime rate of interest as disclosed in *The Wall Street Journal.* The amount of the line is based on the borrower's credit, income and equity in the home. When combined with the balance of the prior mortgage liens, these lines generally may not exceed 89.9% of the appraised value of the property at the time of the loan commitment. These loans are secured by a subordinate lien on the underlying real estate.

Prior to 2003, we were in the business of making indirect automobile loans. We no longer originate indirect automobile loans and make few direct automobile loans. In 2005, we began purchasing pools of automobile loans and, as a result, balances increased to $8.0 million, or 3.4% of total loans at December 31, 2007 compared to $6.4 million or 3.4% of total loans at December 31, 2006, and $4.2 million or 3.4% of total loans at December 31, 2005.

Delinquencies and Classified Assets. The Board of Directors monitors the status of all delinquent loans thirty days or more past due, past due statistics and trends for all loans monthly. Procedures with respect to resolving delinquencies vary depending on the nature and type of the loan and period of delinquency. In general, we make every effort, consistent with safety and soundness principles, to work with the borrower to have the loan brought current. If the loan is not brought current, it then becomes necessary to repossess collateral and/or take legal action.

Federal regulations and CFBank's asset classification policy require use of an internal asset classification system as a means of reporting and monitoring assets. We have incorporated the OTS internal asset classifications as a part of our credit monitoring system. In accordance with regulations, problem assets are classified as "substandard," "doubtful" or "loss," and the classifications are subject to review by the OTS. An asset is considered "substandard" under the regulations if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. An asset considered "doubtful" under the regulations has all of the weaknesses inherent in those classified "substandard" with the added characteristic that the weaknesses make "collection or liquidation in full," on the basis of currently existing facts, conditions and values, "highly questionable and improbable." Assets considered "loss" under the regulations are those considered "uncollectible" and having so little value that their continuance as assets without the establishment of a specific loss allowance is not

warranted. Assets are required to be designated “special mention” when they posses weaknesses but do not currently expose the insured institution to sufficient risk to warrant classification in one of these categories. In order to more closely monitor credit risk as we employ our growth strategy in business financial services, we have developed internal loan review procedures and a credit grading system for commercial, commercial real estate and multi-family mortgage loans, and also utilize an independent, external firm for loan review annually.

At December 31, 2007, $2.0 million in assets were designated as special mention, including $914,000 in commercial real estate loans, $783,000 in commercial loans, and $350,000 in single-family mortgage loans. Assets classified as substandard totaled $3.9 million at December 31, 2007, including $2.1 million in commercial loans, $1.3 million in multi-family mortgage loans, $235,000 in single-family mortgage loans, $146,000 in home equity lines of credit, $9,000 in auto loans, and $86,000 in repossessed property. No assets were classified as doubtful or loss at year-end 2007.

Table of Contents

The following table sets forth information concerning delinquent loans in dollar amounts and as a percentage of the total loan portfolio. The amounts presented represent the total remaining principal balances of the loans rather than the actual payment amounts which are overdue.

	December 31, 2007				December 31, 2006				December 31, 2005			
	60-89 Days		90 Days or More		60-89 Days		90 Days or More		60-89 Days		90 Days or More	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
	(Dollars in thousands)											
Real estate loans:												
Single-family	—	$ —	5	$ 332	—	$ —	5	$ 288	—	$ —	10	$ 800
Consumer loans:												
Home equity loans and lines of credit	—	—	1	146	—	—	—	—	—	—	—	—
Automobile	—	—	1	9	1	1	1	9	4	30	—	—
Other	—	—	—	—	—	—	—	—	1	2	—	—
Commercial loans	—	—	1	1	2	509	—	—	—	—	—	—
Total delinquent loans	—	$ —	8	$ 488	3	$ 510	6	$ 297	5	$ 32	10	$ 800
Delinquent loans as a percent of total loans		—%		0.21%		0.27%		0.16%		0.03%		0.64%

The table does not include delinquent loans less than 60 days past due. At December 31, 2007, 2006 and 2005, total loans past due 30 to 59 days totaled $333,000, $1,533,000 and $859,000, respectively.

	December 31, 2004				December 31, 2003			
	60-89 Days		90 Days or More		60-89 Days		90 Days or More	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
	(Dollars in thousands)							
Real estate loans:								
Single-family	2	$ 149	8	$ 276	3	$ 97	9	$ 714
Consumer loans:								
Home equity loans and lines of credit	1	7	0	—	3	37	—	—
Automobile	5	44	2	9	2	13	2	6
Unsecured lines of credit	—	—	—	—	—	—	1	1
Other	—	—	1	1	—	—	4	20
Commercial loans	—	—	—	—	1	25	—	—
Total delinquent loans	8	$ 199	11	$ 286	9	$ 172	16	$ 741
Delinquent loans as a percent of total loans		0.18%		0.26%		0.30%		1.28%

The table does not include delinquent loans less than 60 days past due. At December 31, 2004 and 2003, total loans past due 30 to 59 days totaled $549 and $481, respectively.

Nonperforming Assets. The following table contains information regarding nonperforming loans and repossessed assets. It is the general policy of the Bank to stop accruing interest on loans four payments or more past due (unless the loan principle and interest are determined by management to be fully secured and in the process of collection) and set up reserves for all previously accrued interest. At December 31, 2007, the amount of additional interest income that would have been recognized on nonaccrual loans, if such loans had continued to perform in accordance with their contractual terms, was approximately $21,000. At December 31, 2007, 2006 and 2005, there were no impaired loans or troubled debt restructurings.

	At December 31,				
	2007	2006	2005	2004	2003
			(Dollars in thousands)		
Nonaccrual loans:					
Single-family real estate	$ 235	$ 288	$ 800	$ 276	$ 714
Consumer	155	9	—	10	27
Commercial	1	—	—	—	—
Total nonaccrual loans	391	297	800	286	741
Loans past due 90 days or more and still accruing:					
Single-family real estate	97	—	—	—	—
Total nonperforming loans(1)	488	297	800	286	741
Real estate owned (REO)	86	—	—	132	184
Other repossessed assets	—	—	—	—	9
Total nonperforming assets(2)	$ 574	$ 297	$ 800	$ 418	$ 934
Nonperforming loans to total loans	0.21%	0.16%	0.64%	0.26%	1.28%
Nonperforming assets to total assets	0.21%	0.13%	0.46%	0.24%	0.87%

(1) Total nonperforming loans equal nonaccrual loans and loans past due 90 days or more and still accruing.

(2) Nonperforming assets consist of nonperforming loans (and impaired loans), and REO.

Allowance for Loan Losses. Management analyzes the adequacy of the allowance for loan losses regularly through reviews of the performance of the loan portfolio considering economic conditions, changes in interest rates and the effect of such changes on real estate values and changes in the composition of the loan portfolio. Such evaluation, which includes a review of all loans for which full collectibility may not be reasonably assured, considers, among other matters, the estimated fair value of the underlying collateral, economic conditions, historical loan loss experience, changes in the size and growth of the loan portfolio and other factors that warrant recognition in providing for an adequate loan loss allowance. The allowance for loan losses is established through a provision for loan losses based on management's evaluation of the risk in its loan portfolio. Various regulatory agencies, as an integral part of the examination process, periodically review the allowance for loan losses. Such agencies may require additional provisions for loan losses based upon information available at the time of the review. At December 31, 2007, the allowance for loan losses totaled 1.15% of total loans as compared to 1.13% at December 31, 2006.

The OTS, in conjunction with the other federal banking agencies, has adopted an interagency policy statement on the allowance for loan and lease losses. The policy statement provides guidance for financial institutions on both the responsibilities of management for the assessment and establishment of adequate allowances in accordance with U.S. generally accepted accounting principles and guidance for

banking agency examiners to use in evaluating the allowances. The policy statement requires that institutions have effective systems and controls to identify, monitor and address asset quality problems; that management analyze all significant factors that affect the collectability of the portfolio in a reasonable manner; and that management establish acceptable allowance evaluation processes that meet the objectives set forth in the policy statement. CFBank adopted an Allowance for Loan Losses Policy designed to provide a thorough, disciplined and consistently applied process that incorporates management's current judgments about the credit quality of the loan portfolio into determination of the allowance for loan losses in accordance with U.S. generally accepted accounting principles and supervisory guidance. Management believes that an adequate allowance for loan losses has been established. However, actual losses are dependent upon future events and, as such, further additions to the level of allowances for estimated loan losses may become necessary.

The following table sets forth activity in the allowance for loan losses for the periods indicated.

	At or for the Year ended December 31,				
	2007	2006	2005	2004	2003
	(Dollars in thousands)				
Allowance for loan losses, beginning of period	$ 2,109	$ 1,495	$ 978	$ 415	$ 361
Charge-offs:					
Single-family real estate	27	159	170	—	—
Consumer	17	143	85	117	50
Total charge-offs	44	302	255	117	50
Recoveries on loans previously charged off:					
Single-family real estate	72	53	27	—	—
Consumer	8	43	71	34	2
Total recoveries	80	96	98	34	2
Net charge-offs (recoveries)	(36)	206	157	83	48
Provision for loan losses	539	820	674	646	102
Allowance for loan losses, end of period	$ 2,684	$ 2,109	$ 1,495	$ 978	$ 415
Allowance for loan losses to total loans	1.15%	1.13%	1.19%	.90%	.71%
Allowance for loan losses to nonperforming loans	550.00%	710.10%	186.88%	341.96%	56.01%
Net charge-offs (recoveries) to the allowance for losses	(1.34%)	9.77%	10.50%	8.49%	11.57%
Net charge-offs (recoveries) to average loans	(.02%)	.13%	.14%	.10%	.08%

Expansion into business financial services and the significant growth in commercial, commercial real estate and multi-family mortgage loans during 2005 through 2007 required an increase in the provision and allowance for loan losses related to these loan types. The provision for loan losses totaled $539,000 in 2007 compared to $820,000 in 2006 and $674,000 in 2005. As shown in the following chart, the allowance for commercial, commercial real estate and multi-family mortgage loans totaled $2.6 million at December 31, 2007, an increase of $606,000 from $1.9 million at December 31, 2006 and an increase of $1.3 million from $1.3 million at December 31, 2005, as these loan types grew from 57.7% of the portfolio at year-end 2005 to 74.6% of the portfolio at year-end 2007. These loans tend to be larger balance, higher risk loans and, as a result, 95.1% of the allowance was allocated to these loan types at December 31, 2007.

The following table sets forth the allowance for loan losses in each of the categories listed at the dates indicated and the percentage of such amounts to the total allowance and loans in each category as a percent of total loans. Although the allowance may be allocated to specific loans or loan types, the entire allowance is available for any loan that, in management's judgment, should be charged off.

	At December 31,								
	2007			2006			2005		
	Amount	% of Allowance in each Category to Total Allowance	Percent of Loans in Each Category to Total Loans	Amount	% of Allowance in each Category to Total Allowance	Percent of Loans in Each Category to Total Loans	Amount	% of Allowance in each Category to Total Allowance	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)								
Single-family mortgage loans	$ 86	3.20%	13.31%	$ 110	5.22%	16.15%	$ 57	3.81%	18.81%
Consumer loans	46	1.72%	12.10%	53	2.51%	16.17%	120	8.03%	23.50%
Commercial, commercial real estate and multi-family mortgage loans	2,552	95.08%	74.59%	1,946	92.27%	67.68%	1,318	88.16%	57.69%
Total allowance for loan losses	$ 2,684	100.00%	100.00%	$ 2,109	100.00%	100.00%	$ 1,495	100.00%	100.00%

	At December 31,					
	2004			2003		
	Amount	% of Allowance in each Category to Total Allowance	Percent of Loans in Each Category to Total Loans	Amount	% of Allowance in each Category to Total Allowance	Percent of Loans in Each Category to Total Loans
	(Dollars in thousands)					
Single-family mortgage loans	$ 4	.41%	38.97%	$ 213	51.33%	60.63%
Consumer loans	112	11.45%	12.77%	102	24.58%	21.56%
Commercial, commercial real estate and multi-family mortgage loans	862	88.14%	48.26%	100	24.09%	17.81%
Total allowance for loan losses	$ 978	100.00%	100.00%	$ 415	100.00%	100.00%

Real Estate Owned

At December 31, 2007, real estate owned totaled $86,000 and consisted of one single-family residential property. Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Investment Activities

Federally chartered savings institutions have the authority to invest in various types of liquid assets, including United States Treasury obligations, securities of various federal agencies, certificates of deposit of insured banks and savings institutions, bankers' acceptances and federal funds. Subject to various restrictions, federally chartered savings institutions may also invest their assets in commercial paper, municipal bonds, investment-grade corporate debt securities and mutual funds whose assets conform to the investments that a federally chartered savings institution is otherwise authorized to make directly.

The investment policy established by the Board of Directors is designed to provide and maintain liquidity, generate a favorable return on investments without incurring undue interest rate and credit risk, and complement lending activities. The policy provides authority to invest in United States Treasury and federal agency securities meeting the policy's guidelines, mortgage-backed securities guaranteed by the United States government and agencies thereof, and municipal bonds. To improve liquidity and eliminate the credit risk associated with mortgages held in our portfolio, we securitized single-family residential mortgage loans with an outstanding principal balance of $18.6 million in a transaction with Freddie Mac in 2005. The securitization (i) increased liquidity as the securities retained were readily marketable, (ii) eliminated credit risk on the loans and (iii) reduced CFBank's risk-based capital requirement. At December 31, 2007, the securities portfolio totaled $28.4 million.

At December 31, 2007, all mortgage-backed securities in the securities portfolio were insured or guaranteed by Freddie Mac or the Federal National Mortgage Association (Fannie Mae).

Table of Contents

The following table sets forth certain information regarding the amortized cost and fair value of securities at the dates indicated.

	At December 31,					
	2007		2006		2005	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)					
Securities available for sale:						
Federal agency	$ 6,998	$ 6,993	$ 6,005	$ 5,883	$ 6,007	$ 5,838
State and municipal	1,009	1,009	2,014	1,979	2,020	1,987
Mortgage-backed	20,107	20,396	21,345	21,464	22,803	23,047
Total securities available for sale	28,114	28,398	29,364	29,326	30,830	30,872
Net unrealized gain (loss) on securities available for sale	284	—	(38)	—	42	—
Total securities	$ 28,398	$ 28,398	$ 29,326	$ 29,326	$ 30,872	$ 30,872

The table below sets forth certain information regarding the carrying value, weighted average yields and contractual maturities of securities available for sale as of December 31, 2007. Yields are stated on a fully taxable equivalent basis.

	At December 31, 2007									
	One Year or Less		More than One Year to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield	Carrying Value	Weighted Average Yield
	(Dollars in thousands)									
Federal agency	$ 5,987	3.60%	$ 1,006	3.90%	$ —		$ —		$ 6,993	3.64%
State and municipal	—	0.00%	1,009	4.34%	—		—		1,009	4.34%
Mortgage-backed	8	6.00%	135	6.00%	5,216	5.16%	15,037	5.52%	20,396	5.43%
Total securities at fair value	$ 5,995	3.60%	$ 2,150	4.24%	$ 5,216	5.16%	$ 15,037	5.52%	$ 28,398	4.95%

Sources of Funds

General. Primary sources of funds are deposits, principal and interest payments on loans and securities, borrowings, and funds generated from operations of CFBank. Contractual loan payments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general market interest rates and economic conditions. Borrowings may be used on a short-term basis for liquidity purposes or on a long-term basis to fund asset growth.

Deposits. CFBank offers a variety of deposit accounts with a range of interest rates and terms including savings accounts, retail and business checking accounts, money market accounts and certificates of deposit. Management regularly evaluates the internal cost of funds, surveys rates offered by competitors, reviews cash flow requirements for lending and liquidity and executes rate changes when necessary as part of its asset/liability management, profitability and growth objectives. For the year ended December 31, 2007, certificates of deposit constituted 58.5% of total average deposits. The term of the certificates of deposit typically offered vary from seven days to five years at rates established by management. Specific terms of an individual account vary according to the type of account, the minimum balance required, the time period funds must remain on deposit and the interest rate, among other factors. The flow of deposits is influenced significantly by general economic conditions, changes in money market rates, prevailing interest rates and competition. At December 31, 2007, certificate accounts maturing in less than one year totaled $79.2 million. Most of these accounts are expected to be reinvested and we do not believe that there is any material risk associated with the respective maturities of these certificates. We rely primarily on a willingness to pay market-competitive interest rates to attract and retain retail deposits. Accordingly, rates offered by competing financial institutions affect our ability to attract and retain deposits. Deposits are obtained predominantly from the areas in which CFBank offices are located, and brokered deposits are accepted. We consider brokered deposits to be a useful element of a diversified funding strategy and an alternative to borrowings. Management regularly compares rates on brokered certificates of deposit with other funding sources in order to determine the best mix of funding sources balancing the costs of funding with the mix of maturities. Brokered deposits totaled $53.6 million at December 31, 2007, $30.5 million at December 31, 2006 and $13.0 million at December 31, 2005. CFBank participates in the Certificate of Deposit Account Registry Service® (CDARS) which provides CFBank customers the ability to obtain full FDIC insurance on deposits of up to $50 million placed through the service. Balances on deposit through the CDARS program, which are included in brokered deposits, totaled $16.8 million at December 31, 2007, $9.5 million at December 31, 2006 and $7.1 million at December 31, 2005.

Certificate accounts in amounts of $100,000 or more totaled $65.9 million at December 31, 2007, maturing as follows:

Maturity Period	Amount	Weighted Average Rate
	(Dollars in thousands)	
Three months or less	$ 13,328	4.67%
Over 3 through 6 months	12,615	4.70%
Over 6 through 12 months	15,986	5.06%
Over 12 months	24,016	5.08%
Total	$ 65,945	

The following table sets forth the distribution of average deposit account balances for the periods indicated and the weighted average interest rates on each category of deposits presented. Averages for the periods presented are based on month-end balances.

	For the Year ended December 31,								
	2007			2006			2005		
	Average Balance	Percent of Total Average Deposits	Average Rate Paid	Average Balance	Percent of Total Average Deposits	Average Rate Paid	Average Balance	Percent of Total Average Deposits	Average Rate Paid
	(Dollars in thousands)								
Interest-bearing checking accounts	$ 10,676	6.00%	2.17%	$ 9,522	6.37%	2.16%	$ 11,321	9.59%	1.26%
Money market accounts	40,890	22.97%	4.39%	31,754	21.25%	4.23%	23,202	19.65%	3.01%
Savings accounts	10,613	5.96%	.50%	12,770	8.55%	.60%	16,121	13.65%	.61%
Certificates of deposit	104,063	58.47%	4.93%	85,010	56.88%	4.30%	59,957	50.78%	3.14%
Noninterest-bearing deposits:									
Demand deposits	11,742	6.60%	—	10,386	6.95%	—	7,471	6.33%	—
Total average deposits	$ 177,984	100.00%	4.34%	$ 149,442	100.00%	3.80%	$ 118,072	100.00%	2.55%

The following table presents by various rate categories, the amount of certificate accounts outstanding at the dates indicated and the periods to maturity of the certificate accounts outstanding at December 31, 2007.

	Period to Maturity from December 31, 2007				At December 31,		
	Less than One Year	One to Two Years	Two to Three Years	Over Three Years	2007	2006	2005
	(Dollars in thousands)						
Certificate accounts:							
0 to 1.99%	$ 23	$ —	$ —	$ 21	$ 44	$ 10	$ 4,273
2.00 to 2.99%	2,923	—	—	—	2,923	4,696	7,850
3.00 to 3.99%	8,358	2,737	306	33	11,434	11,955	21,376
4.00 to 4.99%	27,537	3,490	2,292	5	33,324	19,250	34,676
5.00 to 5.99%	40,353	16,873	2,021	7,196	66,443	61,537	442
6.00% and above	—	—	—	—	—	10	10
Total certificate accounts	$ 79,194	$ 23,100	$ 4,619	$ 7,255	$114,168	$ 97,458	$ 68,627

Borrowings. FHLB advances are used as an alternative to retail deposits to fund operations as part of our operating strategy. The advances are collateralized primarily by certain mortgage loans, home equity lines of credit, commercial real estate loans and mortgage-backed securities and secondarily by investment in capital stock of the FHLB. FHLB advances are made pursuant to several credit programs, each of which has its own interest rate and range of maturities. The maximum amount that the FHLB will advance to member institutions fluctuates from time to time in accordance with the policies of the FHLB.

The Company has lines of credit totaling $11.0 million with two commercial banks. The Company entered into an agreement for a $5.0 million line in 2006 and an additional $6.0 million line in 2007. At December 31, 2007, there was no outstanding balance on the lines of credit. Interest on the lines accrue daily and is variable based on the lenders' federal funds rate.

In 2003, we formed the Trust, which issued $5.0 million of 3-month London Interbank Offered Rate (LIBOR) plus 2.85% floating rate trust preferred securities as part of a pooled private offering of such securities. We issued $5.2 million of subordinated debentures to the Trust in exchange for ownership of all of the common stock of the Trust and the proceeds of the preferred securities sold by the Trust. The subordinated debentures mature on December 30, 2033 and we may redeem the subordinated debentures, in whole or in part, at par plus accrued and unpaid interest, any time after December 30, 2008. We have the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years. There are no required payments on the subordinated debentures over the next 5 years. Under FASB Interpretation No. 46, as revised in December 2003, the Trust is not consolidated with the Company. Accordingly, we do not report the securities issued by the Trust as liabilities, and instead report the subordinated debentures issued by the Company and held by the Trust as liabilities.

The following table sets forth certain information regarding borrowed funds at or for the periods ended on the dates indicated:

	At or for the Year ended December 31,		
	2007	2006	2005
		(Dollars in thousands)	
FHLB advances and other borrowings:			
Average balance outstanding	$51,295	$33,201	$24,860
Maximum amount outstanding at any month-end during the period	60,205	41,604	47,062
Balance outstanding at end of period	54,605	37,675	28,150
Weighted average interest rate during the period	5.02%	4.85%	3.62%
Weighted average interest rate at end of period	4.57%	5.28%	4.25%

Subsidiary Activities

As of December 31, 2007, we maintained CFBank, Ghent Road, Inc. and the Trust as wholly owned subsidiaries.

Personnel

As of December 31, 2007, CFBank had 58 full-time and six part-time employees.

Regulation and Supervision

General. CFBank is a federally chartered savings association. It is subject to regulation, examination and supervision by the OTS and the Federal Deposit Insurance Corporation (FDIC) as its deposit insurer. CFBank's deposit accounts are insured up to applicable limits by the FDIC through the Deposit Insurance Fund (DIF). The FDIC merged the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) to form the DIF on March 31, 2006, in accordance with the Federal Deposit Insurance Reform Act of 2005. CFBank also is a member of the FHLB of Cincinnati, which is one of the 12 regional FHLBs. CFBank must file reports with the OTS concerning its activities and financial condition, and must obtain regulatory approvals prior to entering into certain transactions, such as mergers with, or acquisitions of, other depository institutions. The OTS conducts periodic examinations to assess CFBank's compliance with various regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which a savings association can engage and is intended primarily for the protection of the insurance fund and depositors. Under the holding company form of organization, the Company is also required to file certain reports with, and otherwise comply with the rules and regulations of, the OTS and of the Securities and Exchange Commission (the Commission) under the federal securities laws.

The OTS and the FDIC have significant discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such policies, whether by the OTS, the FDIC, the Commission or the United States Congress, could have a material adverse impact on the Company, CFBank and our operations and shareholders. The following discussion is intended to be a summary of the material statutes and regulations applicable to savings associations and their holding companies, but it does not purport to be a comprehensive description of all such statutes and regulations.

Regulation of Federal Savings Associations

Business Activities. CFBank derives its lending and investment powers from the Home Owners' Loan Act, as amended (HOLA), and OTS regulations. Under these laws and regulations, CFBank may invest in mortgage loans secured by residential and commercial real estate, commercial and consumer loans, certain types of debt securities and certain other assets. CFBank may also establish service corporations that may engage in activities not otherwise permissible for CFBank, including certain real estate equity investments and securities and insurance brokerage activities. CFBank's authority to invest in certain types of loans or other investments is limited by federal law.

Loans to One Borrower. CFBank is generally subject to the same limits on loans to one borrower as is a national bank. With specified exceptions, CFBank's total loans or extensions of credit to a single borrower cannot exceed 15% of CFBank's unimpaired capital and surplus that does not include accumulated other comprehensive income. CFBank may lend additional amounts up to 10% of its unimpaired capital and surplus that does not include accumulated other comprehensive income, if the loans or extensions of credit are fully-secured by readily marketable collateral. CFBank currently complies with applicable loans-to-one-borrower limitations.

QTL Test. The HOLA requires that CFBank, as a savings association, comply with the qualified thrift lender (QTL) test. Under the QTL test, CFBank is required to maintain at least 65% of its portfolio assets in certain "qualified thrift investments" for at least nine months of the most recent twelve-month period. "Portfolio assets" means, in general, CFBank's total assets less the sum of (i) specified liquid assets up to 20% of total assets, (ii) goodwill and other intangible assets and (iii) the value of property used to conduct

CFBank's business. CFBank may also satisfy the QTL test by qualifying as a domestic building and loan association as defined in the Internal Revenue Code of 1986, as amended (the Code). CFBank met the QTL test at December 31, 2007 and in each of the prior 12 months, and, therefore, qualified as a thrift lender. If CFBank fails the QTL test, it must either operate under certain restrictions on its activities or convert to a national bank charter.

Capital Requirements. The OTS regulations require savings associations to meet three minimum capital standards: (i) a tangible capital ratio requirement of 1.5% of total assets as adjusted under the OTS regulations; (ii) a leverage ratio requirement of 3.0% of core capital to such adjusted total assets, if a savings association has been assigned the highest composite rating of 1 under the Uniform Financial Institutions Rating System; and (iii) a risk-based capital ratio requirement of 8.0% of core and supplementary capital to total risk-based assets. The minimum leverage capital ratio for any other depository institution that does not have a composite rating of 1 is 4%, unless a higher leverage capital ratio is warranted by the particular circumstances or risk profile of the depository institution. In determining the amount of risk-weighted assets for purposes of the risk-based capital requirement, a savings association must compute its risk-based assets by multiplying its assets and certain off-balance sheet items by risk weights, which range from 0% for cash and obligations issued by the United States Government or its agencies to 100% for consumer and commercial loans, as assigned by the OTS capital regulation based on the risks found by the OTS to be inherent in the type of asset.

Tangible capital is defined, generally, as common shareholders' equity (including retained earnings), certain non-cumulative perpetual preferred stock and related earnings and minority interests in equity accounts of fully consolidated subsidiaries, less intangibles (other than certain mortgage servicing rights) and investments in and loans to subsidiaries engaged in activities not permissible for a national bank. Core capital is defined similarly to tangible capital, but core capital also includes certain qualifying supervisory goodwill and certain purchased credit card relationships. Supplementary capital currently includes cumulative and other preferred stock, mandatory convertible debt securities, subordinated debt, intermediate preferred stock and the allowance for loan and lease losses. In addition, up to 45% of unrealized gains on available-for-sale equity securities with a readily determinable fair value may be included in tier 2 capital. The allowance for loan and lease losses includable in supplementary capital is limited to a maximum of 1.25% of risk-weighted assets, and the amount of supplementary capital that may be included as total capital cannot exceed the amount of core capital. At December 31, 2007, CFBank met each of its capital requirements, in each case on a fully phased-in basis.

				Capital	
	Actual Capital	Required Capital	Excess (Deficiency) Amount	Actual Percent	Required Percent
			(Dollars in thousands)		
Tangible	$23,433	$ 4,144	$ 19,289	8.5%	1.5%
Core (Leverage)	23,433	11,051	12,382	8.5%	4.0%
Risk-based	26,097	18,962	7,135	11.0%	8.0%

Capital Distributions. OTS regulations impose limitations upon all capital distributions by savings institutions, such as cash dividends, payments to repurchase or otherwise acquire the savings institution's shares, payments to shareholders of another institution in a cash-out merger and other distributions charged against capital. The rule establishes three tiers of institutions, which are based primarily on an institution's capital level. An institution that exceeds all fully phased-in capital requirements before and after a proposed capital distribution (Tier 1 Bank) and that has not been advised by the OTS that it is in need of more than normal supervision, could, after prior notice, but without obtaining approval of the OTS, make capital distributions during a calendar year equal to the greater of (i) 100% of its net earnings to date during the calendar year plus the amount that would reduce by one-half its "surplus capital ratio" (the excess capital over its fully phased-in capital requirements) at the beginning of the calendar year or (ii) 75% of its net earnings for the previous four quarters. Any additional capital distributions would require prior regulatory approval. In the event CFBank's capital fell below its regulatory requirements or the OTS notified it that it was in need of more than normal supervision, CFBank's ability to make capital distributions could be restricted. In addition, the OTS could prohibit a proposed capital distribution by any institution, which would otherwise be permitted by the regulation, if the OTS determines that such distribution would constitute an unsafe or unsound practice. At December 31, 2007, CFBank was classified as a Tier 1 Bank.

Under OTS capital distribution regulations, an application to and the prior approval of the OTS is required before an institution makes a capital distribution if (i) the institution does not meet certain criteria for "expedited treatment" for applications under the regulations, (ii) the total capital distributions by the institution for the calendar year exceed net income for that year plus the amount of retained net income for the preceding two years, (iii) the institution would be undercapitalized following the distribution or (iv) the distribution would otherwise be contrary to a statute, regulation or agreement with the OTS. If an application is not required, the institution may still need to give advance notice to the OTS of the capital distribution. The Company's ability to pay dividends, service debt obligations and repurchase common stock is dependent upon receipt of dividend payments from CFBank.

Branching. OTS regulations permit federally-chartered savings associations to branch nationwide under certain conditions. Generally, federal savings associations may establish interstate networks and geographically diversify their loan portfolios and lines of business. The OTS authority preempts any state law purporting to regulate branching by federal savings associations.

Community Reinvestment. Under the Community Reinvestment Act (the CRA), as implemented by OTS regulations, a savings association has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low- and moderate-income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the OTS, in connection with its examination of a savings association, to assess the association's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by the association. The CRA also requires each institution to publicly disclose its CRA rating. CFBank's CRA rating based on the latest assessment by the OTS was "satisfactory."

The CRA regulations establish an assessment system that bases an association's rating on its actual performance in meeting community needs. In particular, the assessment system focuses on three tests: (i) a lending test, to evaluate the institution's record of making loans in its assessment areas; (ii) an investment test, to evaluate the institution's record of investing in community development projects, affordable housing and programs benefiting low- or moderate-income individuals and businesses; and (iii) a service test, to evaluate the institution's delivery of services through its branches, ATMs and other offices.

Transactions with Related Parties. CFBank's authority to engage in transactions with related parties or "affiliates" (i.e., any company that controls or is under common control with an institution, including the Company and any non-savings institution subsidiaries that the Company may establish) is limited by Sections 23A and 23B of the Federal Reserve Act (FRA). Section 23A restricts the aggregate amount of covered transactions with any individual affiliate to 10% of the capital and surplus of the savings institution and also limits the aggregate amount of transactions with all affiliates to 20% of the savings institution's capital and surplus. Certain transactions with affiliates are required to be secured by collateral in an amount and of a type described in Section 23A, and the purchase of low quality assets from affiliates is generally prohibited. Section 23B generally requires that certain transactions with affiliates, including loans and asset purchases, must be on terms and under circumstances, including credit standards, that are substantially the same or at least as favorable to the institution as those prevailing at the time for comparable transactions with non-affiliated companies. A savings association also is prohibited from extending credit to any affiliate engaged in activities not permitted for a bank holding company and may not purchase the securities of an affiliate (other than a subsidiary).

Section 22(h) of the FRA restricts a savings association with respect to loans to directors, executive officers and principal stockholders. Under Section 22(h), loans to directors, executive officers and stockholders who control, directly or indirectly, 10% or more of voting securities of a savings association, and certain related interests of any of the foregoing, may not exceed, together with all other outstanding loans to such persons and affiliated entities, the savings association's total unimpaired capital and unimpaired surplus. Section 22(h) also prohibits any loan above amounts prescribed by the appropriate federal banking agency to directors, executive officers, and stockholders who directly or indirectly control 10% or more of voting securities of a stock savings association, and their respective related interests, unless such loan is approved in advance by a majority of the board of directors of the savings association. Any "interested" director may not participate in the voting. The loan amount (which includes all other outstanding loans to such person) as to which such prior board of director approval is required, is the greater of $25,000 or 5% of capital and surplus. Furthermore, any loan, when aggregated with all other extensions of credit to that person, which exceeds $500,000, must receive prior approval by the board. Further, pursuant to Section 22(h), loans to directors, executive officers and principal stockholders must be made on terms substantially the same as offered in comparable transactions to other persons except for extensions of credit made pursuant to a benefit or compensation program that is widely available to the institution's employees and does not give preference to insiders over other employees. Section 22(g) of the FRA places additional limitations on loans to executive officers.

Section 402 of the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act) prohibits the extension of personal loans to directors and executive officers of issuers. The prohibition, however, does not apply to mortgages advanced by an insured depository institution, such as CFBank, which are subject to the insider lending restrictions of Section 22(h) of the FRA.

Enforcement. The OTS has primary enforcement responsibility over savings associations, including CFBank. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease and desist orders and to remove directors and officers. In general, these enforcement actions may be initiated in response to violations of laws and regulations and to unsafe or unsound practices.

Standards for Safety and Soundness. Under federal law, the OTS has adopted a set of guidelines prescribing safety and soundness standards. These guidelines establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings standards, compensation, fees and benefits. In general, the guidelines require appropriate systems and practices to identify and manage

the risks and exposures specified in the guidelines. In addition, the OTS adopted regulations that authorize, but do not require, the OTS to order an institution that has been given notice that it is not satisfying these safety and soundness standards to submit a compliance plan. If, after being notified, an institution fails to submit an acceptable plan of compliance or fails in any material respect to implement an accepted plan, the OTS must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized association is subject under the "prompt corrective action" provisions of federal law. If an institution fails to comply with such an order, the OTS may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Real Estate Lending Standards. The OTS and the other federal banking agencies adopted regulations to prescribe standards for extensions of credit that (i) are secured by real estate or (ii) are made for the purpose of financing the construction of improvements on real estate. The OTS regulations require each savings association to establish and maintain written internal real estate lending standards that are consistent with safe and sound banking practices and appropriate to the size of the association and the nature and scope of its real estate lending activities. The standards also must be consistent with accompanying OTS guidelines, which include loan-to-value ratios for the different types of real estate loans. Associations are also permitted to make a limited amount of loans that do not conform to the proposed loan-to-value limitations so long as such exceptions are reviewed and justified appropriately. The guidelines also list a number of lending situations in which exceptions to the loan-to-value standards are justified.

Prompt Corrective Regulatory Action. Under the OTS prompt corrective action regulations, the OTS is required to take certain, and is authorized to take other, supervisory actions against undercapitalized savings associations. For this purpose, a savings association would be placed in one of the following four categories based on the association's capital: (i) well-capitalized; (ii) adequately capitalized; (iii) undercapitalized; or (iv) critically undercapitalized.

At December 31, 2007, CFBank met the criteria for being considered "well-capitalized." When appropriate, the OTS can require corrective action by a savings association holding company under the "prompt corrective action" provision of federal law.

Insurance of Deposit Accounts. The FDIC has adopted a risk-based insurance assessment system. The FDIC assigns an institution to one of three capital categories based on the institution's financial information, as of the reporting period ending seven months before the assessment period, consisting of (i) well capitalized, (ii) adequately capitalized or (iii) undercapitalized, and one of three supervisory subcategories within each capital group. The supervisory subgroup to which an institution is assigned is based on a supervisory evaluation provided to the FDIC by the institution's primary federal regulator and information that the FDIC determines to be relevant to the institution's financial condition and the risk posed to the deposit insurance funds. An institution's assessment rate depends on the capital category and supervisory category to which it is assigned. Assessment rates for DIF member institutions currently range from 0 basis points to 40 basis points. The FDIC is authorized to raise the assessment rates in certain circumstances. The FDIC has exercised this authority several times in the past and may raise insurance premiums in the future. If the FDIC takes such action, it could have an adverse effect on the earnings of CFBank and the Company.

In addition to the assessment for deposit insurance, institutions are required to pay on bonds issued in the late 1980s by the Financing Corporation (FICO) to recapitalize the predecessor to the SAIF, now a predecessor to the DIF.

In 2006, the Federal Deposit Insurance Reform Act of 2005 (Reform Act) was signed into law. The Reform Act increases the coverage limit for retirement accounts to $250 thousand. In addition, the Reform Act allowed the FDIC to set the target reserve ratio between 1.15% and 1.50%. The current target

ratio is 1.25%. In addition, the Reform Act provided eligible insured depository institutions that were in existence on and paid deposit insurance assessments prior to December 31, 1996, to share a one-time assessment credit based on their share of the aggregate 1996 assessment base. CFBank received notification from the FDIC that its one-time assessment credit was $103 and offset all of the FDIC premiums in 2007 except for payments for FICO bonds, which totaled $21. A significant increase in DIF insurance premiums would likely have an adverse effect on the operating expenses and results of operations of CFBank.

Under the Reform Act, insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operation or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or the OTS. The management of the Company does not know of any practice, condition or violation that might lead to termination of deposit insurance.

Federal Home Loan Bank System. CFBank is a member of the FHLB of Cincinnati, which is one of the regional FHLBs composing the FHLB System. Each FHLB provides a central credit facility primarily for its member institutions by providing a readily available, competitively priced source of funding which can be used for a wide variety of asset/liability purposes. CFBank, as a member of the FHLB of Cincinnati, is required to acquire and hold shares of capital stock in the FHLB of Cincinnati in an amount based on CFBank's total assets and outstanding advances. The stock requirement is subject to change by the FHLB. CFBank was in compliance with the requirement with an investment in FHLB of Cincinnati stock at December 31, 2007 of $2.0 million. Any advances from a FHLB must be secured by specified types of collateral, and all long-term advances may be obtained only for the purpose of providing funds for residential housing finance.

The FHLBs are required to provide funds for the resolution of insolvent thrifts and to contribute funds for affordable housing programs. These requirements could reduce the amount of earnings that the FHLBs can pay as dividends to their members and could also result in the FHLBs imposing a higher rate of interest on advances to their members. If dividends were reduced, or interest on future FHLB advances increased, CFBank's net interest income would be affected. Under the Gramm-Leach-Bliley Act (the GLB Act), membership in the FHLB is now voluntary for all federally-chartered savings associations, such as CFBank. The GLB Act also replaces the existing redeemable stock structure of the FHLB System with a capital structure that requires each FHLB to meet a leverage limit and a risk-based permanent capital requirement. Two classes of stock are authorized: Class A (redeemable on six-month notice) and Class B (redeemable on five-year notice).

Federal Reserve System. CFBank is subject to provisions of the FRA and the regulations of the Federal Reserve (FR) pursuant to which depositary institutions may be required to maintain non-interest-earning reserves against their deposit accounts and certain other liabilities. Currently, reserves must be maintained against transaction accounts, primarily NOW and regular checking accounts. The FR regulations generally require that reserves be maintained in the amount of 3.0% of the aggregate of transaction accounts up to $43.9 million. The aggregate transaction accounts in excess of $43.9 million are currently subject to a reserve ratio of $1.038 million plus 10.0%. The FR regulations currently exempt $9.3 million of otherwise reservable balances from the reserve requirements, which exemption is adjusted by the FR at the end of each year. CFBank is in compliance with the foregoing reserve requirements. Because required reserves must be maintained in the form of vault cash, a noninterest-bearing account at a Federal Reserve Bank, or a pass-through account as defined by the FR, the effect of this reserve requirement is to reduce CFBank's interest-earning assets. The balances maintained to meet the reserve requirements imposed by the FR may be used to satisfy liquidity requirements imposed by the OTS. FHLB System members are also authorized to borrow from the Federal Reserve discount window, but FR regulations require such institutions to exhaust all FHLB sources before borrowing from a Federal Reserve Bank.

Privacy Regulations. The OTS has issued regulations implementing the privacy protection provisions of the GLB Act. The regulations generally require that CFBank disclose its privacy policy, including identifying with whom it shares a customer's "non-public personal information," to any customer at the time of establishing the customer relationship and annually thereafter. In addition, CFBank is required to provide its customers with the ability to "opt-out" of having their personal information shared with unaffiliated third parties and not to disclose account numbers or access codes to non-affiliated third parties for marketing purposes. CFBank currently has a privacy protection policy in place and believes that such policy is in compliance with the regulations.

The USA PATRIOT Act. The USA PATRIOT Act of 2001 was enacted on October 26, 2001 and was renewed in substantially the same form on March 9, 2006. This act contains the International Money Laundering Abatement and Financial Anti-Terrorism Act of 2001 (the IMLAFA). The IMLAFA contains anti-money laundering measures affecting insured depository institutions, broker-dealers and certain other financial institutions. The IMLAFA requires United States financial institutions to adopt new policies and procedures to combat money laundering and grants the Secretary of the Treasury broad authority to establish regulations and to impose requirements and restrictions on financial institutions' operations. CFBank has adopted policies and procedures to meet the requirements of the IMLAFA.

Holding Company Regulation

The holding company is a savings and loan holding company regulated by the OTS and, as such, is registered with and subject to OTS examination and supervision, as well as certain reporting requirements. In addition, the OTS has enforcement authority over the holding company and any of our non-savings institution subsidiaries. Among other things, this authority permits the OTS to restrict or prohibit activities that are determined to be a serious risk to the financial safety, soundness or stability of a subsidiary savings institution. Unlike bank holding companies, federal savings and loan holding companies are not subject to any regulatory capital requirements or to supervision by the Federal Reserve System.

Permissible Activities of Central Federal Corporation. Because the holding company acquired CFBank prior to May 4, 1999, the holding company is permitted to engage in the following non-financial activities under the GLB Act: (i) furnishing or performing management services for a savings institution subsidiary; (ii) conducting an insurance agency or escrow business; (iii) holding, managing or liquidating assets owned or acquired from a savings institution subsidiary; (iv) holding or managing properties used or occupied by a savings institution subsidiary; (v) acting as trustee under a deed of trust; (vi) any other activity (a) that the FR, by regulation, has determined to be permissible for bank holding companies under Section 4(c) of the Bank Holding Company Act of 1956 (the BHC Act), unless the Director of the OTS, by regulation, prohibits or limits any such activity for savings and loan holding companies, or (b) in which multiple savings and loan holding companies were authorized by regulation to directly engage in on March 5, 1987; (vii) purchasing, holding, or disposing of stock acquired in connection with a qualified stock issuance if the purchase of such stock by such holding company is approved by the Director of the OTS; and (viii) any activity permissible for financial holding companies under section 4(k) of the BHC Act.

Permissible activities which are deemed to be financial in nature or incidental thereto under section 4(k) of the BHC Act include: (i) lending, exchanging, transferring, investing for others or safeguarding money or securities; (ii) insurance activities or providing and issuing annuities, and acting as principal, agent or broker; (iii) financial, investment or economic advisory services; (iv) issuing or selling instruments representing interests in pools of assets that a bank is permitted to hold directly; (v) underwriting, dealing in or making a market in securities; (vi) activities previously determined by the FR to be closely related to

banking; (vii) activities that bank holding companies are permitted to engage in outside of the United States; and (viii) portfolio investments made by an insurance company.

Restrictions Applicable to All Savings and Loan Holding Companies. Federal law prohibits a savings and loan holding company, including us, directly or indirectly, from acquiring: (i) control (as defined under HOLA) of another savings institution (or a holding company parent) without prior OTS approval; (ii) through merger, consolidation or purchase of assets, another savings institution or a holding company thereof, or acquiring all or substantially all of the assets of such institution (or a holding company) without prior OTS approval; or (iii) control of any depository institution not insured by the FDIC (except through a merger with and into the holding company's savings institution subsidiary that is approved by the OTS).

A savings and loan holding company may not acquire as a separate subsidiary an insured institution that has a principal office outside of the state where the principal office of its subsidiary institution is located, except (i) in the case of certain emergency acquisitions approved by the FDIC, (ii) if such holding company controls a savings institution subsidiary that operated a home or branch office in such additional state as of March 5, 1987 or (iii) if the laws of the state in which the savings institution to be acquired is located specifically authorize a savings institution chartered by that state to be acquired by a savings institution chartered by the state where the acquiring savings institution or savings and loan holding company is located or by a holding company that controls such a state-chartered association.

If the savings institution subsidiary of a federal mutual holding company fails to meet the QTL test set forth in Section 10(m) of the HOLA and regulations of the OTS, the holding company must register with the FR as a bank holding company under the BHC Act within one year of the savings institution's failure to so qualify.

Prohibitions Against Tying Arrangements. Federal savings banks are subject to the prohibitions of 12 U.S.C. §1972 on certain tying arrangements. A depository institution is prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

Federal Securities Laws. Central Federal Corporation common stock is registered with the Commission under Section 12(g) of the Securities Exchange Act of 1934, as amended (the Exchange Act), and, accordingly, we are subject to information, proxy solicitation, insider trading restrictions, and other requirements under the Exchange Act.

Sarbanes-Oxley Act. As a public company, we are subject to the Sarbanes-Oxley Act, which implements a broad range of corporate governance and accounting measures for public companies designed to promote honesty and transparency in corporate America and better protect investors from corporate wrongdoing. The Sarbanes-Oxley Act's principal legislation and the derivative regulation and rule making promulgated by the Commission includes: (i) the creation of an independent accounting oversight board; (ii) auditor independence provisions that restrict non-audit services that accountants may provide to their audit clients; (iii) additional corporate governance and responsibility measures, including the requirement that the principal executive officer and principal financial officer certify financial statements; (iv) a requirement that companies establish and maintain a system of internal control over financial reporting and that a company's management provide an annual report regarding its assessment of the effectiveness of such internal control over financial reporting to its independent accountants and that such accountants provide an attestation report with respect to management's assessment of the effectiveness of the company's internal control over financial reporting; (v) the forfeiture of bonuses or other incentive-based compensation and profits from the sale of the company's securities by directors and senior officers

in the twelve-month period following initial publication of any financial statements that later require restatement; (vi) an increase in the oversight of, and enhancement of certain requirements relating to audit committees of public companies and how they interact with independent auditors; (vii) the requirement that audit committee members must be independent and are absolutely barred from accepting consulting, advisory or other compensatory fees from the issuer; (viii) the requirement that companies disclose whether at least one member of the audit committee is a “financial expert” (as such term is defined by the Commission) and if not, why not; (ix) expanded disclosure requirements for corporate insiders, including accelerated reporting of stock transactions by insiders and a prohibition on insider trading during pension blackout periods; (x) a prohibition on personal loans to directors and officers, except certain loans made by insured financial institutions; (xi) disclosure of a code of ethics and the requirement of filing of a Form 8-K for a change or waiver of such code; (xii) mandatory disclosure by analysts of potential conflicts of interest; and (xiii) a range of enhanced penalties for fraud and other violations.

Compliance with the Sarbanes-Oxley Act and the regulations promulgated thereunder may have a material impact on our results of operations and financial condition. The independent auditor attestation requirement of the internal control rules becomes applicable to the Company as a “non-accelerated filer” for the year ending December 31, 2008 (or, if the current proposal of the Commission is adopted, for the year ending December 31, 2009), and costs associated with this attestation will be borne by the Company. The Commission has been delegated the task of enacting rules to implement various provisions with respect to, among other matters, disclosure in periodic filings pursuant to the Exchange Act. To date, the Commission has implemented most of the provisions of the Sarbanes-Oxley Act. However, the Commission continues to issue final rules, guidance, reports, and press releases. As the Commission provides new requirements, we will continue to review those rules and comply as required.

Quotation on Nasdaq®. Our common stock is quoted on the Nasdaq® Capital Market. In order to maintain such quotation, we are subject to certain corporate governance requirements, including: (i) a majority of our Board of Directors must be composed of independent directors; (ii) we are required to have an audit committee composed of at least three directors, each of whom is an independent director, as such term is defined by both the rules of the National Association of Securities Dealers (NASD) and by Exchange Act regulations; (iii) our nominating committee and compensation committee must also be composed entirely of independent directors; and (iv) each of our audit committee and nominating committee must have a publicly available written charter.

Federal and State Taxation

Federal Taxation

General. We report income on a calendar year, consolidated basis using the accrual method of accounting, and we are subject to federal income taxation in the same manner as other corporations, with some exceptions discussed below. The following discussion of tax matters is intended only as a summary and does not purport to be a comprehensive description of the tax rules applicable to the Company and CFBank. We are subject to a maximum federal income tax rate of 34% for 2007. The Company currently has net operating losses totaling $700,000, $2.7 million and $437,000 that expire in 2023, 2024 and 2025, respectively, and originated in tax years 2003, 2004 and 2005.

Distributions. Under the Small Business Job Protection Act of 1996, if CFBank makes “non-dividend distributions” to the holding company, such distributions will be considered to have been made from CFBank’s unrecaptured tax bad debt reserves (including the balance of its reserves as of December 31, 1987) to the extent thereof, and then from CFBank’s supplemental reserve for losses on loans, to the extent thereof, and an amount based on the amount distributed (but not in excess of the amount of such reserves) will be included in CFBank’s taxable income. Non-dividend distributions include distributions in excess of CFBank’s current and accumulated earnings and profits, as calculated for federal income tax

purposes, distributions in redemption of stock, and distributions in partial or complete liquidation. Dividends paid out of CFBank's current or accumulated earnings and profits will not be so included in CFBank's taxable income.

The amount of additional taxable income triggered by a non-dividend distribution is an amount that, when reduced by the tax attributable to the income, is equal to the amount of the distribution. Thus, if CFBank makes a non-dividend distribution to the holding company, approximately one and one-half times the amount of such distribution (but not in excess of the amount of the reserves described in the previous paragraph) would be includable in income for federal income tax purposes, assuming a 34% federal corporate income tax rate. CFBank does not intend to pay dividends that would result in a recapture of any portion of its bad debt reserves.

Corporate Alternative Minimum Tax. The Internal Revenue Code of 1986, as amended, imposes a tax on alternative minimum taxable income (AMTI) at a rate of 20%. Only 90% of AMTI can be offset by AMT net operating loss carryovers The company currently has AMT net operating losses totaling $728, $2.6 million and $324,000 that originated in tax years 2003, 2004 and 2005, respectively. AMTI is increased by an amount equal to 75% of the amount by which the Company's adjusted current earnings exceeds its AMTI (determined without regard to this preference and prior to reduction for net operating losses).

Ohio Taxation

We are subject to the Ohio corporate franchise tax, which, as applied to the holding company and Ghent Road, Inc., is a tax measured by both net earnings and net worth. In general, the tax liability is the greater of 5.1% on the first $50,000 of computed Ohio taxable income and 8.5% of computed Ohio taxable income in excess of $50,000 or 0.4% times taxable net worth. Under these alternative measures of computing tax liability, complex formulas determine the jurisdictions to which total net income and total net worth are apportioned or allocated. The minimum tax is either $50 or $1,000 per year based on the size of the corporation, and maximum tax liability as measured by net worth is limited to $150,000 per year.

A special litter tax also applies to all corporations, including the holding company, subject to the Ohio corporate franchise tax. This litter tax does not apply to "financial institutions." If the franchise tax is paid on the net income basis, the litter tax is equal to 0.11% of the first $50,000 of computed Ohio taxable income and 0.22% of computed Ohio taxable income in excess of $50,000. If the franchise tax is paid on the net worth basis, the litter tax is equal to 0.014% times taxable net worth.

Certain holding companies, such as Central Federal Corporation, will qualify for complete exemption from the net worth tax if certain conditions are met. The holding company will most likely meet these conditions, and thus, calculate its Ohio franchise tax on the net income basis.

CFBank is a "financial institution" for State of Ohio tax purposes. As such, it is subject to the Ohio corporate franchise tax on "financial institutions," which is imposed annually at a rate of 1.3% of CFBank's apportioned book net worth, determined in accordance with U.S. generally accepted accounting principles, less any statutory deductions. As a "financial institution," CFBank is not subject to any tax based upon net income or net profits imposed by the State of Ohio.

As a result of recent legislation, the franchise tax for corporations other than financial institutions and their related affiliates will be phased out 20% per year over five years beginning with tax due for calendar 2006. The franchise tax for financial institutions and their related affiliates remains unchanged by the recent legislation. Neither the Company nor any of its affiliated companies currently is subject to the Ohio Commercial Activity Tax.

Delaware Taxation

As a Delaware holding company not earning income in Delaware, we are exempted from Delaware corporate income tax but are required to file an annual report with and pay an annual franchise tax to the State of Delaware.

Available Information

Our website address is www.CFBankonline.com. We make available free of charge through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports as soon as reasonably practicable after we electronically file such reports with the Commission. These reports can be found on our website under the caption "CF News and Links — Investor Relations — SEC Filings." Investors also can obtain copies of our filings from the Commission's website at www.sec.gov.

Item 2. Properties.

We conduct our business through four offices located in Summit, Columbiana, and Franklin Counties, Ohio. The net book value of the Company's properties and leasehold improvements totaled $4.7 million at December 31, 2007 and included $2.8 million in land acquisition and construction costs of a new CFBank office in Worthington, Ohio (also located in Franklin County). Ghent Road, Inc. owned land located adjacent to the Fairlawn office held for future development that totaled $702,000 at year-end 2007.

Location	Leased or Owned	Original Year Leased or Acquired	Date of Lease Expiration
Administrative/Home Office: 2923 Smith Rd Fairlawn, Ohio 44333	Leased	2004	2014
Branch Offices: 601 Main Street Wellsville, Ohio 43968	Owned	1989	—
49028 Foulks Drive East Liverpool, Ohio 43920	Owned	1979	—
7000 N. High St Worthington, Ohio 43085	Owned	2007	—

Item 3. Legal Proceedings.

We may, from time to time, be involved in various legal proceedings in the normal course of business. Periodically, there have been various claims and lawsuits involving CFBank, such as claims to enforce

liens, condemnation proceedings on properties in which CFBank holds security interests, claims involving the making and servicing of real property loans and other issues incident to our business.

Richard J. O'Donnell, the former President of Reserve, filed an arbitration against CFBank, and in September 2007 was awarded $662,000 plus 5,000 options of Company stock. CFBank paid the award and the Company granted the options. Mr. O'Donnell owned 5.5% of the Company's outstanding shares at the time the dispute arose. In January 2006, the Company issued 2.3 million shares of its common stock in a public stock offering and, as a result of the increase in the number of outstanding shares, Mr. O'Donnell's ownership was reduced to 2.7%.

In June 2005, CFBank executed an agreement with Kaleidico LLC for creation of a residential mortgage lead generation interface system. CFBank maintains that it owns the intellectual property developed under the contract. CFBank, further maintaining that the system developed under the contract by Kaleidico is functionally inadequate, seeks the return of the intellectual property. Kaleidico resists CFBank's ownership claim. The contract between CFBank and Kaleidico calls for dispute resolution through arbitration, although CFBank and Kaleidico are first attempting informal resolution through negotiation. An outcome cannot be determined at this time.

We are not a party to any other pending legal proceeding that management believes would have a material adverse effect on our financial condition or operations, if decided adversely to us.

No tax shelter penalty was assessed against the Company or any of our subsidiaries by the Internal Revenue Service (IRS) in calendar year 2007 or at any other time, in connection with any transaction deemed by the IRS to be abusive or to have a significant tax avoidance purpose.

Item 4. Submission of Matters to a Vote of Security Holders.

None

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

During the period covered by this report, the Company did not sell any securities that were not registered under the Securities Act, and, during the fiscal quarter ended December 31, 2007, the Company did not repurchase any of its securities.

The market information required by Item 201(a), the stockholders information required by Item 201(b) and the dividend information required by Item 201(c) of Regulation S-K are incorporated by reference to our 2007 Annual Report to Shareholders distributed to shareholders and furnished to the Commission under Rule 14a-3(b) of the Exchange Act; the information appears under the caption "Market Prices and Dividends Declared" on page 17 and in "Note 16 — Capital Requirements and Restrictions on Retained Earnings" at page 43 therein, respectively.

The equity compensation plan information required by Item 201(d) of Regulation S-K is set forth herein under Part III, Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Item 6 Selected Financial Data.

Information required by Item 301 of Regulation S-K is incorporated by reference to our 2007 Annual Report to Shareholders distributed to shareholders and furnished to the Commission under Rule 14a-3(b) of the Exchange Act; the information appears under the caption "Selected Financial and Other Data" at page 4 therein.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

Information required by Item 303 of Regulation S-K is incorporated by reference to our 2007 Annual Report to Shareholders distributed to shareholders and furnished to the Commission under Rule 14a-3(b) of the Exchange Act; the information appears under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" at page 4 therein.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Information required by Item 305 of Regulation S-K is incorporated by reference to our 2007 Annual Report to Shareholders distributed to shareholders and furnished to the Commission under Rule 14a-3(b) of the Exchange Act; the information appears under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" at page 4 therein.

Item 8. Financial Statements and Supplementary Data.

The consolidated financial statements required by Article 8 of Regulation S-X are incorporated by reference to our 2007 Annual Report to Shareholders distributed to shareholders and furnished to the Commission under Rules 14a-3(b) and (c) of the Exchange Act. The consolidated financial statements appear under the caption "Financial Statements" at page 18 therein and include the following:

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements
Consolidated Balance Sheets
Consolidated Statements of Operations
Consolidated Statements of Comprehensive Income (Loss)
Consolidated Statements of Changes in Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Consolidated Financial Statements

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None

Item 9A. Controls and Procedures.

Evaluation of disclosure controls and procedures. We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-14(c). Management, with the participation of our principal executive and financial officers, has evaluated the effectiveness of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and

15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of the end of such period, our disclosure controls and procedures are effective in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports we file or submit under the Exchange Act.

Management's Report on Internal Control Over Financial Reporting. Information required by Item 308T of Regulation S-K is incorporated by reference to our 2007 Annual Report to Shareholders distributed to shareholders and furnished to the Commission under Rule 14a-3(b) of the Exchange Act; the information appears under the caption "Management's Report on Internal Control Over Financial Reporting" at page 18 therein.

Changes in internal control over financial reporting. We made no significant changes in our internal controls or in other factors that could significantly affect these controls in the fourth quarter of 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors. Information required by Item 401 of Regulation S-K with respect to our directors and committees of the Board of Directors is incorporated by reference to our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders filed with the Commission on March 27, 2008, under the caption "PROPOSAL 1. ELECTION OF DIRECTORS."

Executive Officers of the Registrant

Name	Age at December 31, 2007	Position held with the Company and/or Subsidiaries
Mark S. Allio	53	Chairman, President and Chief Executive Officer, Company; Chairman and Chief Executive Officer, CFBank
Raymond E. Heh	65	President and Chief Operating Officer, CFBank
R. Parker MacDonell	53	President — Columbus Region, CFBank
Eloise L. Mackus	57	Senior Vice President, General Counsel and Secretary, Company and CFBank
Therese Ann Liutkus	48	Treasurer and Chief Financial Officer, Company and CFBank

Mark S. Allio, Chairman, President and Chief Executive Officer of Central Federal and Chairman and Chief Executive Officer of CFBank, joined us in February 2005 and has more than 30 years of banking and banking-related experience, including service as President and Chief Executive Officer of Rock Bank in Livonia, Michigan, an affiliate of Quicken Loans, Inc., from April 2003 to December 2004. He was previously President of Third Federal Savings, MHC in Cleveland, Ohio, a multi-billion dollar thrift holding company from January 2000 to December 2002 and Chief Financial Officer of Third Federal from 1988 through 1999.

Raymond E. Heh, President and Chief Operating Officer, joined CFBank in June 2003. Formerly, Mr. Heh held numerous positions at Bank One Akron NA including Chairman, President and CEO. He was with Bank One Akron NA for 18 years and has over 40 years of experience in the commercial banking industry. Mr. Heh is a graduate of The Pennsylvania State University.

R. Parker MacDonell, President — Columbus Region, joined CFBank in May 2003. Mr. MacDonell is a third generation Ohio banker with 20 years of commercial banking experience. He is a former Senior Vice President of Bank One Columbus NA, a position he held for three years during his 15 year tenure with Bank One. He is a graduate of Dartmouth College and received his master's degree from Yale University.

Eloise L. Mackus is Senior Vice President, General Counsel and Secretary of the Company and CFBank. Prior to joining us in July 2003, Ms. Mackus practiced in law firms in Connecticut and Ohio and was the Vice President and General Manager of International Markets for The J. M. Smucker Company. Ms. Mackus completed a bachelor's degree at Calvin College and a juris doctorate at The University of Akron School of Law.

Therese Ann Liutkus joined the Company and CFBank as Chief Financial Officer in November 2003. Prior to that time, Ms. Liutkus was Chief Financial Officer of First Place Financial Corp. and First Place Bank for six years, and she has more than 20 years of banking experience. Ms. Liutkus is a certified public accountant and has a bachelor's degree in accounting from Cleveland State University.

Compliance with Section 16(a) of the Exchange Act. Information required by Item 405 of Regulation S-K is incorporated by reference to our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders filed with the Commission on March 27, 2008, under the caption "ADDITIONAL INFORMATION ABOUT DIRECTORS AND EXECUTIVE OFFICERS —Section 16(a) Beneficial Ownership Reporting Compliance." Copies of Section 16 reports, Forms 3, 4 and 5, are available on our website, www.CFBankonline.com under the caption "CF News and Links — Investor Relations — Section 16 Filings."

Code of Ethics. We have adopted a code of ethics, our Code of Ethics and Business Conduct, which meets the requirements of Item 406 of Regulation S-K and applies to all employees, including our principal executive officer, principal financial officer and principal accounting officer. Since our inception in 1998, we have had a code of ethics. We require all directors, officers and other employees to adhere to the Code of Ethics and Business Conduct in addressing the legal and ethical issues encountered in conducting their work. The Code of Ethics and Business Conduct requires that our employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in the Company's best interest. The Code of Ethics and Business Conduct is available on our website, www.CFBankonline.com under the caption "CF News and Links — Investor Relations — Corporate Governance."

Corporate Governance. Information required by Items 407(c)(3), (d)(4) and (d)(5) of Regulation S-K is incorporated by reference to our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders filed with the Commission on March 27, 2008, under the caption "PROPOSAL 1. ELECTION OF DIRECTORS."

Item 11. Executive Compensation.

Information required by Item 402 of Regulation S-K is incorporated by reference to our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders filed with the Commission on March 27, 2008, under the caption "EXECUTIVE COMPENSATION."

Information required by Item 407 (e)(4) and (e)(5) of Regulation S-K is incorporated by reference to our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders filed with the Commission on March 27, 2008, under the caption "Meetings and Comittees of the Board of Directors — Compensation and Management Development Committee" and "Compensation and Management Development Committee Report."

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

Security Ownership of Certain Beneficial Owners and Management. Information required by Item 403 of Regulation S-K is incorporated by reference to our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders filed with the Commission on March 27, 2008, under the caption "STOCK OWNERSHIP."

Related Stockholder Matters — Equity Compensation Plan Information. Information required by Item 201(d) of Regulation S-K is incorporated by reference to our 2007 Annual Report to Shareholders distributed to shareholders and furnished to the Commission under Rule 14a-3(b) of the Exchange Act; the information appears under the caption "Note 15 — Stock-Based Compensation" at page 41 therein.

See Part II, Item 8, Financial Statements, Notes 1 and 15, for a description of the principal provisions of our equity compensation plans. The information required by Item 8 is incorporated by reference to our 2007 Annual Report to Shareholders distributed to shareholders and furnished to the Commission under Rules 14a-3(b) and (c) of the Exchange Act; the financial statements appear under the caption "Financial Statements" at page 18 therein.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by Items 404 and 407(a) of Regulation S-K is incorporated by reference to our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders filed with the Commission on March 27, 2008, under the caption "ADDITIONAL INFORMATION ABOUT DIRECTORS AND OFFICERS — CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS."

Item 14. Principal Accounting Fees and Services.

Information required by Item 9(e) of Schedule 14A pursuant to this Item 14 is incorporated by reference to our definitive Proxy Statement for our 2008 Annual Meeting of Stockholders filed with the Commission on March 27, 2008, under the caption "PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS."

PART III

Item 15. Exhibits, Financial Statement Schedules

See Exhibit Index at page 40 of this report on Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CENTRAL FEDERAL CORPORATION

/s/ Mark S. Allio
Mark S. Allio
Chairman, President and Chief Executive Officer

Date: March 27, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Mark S. Allio Mark S. Allio (principal executive officer)	Chairman of the Board, President and Chief Executive Officer	March 27, 2008
/s/ Therese Ann Liutkus Therese Ann Liutkus, CPA (principal accounting and financial officer)	Treasurer and Chief Financial Officer	March 27, 2008
/s/ David C. Vernon David C. Vernon	Chairman Emeritus	March 27, 2008
/s/ Jeffrey W. Aldrich Jeffrey W. Aldrich	Director	March 27, 2008
/s/ Thomas P. Ash Thomas P. Ash	Director	March 27, 2008
/s/ William R. Downing William R. Downing	Director	March 27, 2008
/s/ Gerry W. Grace Gerry W. Grace	Director	March 27, 2008
/s/ Jerry F. Whitmer Jerry F. Whitmer	Director	March 27, 2008

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
3.1	Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant's Registration Statement on Form SB-2 No. 333-64089 filed with the Commission on September 23, 1998)
3.2	Amendment to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.2 to the registrant's Registration Statement on Form S-2 No. 333-129315 filed with the Commission on October 28, 2005)
3.3	Second Amended and Restated Bylaws of the registrant
4.1	Form of Stock Certificate of Central Federal Corporation (incorporated by reference to Exhibit 4.0 to the registrant's Registration Statement on Form SB-2 No. 333-64089 filed with the Commission on September 23, 1998)
10.1*	Salary Continuation Agreement between CFBank and David C. Vernon (incorporated by reference to Exhibit 10.1 to the registrant's Form 10-K for the fiscal year ended December 31, 2004, filed with the Commission on March 30, 2005)
10.2*	Employment Agreement between the registrant and David C. Vernon (incorporated by reference to Exhibit 10.1 to the registrant's Form 10-K for the fiscal year ended December 31, 2003, filed with the Commission on March 30, 2004)
10.3*	Employment Agreement between CFBank and David C. Vernon (incorporated by reference to Exhibit 10.2 to the registrant's Form 10-K for the fiscal year ended December 31, 2003, filed with the Commission on March 30, 2004)
10.4*	Amendment to Employment Agreement between the registrant and David C. Vernon (incorporated by reference to Exhibit 10.3 to the registrant's Form 10-K for the fiscal year ended December 31, 2004, filed with the Commission on March 30, 2005)
10.5*	Amendment to Employment Agreement between CFBank and David C. Vernon (incorporated by reference to Exhibit 10.4 to the registrant's Form 10-K for the fiscal year ended December 31, 2004, filed with the Commission on March 30, 2005)
10.6*	Second Amendment to Employment Agreement between the registrant and David C. Vernon (incorporated by reference to Exhibit 10.5 to the registrant's Form 10-K for the fiscal year ended December 31, 2004, filed with the Commission on March 30, 2005)
10.7*	Second Amendment to Employment Agreement between CFBank and David C. Vernon (incorporated by reference to Exhibit 10.6 to the registrant's Form 10-K for the fiscal year ended December 31, 2004, filed with the Commission on March 30, 2005)
10.8*	Third Amendment to Employment Agreement between Central Federal Corporation and David C. Vernon (incorporated by reference to Exhibit 10.1 to the registrant's Form 8-K filed with the Commission on January 8, 2007)
10.9*	Third Amendment to Employment Agreement between CFBank and David C. Vernon (incorporated by reference to Exhibit 10.2 to the registrant's Form 8-K filed with the Commission on January 8, 2007)
11.1	Statement Re: Computation of Per Share Earnings
13.1	Annual Report to Security Holders for the Fiscal Year Ended December 31, 2007
21.1	Subsidiaries of the Registrant
23.1	Consent of Independent Registered Public Accounting Firm
31.1	Rule 13a-14(a) Certifications of the Chief Executive Officer
31.2	Rule 13a-14(a) Certifications of the Chief Financial Officer
32.1	Section 1350 Certifications of the Chief Executive Officer and Chief Financial Officer

---

* Management contract or compensation plan or arrangement identified pursuant to Item 15 of Form 10-K

Exhibit 3.3

ORIGINAL EFFECTIVE DATE: **AS OF SEPTEMBER 18, 1998**

AMENDED AND RESTATED: **AS OF FEBRUARY 20, 2003**

2nd AMENDED AND RESTATED: **AS OF MAY 17, 2007**

CENTRAL FEDERAL CORPORATION
AMENDED AND RESTATED BYLAWS

ARTICLE I — STOCKHOLDERS

Section 1. Annual Meeting. An annual meeting of the stockholders, for the election of Directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date, and at such time as the Board of Directors shall each year fix, which date shall be within thirteen (13) months subsequent to the later of the date of incorporation or the last annual meeting of stockholders.

Section 2. Special Meetings. Subject to the rights of the holders of any class or series of preferred stock of the Corporation, special meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution adopted by a majority of the total number of Directors which the Corporation would have if there were no vacancies on the Board of Directors (hereinafter the "**Whole Board**").

Section 3. Notice of Meetings.

(a) Written notice of the place, date, and time of all meetings of the stockholders shall be given, not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the Delaware General Corporation Law or the Certificate of Incorporation of the Corporation).

(b) When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; *provided, however*, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, date, and time of the adjourned meeting shall be given in conformity herewith. At any adjourned meeting, any business may be transacted which

might have been transacted at the original meeting.

Section 4. Quorum.

(a) At any meeting of the stockholders, the holders of a majority of all of the shares of the stock entitled to vote at the meeting, present in person or by proxy (after giving effect to the provisions of Article FOURTH of the Corporation's Certificate of Incorporation), shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law. Where a separate vote by a class or classes is required, a majority of the shares of such class or classes present in person or represented by proxy (after giving effect to the provisions of Article FOURTH of the Corporation's Certificate of Incorporation) shall constitute a quorum entitled to take action with respect to that vote on that matter.

(b) If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date, or time.

(c) If a notice of any adjourned special meeting of stockholders is sent to all stockholders entitled to vote thereat, stating that it will be held with those present in person or by proxy constituting a quorum, then except as otherwise required by law, those present in person or by proxy at such adjourned meeting shall constitute a quorum, and all matters shall be determined by a majority of the votes cast at such meeting.

Section 5. Organization. Such person as the Board of Directors may have designated or, in the absence of such a person, the Chairman of the Board of the Corporation or, in his absence, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary of the Corporation, the secretary of the meeting shall be such person as the chairman appoints.

Section 6. Conduct of Business.

(a) The chairman of any meeting of stockholders shall determine the order of business and the procedures at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him in order. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

(b) At any annual meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting: (i) by or at the direction of the Board of Directors or (ii) by any

stockholder of the Corporation who is entitled to vote with respect thereto and who complies with the notice procedures set forth in this Section 6(b). For business to be properly brought before an annual meeting by a stockholder, the business must relate to a proper subject matter for stockholder action and the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered or mailed to and received at the principal executive offices of the Corporation not less than ninety (90) days prior to the date of the annual meeting; provided, however, that in the event that less than one hundred (100) days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A stockholder's notice to the Secretary shall set forth as to each matter such stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business; (iii) the class and number of shares of the Corporation's capital stock that are beneficially owned by such stockholder; and (iv) any material interest of such stockholder in such business. Notwithstanding anything in these Bylaws to the contrary, no business shall be brought before or conducted at an annual meeting except in accordance with the provisions of this Section 6(b). The Officer of the Corporation or other person presiding over the annual meeting shall, if the facts so warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 6 and, if he should so determine, he shall so declare to the meeting and any such business so determined to be not properly brought before the meeting shall not be transacted.

At any special meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting by or at the direction of the Board of Directors.

(c) Only persons who are nominated in accordance with the procedures set forth in these Bylaws shall be eligible for election as Directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders at which directors are to be elected only: (i) by or at the direction of the Board of Directors; or (ii) by any stockholder of the Corporation entitled to vote for the election of Directors at the meeting who complies with the notice procedures set forth in this Section 6(c). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made by timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered or mailed to and received at the principal executive offices of the Corporation not less than ninety (90) days prior to the date of the meeting; *provided, however*, that in the event that less than one hundred (100) days' notice or prior disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such stockholder's notice

shall set forth: (i) as to each person whom such stockholder proposes to nominate for election or re-election as a Director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (ii) as to the stockholder giving the notice (x) the name and address, as they appear on the Corporation's books, of such stockholder and (y) the class and number of shares of the Corporation's capital stock that are beneficially owned by such stockholder. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a Director shall furnish to the Secretary of the Corporation that information required to be set forth in a stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a Director of the Corporation unless nominated in accordance with the provisions of this Section 6(c). The Officer of the Corporation or other person presiding at the meeting shall, if the facts so warrant, determine that a nomination was not made in accordance with such provisions and, if he or she shall so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

Section 7. Proxies and Voting. At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing filed in accordance with the procedure established for the meeting. Any facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

All voting, including on the election of Directors but excepting where otherwise required by law or by the governing documents of the Corporation, may be made by a voice vote; provided, however, that upon demand therefor by a stockholder entitled to vote or his or her proxy, a stock vote shall be taken. Every stock vote shall be taken by ballot, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedures established for the meeting. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law or the Certificate of Incorporation, all other matters shall be determined by a majority of the votes cast.

Section 8. **Stock List.** A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in his or her name, shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held.

The stock list shall also be kept at the place of the meeting during the whole time thereof and shall be open to the examination of any such stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

Section 9. **Consent of Stockholders in Lieu of Meeting.** Subject to the rights of the holders of any class or series of preferred stock of the Corporation, any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

ARTICLE II — BOARD OF DIRECTORS

Section 1. **General Powers, Number, Term of Office and Limitations.** The business and affairs of the Corporation shall be under the direction of its Board of Directors. The number of Directors who shall constitute the Whole Board shall be such number as the Board of Directors shall from time to time have designated, except that in the absence of such designation shall be seven. The Board of Directors shall annually elect a Chairman of the Board from among its members who shall, when present, preside at its meetings.

The Directors, other than those who may be elected by the holders of any class or series of Preferred Stock, shall be divided, with respect to the time for which they severally hold office, into three classes, with the term of office of the first class to expire at the first annual meeting of stockholders, the term of office of the second class to expire at the annual meeting of stockholders one year thereafter and the term of office of the third class to expire at the annual meeting of stockholders two years thereafter, with each Director to hold office until his successor shall have been duly elected and qualified. At each annual meeting of stockholders, Directors elected to succeed those Directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each Director to hold office until his successor shall have been duly elected and qualified.

Section 2. **Vacancies and Newly Created Directorships.** Subject to the rights of the holders of any class or series of Preferred Stock, and unless the Board of Directors otherwise determines, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the Directors then in office, though less than a quorum, and Directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires and until such Director's successor shall have been duly elected and qualified. No decrease in the number of authorized directors constituting the Board shall shorten the term of any incumbent Director.

Section 3. **Regular Meetings.** Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all Directors. A notice of each regular meeting shall not be required.

Section 4. **Special Meetings.** Special meetings of the Board of Directors may be called by one-third (1/3) of the Directors then in office (rounded up to the nearest whole number), by the Chairman of the Board or the President or, in the event that the Chairman of the Board or President are incapacitated or otherwise unable to call such meeting, by the Secretary, and shall be held at such place, on such date, and at such time as they, or he or she, shall fix. Notice of the place, date, and time of each such special meeting shall be given each Director by whom it is not waived by mailing written notice not less than five (5) days before the meeting or by telegraphing or telexing or by facsimile transmission of the same not less than twenty-four (24) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 5. **Quorum.** At any meeting of the Board of Directors, a majority of the Whole Board shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof.

Section 6. **Participation in Meetings By Conference Telephone.** Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

Section 7. **Conduct of Business.** At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board may from time to time determine, and all matters shall

---

be determined by the vote of a majority of the Directors present, except as otherwise provided herein or required by law. Action may be taken by the Board of Directors without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

Section 8. Powers. The Board of Directors may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, including, without limiting the generality of the foregoing, the unqualified power:

(1) To declare dividends from time to time in accordance with law;

(2) To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;

(3) To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, and to do all things necessary in connection therewith;

(4) To remove any Officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any Officer upon any other person for the time being;

(5) To confer upon any Officer of the Corporation the power to appoint, remove and suspend subordinate Officers, employees and agents;

(6) To adopt from time to time such stock, option, stock purchase, bonus or other compensation plans for Directors, Officers, employees and agents of the Corporation and its subsidiaries as it may determine;

(7) To adopt from time to time such insurance, retirement, and other benefit plans for Directors, Officers, employees and agents of the Corporation and its subsidiaries as it may determine;

(8) To adopt from time to time regulations, not inconsistent with these Bylaws, for the management of the Corporation's business and affairs; and

(9) To fix the Compensation of officers and employees of the Corporation and its subsidiaries as it may determine.

Section 9. Compensation of Directors. Directors, as such, may receive, pursuant to resolution of the Board of Directors, fixed fees and other compensation for their services as Directors, including,

without limitation, their services as members of committees of the Board of Directors.

ARTICLE III — COMMITTEES

Section 1. Committees of the Board of Directors. The Board of Directors, by a vote of a majority of the Board of Directors, may from time to time designate committees of the Board, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board and shall, for these committees and any others provided for herein, elect a Director or Directors to serve as the member or members, designating, if it desires, other Directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. Any committee so designated may exercise the power and authority of the Board of Directors to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the Delaware General Corporation Law if the resolution which designates the committee or a supplemental resolution of the Board of Directors shall so provide. In the absence or disqualification of any member of any committee and any alternate member in his place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Section 2. Conduct of Business. Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings. The quorum requirements for each such committee shall be a majority of the members of such committee unless otherwise determined by the Board of Directors by a majority vote of the Board of Directors which such quorum determined by a majority of the Board may be one-third of such members and all matters considered by such committees shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

Section 3. Nominating Committee. The Board of Directors shall appoint a Nominating Committee of the Board, consisting of not less than three (3) members. The Nominating Committee shall have authority: (a) to review any nominations for election to the Board of Directors made by a stockholder of the Corporation pursuant to Section 6(c)(ii) of Article I of these Bylaws in order to determine compliance with such Bylaw; and (b) to recommend to the Whole Board nominees for election to the Board of Directors to replace those Directors whose terms expire at the annual meeting of stockholders next ensuing.

ARTICLE IV — OFFICERS

Section 1. Generally.

(a) The Board of Directors as soon as may be practicable after the annual meeting of stockholders shall choose a Chairman of the Board, Chief Executive Officer, a President, one or more Vice Presidents, a Secretary and a Treasurer and from time to time may choose such other officers as it may deem proper. The Chairman of the Board shall be chosen from among the Directors. Any number of offices may be held by the same person.

(b) The term of office of all Officers shall be until the next annual election of Officers and until their respective successors are chosen but any Officer may be removed from office at any time by the affirmative vote of a majority of the authorized number of Directors then constituting the Board of Directors.

(c) All Officers chosen by the Board of Directors shall have such powers and duties as generally pertain to their respective Offices, subject to the specific provisions of this ARTICLE IV. Such officers shall also have such powers and duties as from time to time may be conferred by the Board of Directors or by any committee thereof.

Section 2. Chairman of the Board of Directors. The Chairman of the Board, subject to the provisions of these Bylaws and to the direction of the Board of Directors, when present shall preside at all meetings of the stockholders of the Corporation. The Chairman of the Board shall perform such duties designated to him by the Board of Directors and which are delegated to him by the Board of Directors by resolution of the Board of Directors.

Section 3. President and Chief Executive Officer. The President and Chief Executive Officer shall have general responsibility for the management and control of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the office of President and Chief Executive Officer or which are delegated to him by the Board of Directors. Subject to the direction of the Board of Directors, the President and Chief Executive Officer shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision of all of the other Officers (other than the Chairman of the Board), employees and agents of the Corporation.

Section 4. Vice President. The Vice President or Vice Presidents shall perform the duties of the President in his absence or during his inability to act. In addition, the Vice Presidents shall perform the duties and exercise the powers usually incident to their respective offices and/or such other duties and powers as may be properly assigned to them by the Board of Directors, the Chairman of the Board or the President. A Vice President or Vice Presidents may be designated as Executive Vice President or Senior Vice President.

Section 5. **Secretary.** The Secretary or Assistant Secretary shall issue notices of meetings, shall keep their minutes, shall have charge of the seal and the corporate books, shall perform such other duties and exercise such other powers as are usually incident to such office and/or such other duties and powers as are properly assigned thereto by the Board of Directors, the Chairman of the Board or the President. Subject to the direction of the Board of Directors, the Secretary shall have the power to sign all stock certificates.

Section 6. **Treasurer.** The Treasurer shall be the Comptroller of the Corporation and shall have the responsibility for maintaining the financial records of the Corporation. He or she shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all such transactions and of the financial condition of the Corporation. The Treasurer shall also perform such other duties as the Board of Directors may from time to time prescribe. Subject to the direction of the Board of Directors, the Treasurer shall have the power to sign all stock certificates.

Section 7. **Assistant Secretaries and Other Officers.** The Board of Directors may appoint one or more Assistant Secretaries and such other Officers who shall have such powers and shall perform such duties as are provided in these Bylaws or as may be assigned to them by the Board of Directors, the Chairman of the Board or the President.

Section 8. **Action with Respect to Securities of Other Corporations.** Unless otherwise directed by the Board of Directors, the President or any Officer of the Corporation authorized by the President shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

ARTICLE V — STOCK

Section 1. **Certificates of Stock.** Each stockholder shall be entitled to a certificate signed by, or in the name of the Corporation by, the Chairman of the Board or the President and by the Secretary or Assistant Secretary or Treasurer or Assistant Treasurer, certifying the number of shares owned by the stockholder. Any or all of the signatures on the certificate may be by facsimile. Any or all of the shares owned by a stockholder may be held as uncertificated shares in book-entry form.

Section 2. **Transfers of Stock.** Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except where a certificate is issued in accordance with Section 4 of Article V of these Bylaws, an outstanding certificate for the number of shares involved shall be surrendered for

cancellation before a new certificate is issued therefor.

Section 3. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders, or to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of any meeting of stockholders, nor more than sixty (60) days prior to the time for such other action as hereinbefore described; provided, however, that if no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the next day preceding the day on which the meeting is held, and, for determining stockholders entitled to receive payment of any dividend or other distribution or allotment or rights or to exercise any rights of change, conversion or exchange of stock or for any other purpose, the record date shall be at the close of business on the day on which the Board of Directors adopts a resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

Section 4. Lost, Stolen or Destroyed Certificates. In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board of Directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

Section 5. Regulations. The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board of Directors may establish.

ARTICLE VI — NOTICES

Section 1. Notices. Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, Director, Officer, employee or agent shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by prepaid telegram or mailgram or other courier. Any such notice shall be addressed to such stockholder, Director, Officer, employee or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice is received, if hand delivered, or dispatched, if delivered through the mails or by

telegram or mailgram or other courier, shall be the time of the giving of the notice.

Section 2. Waivers. A written waiver of any notice, signed by a stockholder, Director, Officer, employee or agent, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such stockholder, Director, Officer, employee or agent. Neither the business nor the purpose of any meeting need be specified in such a waiver.

ARTICLE VII — MISCELLANEOUS

Section 1. Facsimile Signatures. In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

Section 2. Corporate Seal. The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary or an assistant to the Treasurer.

Section 3. Reliance Upon Books, Reports and Records. Each Director, each member of any committee designated by the Board of Directors, and each Officer of the Corporation shall, in the performance of his duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its Officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such Director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 4. Fiscal Year. The fiscal year of the Corporation shall be as fixed by the Board of Directors.

Section 5. Time Periods. In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

ARTICLE VIII — AMENDMENTS

The Board of Directors may amend, alter or repeal these Bylaws at any meeting of the Board, provided notice of the proposed change was given not less than two (2) days prior to the meeting. The stockholders shall also have power to amend, alter or repeal these Bylaws at any meeting of stockholders provided notice of the proposed change was given in the notice of the meeting; provided, however, that, notwithstanding any other provisions of the Bylaws or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the voting stock required by law, the Certificate of Incorporation, any Preferred Stock Designation or these Bylaws, the affirmative votes of the holders of at least 80% of the voting power of all the then-outstanding shares of the Voting Stock, voting together as a single class, shall be required to alter, amend or repeal any provisions of these Bylaws.

The above Bylaws became effective as of September 10, 1998, the date of incorporation of Grand Central Financial Corp., were subsequently amended and restated effective as of February 20, 2003, the date of the name change to Central Federal Corporation, and were again amended and restated effective as of May 17, 2007 to provide expressly for holding shares as uncertificated shares in book-entry form.

Exhibit 11.1

Computation of Per Share Earnings

The information regarding Computation of Per Share Earnings is incorporated by reference to the Company's 2007 Annual Report to Shareholders distributed to shareholders and furnished to the Commission under Rules 14a-3(b) and (c) of the Exchange Act; the computation appears under the caption "Note 21 — Earnings Per Share" at page 49 therein.

Exhibit 13.1

Annual Report to Security Holders for the Fiscal Year ended December 31, 2007

TABLE OF CONTENTS

3 **MESSAGE TO SHAREHOLDERS**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

4 Selected Financial and Other Data
6 Forward-Looking Statements
6 General
7 Management Strategy
8 Financial Condition
9 Comparison of Results of Operations for 2007 and 2006
11 Comparison of Results of Operations for 2006 and 2005
15 Quantitative and Qualitative Disclosures about Market Risk
16 Liquidity and Capital Resources
16 Impact of Inflation
16 Critical Accounting Policies
17 Market Prices and Dividends Declared

FINANCIAL STATEMENTS

18 Management's Report on Internal Control Over Financial Reporting
19 Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements
20 Consolidated Financial Statements
26 Notes to Consolidated Financial Statements

52 **BOARD OF DIRECTORS**

52 **OFFICERS**

52 **CFBANK OFFICE LOCATIONS**

CORPORATE DATA

52 Annual Report
52 Annual Meeting
52 Shareholder Services

MESSAGE TO SHARE HOLDERS

Dear Fellow Shareholders,

2007 was a year of economic turbulence caused by an inverted yield curve, a meltdown in the residential housing markets, and a near collapse of the credit markets which resulted in a loss of confidence by consumers and investors. All financial institutions felt the effect on their day-to-day operations with increased volatility of their stock and a downward trend of valuations. These results occurred regardless of the individual performance of a company and the actual financial results that occurred.

The Company opened 2007 with a stock price of $7.36 per share and ended the year at $3.86 per share. As a shareholder, I am extremely disappointed in our stock's performance because it does not reflect the substantial progress we have made toward creating long term value for our shareholders, customers and the communities we serve. Our balance sheet and income statement were stronger at the end of 2007. Total assets grew by 18% when many banks and savings and loans were shrinking or maintaining a zero growth mentality. Net income from our banking segment increased 80% in 2007.

Asset quality remained strong during the year. Nonperforming loans were only .21% of total loans at year end, and we had net recoveries on bad debts for the year. We continue to provide for potential losses and added $539 thousand in provision for loan losses for the year. Since we began the change in our business plan in 2003, we have yet to incur a loss from a commercial loan. While it is unrealistic to believe we will never incur a loss, you can be assured that your management team continues to focus on the credit quality of our portfolio. Further, we have no subprime mortgage exposure.

Some of our other business highlights include:

- 28% growth in gross interest income
- 14% growth in net interest income
- 37.6% growth in commercial, commercial real estate and multi-family loans

Our business model is built on a foundation of strong relationships with our clients, providing an advisory business banking experience for them, and executing to provide solutions at a speed which exceeds our client expectations.

Our continued focus on building relationships, keeping a watchful eye on credit quality, maintaining a strong stewardship with resources, and focusing our attention on profitable growth will provide a formula for creating financial value for our stockholders.

While we cannot control the market's perception of our stock or our industry, we can control our actions and decision-making, both of which we believe will create enhanced financial performance for the long term.

We look forward to 2008 and the continued opportunity to build a community-minded and focused financial institution. Thank you for your support.

Mark S. Allio
Chairman, President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SELECTED FINANCIAL AND OTHER DATA

The information in the following tables should be read in conjunction with our consolidated financial statements, the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations as contained in this report.

SELECTED FINANCIAL CONDITION DATA:
(DOLLARS IN THOUSANDS)

	AT DECEMBER 31,				
	2007	2006	2005	2004	2003
Total assets	$279,582	$236,028	$173,021	$171,005	$107,011
Cash and cash equivalents	3,894	5,403	2,972	32,675	8,936
Securities available for sale	28,398	29,326	30,872	13,508	27,126
Loans held for sale	457	2,000	2,419	1,888	106
Loans, net (1)	230,475	184,695	124,026	108,149	58,024
Allowance for loan losses	2,684	2,109	1,495	978	415
Nonperforming assets	574	297	800	418	934
Foreclosed assets	86	—	—	132	193
Goodwill	—	—	—	1,749	—
Other intangible assets	—	—	—	299	—
Deposits	194,308	167,591	127,588	101,624	73,358
FHLB advances	49,450	32,520	22,995	41,170	7,500
Other borrowings	—	—	—	2,249	—
Subordinated debentures	5,155	5,155	5,155	5,155	5,155
Total shareholders' equity	27,379	29,085	16,081	19,507	19,856

SUMMARY OF OPERATIONS:
(DOLLARS IN THOUSANDS)

	FOR THE YEAR ENDED DECEMBER 31,				
	2007	2006	2005	2004	2003
Total interest income	$17,523	$13,654	$ 8,691	$ 6,144	$ 5,435
Total interest expense	9,795	6,889	3,723	2,149	3,521
Net interest income	7,728	6,765	4,968	3,995	1,914
Provision for loan losses	539	820	674	646	102
Net interest income after provision for loan losses	7,189	5,945	4,294	3,349	1,812
Noninterest income:					
Net gain (loss) on sale of securities	—	(5)	—	(55)	42
Other	728	828	866	592	714
Total noninterest income	728	823	866	537	756
Impairment loss on goodwill and intangibles	—	—	1,966	—	—
Noninterest expense	7,997	6,849	6,861	6,420	5,930
Loss before income taxes	(80)	(81)	(3,667)	(2,534)	(3,362)
Income tax benefit	(63)	(44)	(377)	(872)	(988)
Net loss	$ (17)	$ (37)	$(3,290)	$(1,662)	$(2,374)

(See footnotes on next page)

SELECTED FINANCIAL RATIOS AND OTHER DATA:

	AT OR FOR THE YEAR ENDED DECEMBER 31,				
	2007	2006	2005	2004	2003
Performance Ratios: (2) (11)					
Return on average assets	(.01%)	(.02%)	(2.02%)	(1.23%)	(2.19%)
Return on average equity	(0.06%)	(.12%)	(17.71%)	(8.60%)	(12.34%)
Average yield on interest-earning assets (3)	7.23%	6.84%	5.87%	5.03%	5.62%
Average rate paid on interest-bearing liabilities	4.50%	4.00%	2.75%	1.93%	2.63%
Average interest rate spread (4)	2.73%	2.84%	3.12%	3.10%	2.99%
Net interest margin, fully taxable equivalent (5) (10)	3.19%	3.39%	3.35%	3.27%	3.28%
Interest-earning assets to interest-bearing liabilities	111.47%	115.83%	109.46%	109.82%	113.38%
Efficiency ratio (6)	94.57%	90.20%	151.30%	139.96%	225.65%
Noninterest expense to average assets	3.08%	3.20%	5.43%	4.74%	5.47%
Capital Ratios: (2)					
Equity to total assets at end of period	9.79%	12.32%	9.29%	11.41%	18.56%
Average equity to average assets	10.81%	13.89%	11.43%	14.26%	17.76%
Tangible capital ratio (9)	8.50%	9.80%	6.90%	8.10%	13.90%
Core capital ratio (9)	8.50%	9.80%	6.90%	8.10%	13.90%
Risk-based capital ratio (9)	11.00%	12.60%	10.10%	12.20%	21.60%
Asset Quality Ratios: (2)					
Nonperforming loans to total loans (7)	0.21%	0.16%	0.64%	0.26%	1.28%
Nonperforming assets to total assets (8)	0.21%	0.13%	0.46%	0.24%	0.87%
Allowance for loan losses to total loans	1.15%	1.13%	1.19%	0.90%	0.71%
Allowance for loan losses to nonperforming loans (7)	550.00%	710.10%	186.88%	341.96%	56.01%
Net charge-offs (recoveries) to average loans	(0.02%)	0.13%	0.14%	0.10%	0.08%
Per Share Data:					
Basic earnings (loss) per share	$ —	$ (0.01)	$ (1.49)	$ (0.82)	$ (1.31)
Diluted earnings (loss) per share	—	(0.01)	(1.49)	(0.82)	(1.31)
Dividends declared	0.28	0.36	0.36	0.36	0.36
Tangible book value per share at end of period	6.17	6.40	7.17	7.99	9.81

(1) *Loans, net represents gross loans receivable net of the allowance for loan losses, loans in process and deferred loan origination fees.*

(2) *Asset quality ratios and capital ratios are end-of-period ratios. All other ratios are based on average monthly balances during the indicated periods.*

(3) *Calculations of yield are presented on a taxable equivalent basis using the federal income tax rate of 34%.*

(4) *The average interest rate spread represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of average interest-bearing liabilities.*

(5) *The net interest margin represents net interest income as a percent of average interest-earning assets.*

(6) *The efficiency ratio equals noninterest expense divided by net interest income plus noninterest income (excluding gains or losses on securities transactions).*

(7) *Nonperforming loans consist of nonaccrual loans and other loans 90 days or more past due.*

(8) *Nonperforming assets consist of nonperforming loans, other repossessed assets and REO.*

(9) *Regulatory capital ratios of CFBank.*

(10) *Calculated excluding the $1.3 million penalty on prepayment of FHLB advances in 2003.*

(11) *Performance ratios for the year ended December 31, 2005 were significantly affected by the pre-tax $2.0 million impairment loss on goodwill and intangibles.*

Following are affected performance ratios for 2005 excluding this charge:

Return on average assets	*(0.86%)*
Return on average equity	*(7.27%)*
Efficiency ratio	*117.60%*
Ratio of noninterest expense to average assets	*4.20%*

Reconciliation of GAAP net loss to loss excluding the impairment loss on goodwill and intangibles:

GAAP net loss	*$ (3,290)*
Impairment loss on goodwill and intangibles, net of tax	*1,893*
Loss excluding impairment loss on goodwill and intangibles	*$ (1,397)*
Diluted loss per share	*$ (0.63)*

FORWARD – LOOKING STATEMENTS

This Annual Report contains "forward-looking statements" which may be identified by the use of such words as "may," "believe," "expect," "anticipate," "should," "plan," "estimate," "predict," "continue" and "potential" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, estimates with respect to our financial condition, results of operations and business that are subject to various factors which could cause actual results to differ materially from these estimates. These factors include, but are not limited to (i) general and local economic conditions, (ii) changes in interest rates, deposit flows, demand for mortgages and other loans, real estate values and competition, (iii) changes in accounting principles, policies or guidelines, (iv) changes in legislation or regulation and (v) other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services.

Any or all of our forward-looking statements in this Annual Report and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed and we caution readers not to place undue reliance on any such forward-looking statements. We undertake no obligation to publicly release revisions to any forward-looking statements to reflect events or circumstances after the date of such statements.

Other risks are detailed in our filings with the Securities and Exchange Commission, including our Form 10-K filed for 2007, all of which are difficult to predict and many of which are beyond our control.

GENERAL

Central Federal Corporation (the Company) is a savings and loan holding company incorporated in Delaware in 1998. Substantially all of our business is the operation of our principal subsidiary, CFBank, a federally chartered savings association formed in Ohio in 1892.

CFBank is a community-oriented financial institution offering a variety of financial services to meet the needs of the communities we serve. Our client-centric method of operation emphasizes personalized service, clients' access to decision makers, solution-driven lending and quick execution, efficient use of technology and the convenience of remote deposit, telephone banking, corporate cash management and online internet banking. We attract deposits from the general public and use the deposits, together with borrowings and other funds, primarily to originate commercial and commercial real estate loans, single-family and multi-family residential mortgage loans and home equity lines of credit.

Our principal market area for loans and deposits includes the following Ohio counties: Summit County through our office in Fairlawn, Ohio; Franklin County through our office in Worthington, Ohio; and Columbiana County through our offices in Calcutta and Wellsville, Ohio. We originate commercial and conventional real estate loans and business loans primarily throughout Ohio.

Management's discussion and analysis represents a review of our consolidated financial condition and results of operations. This review should be read in conjunction with our consolidated financial statements and related notes.

MANAGEMENT STRATEGY

For the last five years, we have been executing a growth strategy which was crucial in CFBank's transition from a residentially focused savings and loan to a community bank which has added business banking, commercial real estate and commercial and industrial lending to our savings and loan foundation. As of December 2007, earning assets have grown to a level adequate to produce positive returns, which have stabilized capital. The earning asset base provides us with a platform for implementation of the next stage of profitable growth, as we continue to manage credit risk and noninterest expenses.

Beginning in 2003, we expanded into Columbus and Fairlawn, Ohio and began to focus on more profitable commercial and commercial real estate loan markets. In June of 2007, we relocated our Columbus regional office to Worthington. The new high traffic, highly visible location provides us with access to a market which has approximately $1 billion in retail deposits and a larger group of commercial and retail customers. The communities and customers we serve have welcomed our brand promise as a partner in their banking needs and not just a provider of commodity financial products. Our goal is to meet the individual financial needs and objectives of each customer. We believe both business and retail customers appreciate our broad experience, knowledgeable staff, access to decision-makers, customized solutions and execution with a sense of urgency. We have been careful to maintain our historically excellent asset quality and plan to continue to use conservative underwriting practices as we work to expand our loan portfolio. We have no exposure to subprime lending activities.

Total assets increased 18.5% or $43.6 million to $279.6 million at December 31, 2007, including growth in commercial, commercial real estate and multi-family loans of 37.6%, or $47.6 million, during 2007.

The flat/inverted yield curve challenged growth in net interest income during 2007. Although loan growth positively affected gross interest income, which increased 28.3% in 2007, interest expense increased 42.2%, resulting in a 14.2% increase in net interest income in 2007 compared to 2006. Net interest margin declined from 3.39% for the year ended December 31, 2006 to 3.19% for 2007.

Implementation of a growth strategy during a period of an inverted yield curve is extremely difficult. The return on the incremental growth will not be accretive in the short term. During 2007, we grew the balance sheet and net interest income despite of the slope of the yield curve. During the inverted yield curve period, we have maintained a shorter duration of our liabilities than our earning assets and as the yield curve returns to a positive slope, we should benefit from the liability repricing and a resultant increase in our net interest margin.

Our net income is dependent primarily on net interest income, which is the difference between the interest income earned on loans and securities and the cost of funds, consisting of interest paid on deposits and borrowed funds. Net interest income is affected by regulatory, economic and competitive factors that influence interest rates, loan demand and deposit flows. Net income is also affected by, among other things, loan fee income, provisions for loan losses, service charges, gains on loan sales, operating expenses, and franchise and income taxes. Operating expenses principally consist of employee compensation and benefits, occupancy, and other general and administrative expenses. In general, results of operations are significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies, and actions of regulatory authorities. Future changes in applicable laws, regulations or government policies may also materially impact our performance.

Profitability during 2007 was adversely impacted by $511,000, or $.11 per diluted share, in aggregate after-tax cost of an arbitration loss and lease termination expense. The arbitration loss resulted from an unfavorable decision in an arbitration proceeding brought by the former divisional President of Reserve Mortgage Services, Inc. (Reserve). Reserve had been acquired by the Company in October 2004 and was later merged into CFBank. The lease termination expense resulted from the move of CFBank's mortgage banking operations to the Fairlawn office and negotiation of a settlement of the remaining future lease obligations at the former location of those operations.

Other than discussed above, we are not aware of any market or institutional trends, other events, or uncertainties that are expected to have a material effect on liquidity, capital resources or operations. We are not aware of any current recommendations by regulators which would have a material effect if implemented.

FINANCIAL CONDITION

General. Assets totaled $279.6 million at December 31, 2007, an increase of $43.6 million, or 18.5%, from $236.0 million at December 31, 2006. The growth was primarily due to growth in CFBank's loan portfolio and was funded with deposits and Federal Home Loan Bank (FHLB) advances.

Loans. Net loans totaled $230.5 million at December 31, 2007, an increase of $45.8 million, or 24.8%, from $184.7 million at December 31, 2006. Commercial, commercial real estate and multi-family loans totaled $174.2 million at December 31, 2007, an increase of $47.6 million, or 37.6%, from $126.6 million at December 31, 2006. Mortgage loans totaled $31.1 million at December 31, 2007, an increase of only $873,000 from $30.2 million at December 31, 2006. The relatively small increase in mortgages loans was due to the sale of most of CFBank's mortgage loan production. This was consistent with the strategic decision by CFBank's management to sell substantially all fixed-rate single-family mortgage loan originations. See the discussion in the "Quantitative and Qualitative Disclosures about Market Risk" section of this Annual Report. Consumer loans decreased $2.0 million and totaled $28.2 million at December 31, 2007 compared to $30.2 million at December 31, 2006. The decrease was primarily due to repayments on home equity lines of credit and auto loans in excess of production of these loan types.

Premises and equipment. Premises and equipment totaled $5.7 million at December 31, 2007, an increase of $1.6 million compared to $4.1 million at December 31, 2006, due to construction costs related to the office in Worthington, Ohio.

Deposits. Deposits totaled $194.3 million at December 31, 2007 and increased $26.7 million, or 15.9%, from $167.6 million at December 31, 2006. Certificate of deposit accounts increased $16.7 million and included a $23.2 million increase in brokered certificate of deposit accounts. Additionally, money market accounts increased $6.4 million, interest bearing checking accounts increased $4.2 million and noninterest bearing deposits increased $1.0 million. Traditional savings account balances decreased by $1.6 million. We expect to continue to use brokered deposits as a source of funding, depending on market conditions, pricing and funding needs.

FHLB advances. FHLB advances totaled $49.5 million at December 31, 2007 and increased $17.0 million, or 52.1%, compared to $32.5 million at December 31, 2006. A $2.2 million economic development advance from the FHLB was drawn during the first quarter of 2007 to fund construction of CFBank's new Columbus regional office in Worthington. The remaining increase in FHLB advances was used to fund loan growth.

Subordinated debentures. Subordinated debentures totaled $5.9 million at year-end 2007 and 2006. These debentures were issued in 2003 in exchange for the proceeds of a $5.0 million trust preferred securities offering issued by a trust formed by the Company. The proceeds of the offering are available to provide capital for CFBank to support growth.

Shareholders' equity. Shareholders' equity totaled $27.4 million at December 31, 2007 and decreased $1.7 million, or 5.9%, compared to $29.1 million at December 31, 2006 as a result of the net loss for the year, an $830,000 treasury stock repurchase and $1.2 million in dividends to shareholders. In the third quarter of 2007, the Board of Directors approved a reduction in the quarterly dividend from $.09 per share to $.05 per share. The reduction of the dividend enables the Company to retain capital needed to support continued growth in all banking services. We viewed the reduction of the dividend as the most cost effective way of preserving capital given the current capital market environment.

Office of Thrift Supervision (OTS) regulations require savings institutions to maintain certain minimum levels of regulatory capital. Additionally, the regulations establish a framework for the classification of savings institutions into five categories: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Generally, an institution is considered well-capitalized if it has a core (Tier 1) capital ratio of at least 5.0% (based on adjusted total assets); a core (Tier 1) risk-based capital ratio of a least 6.0%; and a total risk-based capital ratio of at least 10.0%. CFBank had capital ratios above the well-capitalized levels at year-end 2007 and 2006.

COMPARISON OF RESULTS OF OPERATIONS FOR 2007 AND 2006

General. Operations resulted in a net loss of $17,000, or $.00 per diluted share, for the year ended December 31, 2007 compared to a net loss of $37,000, or $.01 per diluted share, for 2006. The net loss for 2007 was primarily due to the $511,000, or $.11 per diluted share, after-tax cost of the arbitration loss and lease termination expense discussed previously.

Net interest income. Net interest income is a significant component of net income, and consists of the difference between interest income generated on interest-earning assets and interest expense incurred on interest-bearing liabilities. Net interest income is primarily affected by the volumes, interest rates and composition of interest-earning assets and interest-bearing liabilities. The following tables titled “Average Balances, Interest Rates and Yields” and “Rate/Volume Analysis of Net Interest Income” provide important information on factors impacting net interest income and should be read in conjunction with this discussion of net interest income.

Net interest margin decreased to 3.19% during 2007 compared to 3.39% during 2006 as higher short-term market interest rates and a flat to inverted yield curve negatively impacted the cost of funding. Reductions in the Federal Funds rate and an increase in the slope of the yield curve positively impacted net interest margin in the fourth quarter of 2007; however, management of the net interest margin in the current interest rate and competitive environment is a challenge and continued pressure on margins is expected.

Interest income increased $3.8 million, or 28.3%, to $17.5 million in 2007, compared to $13.7 million in 2006, due to increased income on loans offset by a decline in income on securities and other interest earning assets. Interest income on loans increased $4.0 million, or 34.2%, in 2007 to $15.8 million compared to $11.8 million in 2006, due to growth in average loan balances and higher yields on loans. Average loan balances increased $46.0 million, or 28.0%, and totaled $210.2 million in 2007 compared to $164.2 million in 2006 due to growth in commercial, commercial real estate and multi-family mortgage loans. The average yield on loans increased 35 basis points (bp) to 7.54% in 2007 compared to 7.19% in 2006 due to new loans originated at higher market interest rates. Interest income on securities decreased $89,000, or 5.5%, and totaled $1.5 million in 2007 compared to $1.6 million in 2006 due to a decrease in the average balance and yield on securities. The average balance of securities decreased $1.1 million and totaled $29.9 million in 2007 compared to $31.0 million in 2006. The average yield on securities decreased 7 bp to 5.09% in 2007 compared to 5.16% in 2006. Interest income on other earning assets, which are primarily overnight cash investments, decreased $64,000 and totaled $18,000 in 2007 compared to $82,000 in 2006. The decrease was due to a decline in the average balance of these investments offset by an increase in yield. The average balance of other earning assets decreased $1.3 million and totaled $350,000 in 2007 compared to $1.6 million in 2006 as excess cash was used to repay overnight borrowings rather than invest. The yield on other earning assets increased 5bp to 5.14% in 2007 compared to 5.09% in 2006. The average balance of interest-earning assets increased $43.0 million and the average yield of interest-earning assets increased 39 bp during 2007.

Interest expense increased $2.9 million, or 42.2%, to $9.8 million in 2007 compared to $6.9 million in 2006 due to an increase in the average balance and cost of both deposits and borrowings. Interest expense on deposits increased $1.9 million, or 36.7%, to $7.2 million in 2007 from $5.3 million in 2006 due to increases in both the average balance and cost of deposits. Average deposit balances increased $27.1 million, or 19.6%, to $166.2 million in 2007 from $139.1 million in 2006 primarily due to growth in certificate of deposit accounts and money market accounts. The average cost of deposits increased 54 bp to 4.34% in 2007 from 3.80% in 2006 due to higher competitive market deposit rates and a flat to inverted yield curve which existed during most of 2007. Interest expense on FHLB advances and other borrowings, including subordinated debentures, increased $968,000, or 60.2%, to $2.6 million in 2007 from $1.6 million in 2006 due to an increase in both the average balance and cost of borrowings. The average balance of FHLB advances and other borrowings increased $18.1 million to $51.3 million in 2007 from $33.2 million in 2006 as FHLB advances were used to fund loan growth. The average cost of FHLB advances and other borrowings increased 17 bp to 5.02% in 2007 from 4.85% in 2006 due to higher short-term interest rates primarily during the first three quarters of 2007 which negatively affected both the cost of short-term FHLB advances and subordinated debentures. The average balance of interest-bearing liabilities increased $45.3 million and the average cost of interest-bearing liabilities increased 50 bp in 2007.

Provision for loan losses. CFBank continues to provide reserves for loan losses in relation to its loan growth, portfolio composition, current economic conditions and ascertainable credit risk information. Since commercial lending began in 2003, the Bank has provided a total of $2.8 million to build the allowance for loan losses as the commercial lending portfolio has grown. As of December 31, 2007, the Bank has not incurred a loss on a commercial loan asset. The provision totaled $539,000 for the year ended December 31, 2007 compared to $820,000 for 2006.

In 2007, the Bank provided a larger loan loss provision on loans with less than satisfactory risk ratings based on review of current facts and judgment regarding changes in the risk characterization of these loans. As the portfolio has become more seasoned, significant credit problems have not appeared in loans with satisfactory risk ratings, which resulted in lower allocations to the allowance on these loans and a lower provision for loan losses in 2007.

COMPARISON OF RESULTS OF OPERATIONS FOR 2007 AND 2006 (CONTINUED)

Management's loan review, assignment of risk ratings and classification of assets includes the identification of significant problem loans where accrual of interest continues because the loans are under 90 days delinquent and/or the loans are well secured, a complete documentation review had been performed, and the loans are in the active process of being collected, but the loans exhibit some type of weakness that could lead to nonaccrual classification in the future. An asset that is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any, is considered substandard. Substandard assets include those characterized by the distinct possibility that some loss will be sustained if the deficiencies are not corrected. At December 31, 2007, four commercial loan relationships and one multi-family loan relationship, totaling $2.1 million and $1.3 million, respectively, were classified as substandard. At December 31, 2006, two commercial loan relationships, which totaled $163,000, were classified as substandard.

We continued to experience low levels of nonperforming loans and net loan charge-offs. Nonperforming loans, which are nonaccrual loans and loans past due 90 days still accruing interest, totaled $488,000, or 0.21% of total loans at December 31, 2007, compared to $297,000 or 0.16% of total loans at December 31, 2006. Net recoveries totaled $36,000, or 0.02% of average loans in 2007, compared to net charge-offs of $206,000, or 0.13% in 2006. More than 97% of the nonaccrual loan balances were secured by single-family homes. All but one loan, which totaled $147,000, are located in our market area.

The ratio of the allowance for loan losses to total loans was 1.15% at December 31, 2007 and 1.13% at December 31, 2006.

Management continues to diligently monitor credit quality in the existing portfolio and analyze potential loan opportunities carefully in order to manage credit risk while implementing our growth strategy. We believe the allowance for loan losses is adequate to absorb probable incurred credit losses in the loan portfolio at December 31, 2007; however, future additions to the allowance may be necessary based on factors such as changes in client business performance, economic conditions, and sudden changes in real estate values.

Noninterest income. Noninterest income totaled $728,000 for the year ended December 31, 2007 and decreased $95,000, or 11.5%, from $823,000 for 2006. The decline in noninterest income in the current year was primarily due to lower mortgage loan production in 2007, which resulted in lower net gains on sales of loans. Mortgage loan originations and sales totaled $37.3 million in 2007 compared to $44.0 million in 2006.

Noninterest expense. Noninterest expense totaled $8.0 million for the year ended December 31, 2007 and included the $774,000 pre-tax arbitration loss and lease termination expense described previously. The $774,000 was comprised of salaries and employee benefits expense of $641,000 related to the arbitration loss, and occupancy and equipment expense of $100,000 and other expense of $33,000, both related to the lease termination. The $33,000 other expense reflected the write-off of leasehold improvements at the previously rented space.

Noninterest expense for the year ended December 31, 2007, not including the arbitration loss and lease termination expense, totaled $7.2 million and increased $374,000, or 5.5%, from 2006. The increase in noninterest expense in the current year was due to costs associated with additional operational resources necessary to further implement our strategic growth plan. Management leveraged growth during calendar year 2006 and was able to grow assets by 36.4%, or $63.0 million, with no increase in noninterest expense during that year. Additional expenses were incurred in the current year for the opening of CFBank's office in Worthington, Ohio in the summer of 2007, replacing the office at Easton Town Center in Columbus, Ohio. Ohio franchise tax increased $122,000 in 2007 due to additional capital from the Company's 2006 stock offering. Noninterest expenses in the current year were also incurred for marketing, advertising and additional human resources necessary to support growth. The ratio of noninterest expense to average assets improved to 3.08% in 2007 from 3.20% in 2006.

Income taxes. The income tax benefit in 2007 totaled $63,000 as a result of the current year loss and was comparable to the tax benefit in 2006.

COMPARISON OF RESULTS OF OPERATIONS FOR 2006 AND 2005

General. Operations resulted in a net loss of $37,000, or $.01 per diluted share, in 2006, an improvement of $3.3 million compared to a net loss of $3.3 million, or $1.49 per diluted share, in 2005. The loss in 2005 included a $1.9 million, or $.86 per diluted share, impairment loss on goodwill and intangibles described in the "Critical Accounting Policies" section of this Annual Report. Performance improved $1,360,000 to a loss of $37,000 or $.01 per diluted share in 2006 compared to a loss of $1,397,000, or $.63 per diluted share, in 2005, not including the impairment loss, due to a 36.2% increase in net interest income resulting from substantial loan growth during 2006.

Net interest income. Net interest margin increased to 3.39% during 2006 compared to 3.35% during 2005 largely due to employment of the additional capital raised in our public offering and increased yields on CFBank's adjustable rate assets tied to prime and other short-term market indices, primarily commercial loans and home equity lines of credit. Net interest margin declined from 3.56% in the first quarter of 2006 to 3.20% in the fourth quarter of 2006 as higher short-term market interest rates and a flat to inverted yield curve negatively impacted the cost of funding.

Interest income increased $5.0 million, or 57.1%, to $13.7 million in 2006, compared to $8.7 million in 2005, primarily due to increased income on loans and securities. Interest income on loans increased $4.5 million, or 61.8%, in 2006 to $11.8 million compared to $7.3 million in 2005 due to growth in average loan balances and higher yields on loans. Average loan balances increased $48.4 million and totaled $164.2 million in 2006 compared to $115.8 million in 2005 due to commercial, commercial real estate and multi-family mortgage loan growth. Average loan yields increased 89 bp to 7.19% in 2006 compared to 6.30% in 2005 due to increased short-term market interest rates in 2006 and an increase in the yield on new loans originated. The increase in short-term market interest rates also increased yields on variable rate loans in our portfolio, such as home equity lines of credit, which are tied to the prime rate, and commercial, commercial real estate and multi-family mortgage loans, a significant portion of which are adjustable rate loans. Interest income on securities increased $488,000 or 43.5% and totaled $1.6 million in 2006 compared to $1.1 million in 2005 due to an increase in the average balance and yield on securities. The average balance of securities increased $5.6 million and totaled $31.0 million in 2006 compared to $25.4 million in 2005. The increase was due to a securitization of single-family residential mortgage loans held in our portfolio with an outstanding principal balance of $18.6 million. The securitization, in which we retained the securities, occurred in a transaction with Freddie Mac in the second quarter of 2005. The yield on securities increased 71 bp and totaled 5.16% in 2006 compared to 4.45% in 2005 primarily due to the mortgage loan securitization, which added higher yielding assets to the securities portfolio, and due to current year purchases at higher yields. The average balance of interest-earning assets increased $51.2 million, and the average yield of interest-earning assets increased 97 bp during 2006.

Interest expense increased $3.2 million, or 85.0%, to $6.9 million in 2006 compared to $3.7 million in 2005 due to increased expense on both deposits and borrowings. Interest expense on deposits increased $2.5 million, or 87.0%, to $5.3 million from $2.8 million in 2005 due to increases in both the average balance and cost of deposits. Average deposit balances increased $28.5 million to $139.1 million in 2006 from $110.6 million in 2005 primarily due to growth in certificate of deposit accounts and money market accounts. The average cost of deposits increased 125 bp to 3.80% in 2006 from 2.55% in 2005 due to higher short-term market interest rates and a flat to inverted yield curve in 2006. Interest expense on FHLB advances and other borrowings, including subordinated debentures, increased $710,000, or 79.0%, to $1.6 million in 2006 from $899,000 in 2005 due to an increase in both the average balance and cost of borrowings. The average balance of FHLB advances and other borrowings increased $8.3 million to $33.2 million in 2006 from $24.9 million in 2005 as FHLB advances were used to fund loan growth. The average cost of FHLB advances and other borrowings increased 123 bp to 4.85% in 2006 from 3.62% in 2005 primarily due increased short-term interest rates in 2006 which negatively affected both the cost of short-term FHLB advances and subordinated debentures. The average balance of interest-bearing liabilities increased $36.8 million, and the average cost of interest-bearing liabilities increased 125 bp in 2006.

Provision for loan losses. The provision for loan losses is based on management's regular review of the loan portfolio as described in detail previously. Based on this review, the provision for loan losses increased $146,000 to $820,000 in 2006, from $674,000 in 2005, due to commercial, commercial real estate and multi-family loan growth in 2006. At December 31, 2006, the allowance for commercial, commercial real estate and multi-family mortgage loans totaled $1.9 million, an increase of $629,000 or 47.7% from $1.3 million at December 31, 2005, as these loan types increased from 57.7% of the loan portfolio at year-end 2005 to 67.7% at year-end 2006. Commercial, commercial real estate and multi-family loans tend to be larger balance, higher risk loans than other loans made by CFBank, and 92.3% of the allowance was allocated to the higher risk loan types at December 31, 2006. At December 31, 2006, the allowance for loan losses represented 1.13% of total loans compared to 1.19% at December 31, 2005.

Nonperforming loans, all of which were nonaccrual loans, totaled $297,000 at December 31, 2006, a decrease of $503,000 compared to $800,000 at December 31, 2005. The decline in nonaccrual loans was due to acquisition of properties through the foreclosure process. At

COMPARISON OF RESULTS OF OPERATIONS FOR 2006 AND 2005 (CONTINUED)

December 31, 2006, 0.16% of total loans were nonaccrual loans compared to 0.64% at December 31, 2005. More than 97% of the nonaccrual loan balances were secured by single-family homes in our primary market area.

Noninterest income. Noninterest income totaled $823,000 in 2006 and was $43,000, or 5.0%, lower than in 2005 due to a decline in gains on loan sales in 2006, partially offset by additional service charges and other income. Net gain on sales of loans declined 30.5% and totaled $326,000 in 2006 as mortgage loan production was negatively impacted by changes in staffing and processes in the mortgage division. Mortgage loan originations and sales totaled $44.0 million in 2006 compared to $55.4 million in 2005.

Noninterest expense. Noninterest expense totaled $6,849,000 in 2006, and was comparable to $6,861,000, not including the impairment loss, in 2005. Management leveraged growth with existing resources and there was no increase in noninterest expense to support the 36.4% balance sheet growth achieved in 2006.

The ratio of noninterest expense to average assets (not including the impairment loss in 2005) improved to 3.20% in 2006 from 4.20% in 2005, and the efficiency ratio improved to 90.20% in 2006 from 117.60% in 2005. The positive movement in these ratios resulted from control of noninterest expense, growth in the balance sheet, and increased net interest income.

Income taxes. The income tax benefit in 2006 totaled $44,000 and was less than the benefit in 2005 due to a lower pretax loss in 2006. The income tax benefit in 2005 included a non-cash, non-recurring federal income tax charge of $344,000 related to redemption of $1.3 million in FHLB stock which resulted in a $1.0 million gain for tax purposes and utilized a portion of our net operating loss carryforward. The redemption resulted in no gain for book purposes but did result in the recognition of federal income tax expense associated with FHLB stock dividends received from 1978 through 1997 which reduced the basis of the shares redeemed for which no deferred tax liability had been established. The goodwill impairment loss recognized in 2005 was not deductible for tax purposes.

AVERAGE BALANCES, INTEREST RATES AND YIELDS

The following table presents for the periods indicated the total dollar amount of fully taxable equivalent interest income from average interest-earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities, expressed in both dollars and rates.

(DOLLARS IN THOUSANDS) FOR THE YEARS ENDED DECEMBER 31,

	2007			2006			2005		
	AVERAGE OUTSTANDING BALANCE	INTEREST EARNED/ PAID	AVERAGE YIELD/ RATE	AVERAGE OUTSTANDING BALANCE	INTEREST EARNED/ PAID	AVERAGE YIELD/ RATE	AVERAGE OUTSTANDING BALANCE	INTEREST EARNED/ PAID	AVERAGE YIELD/ RATE
Interest-earning assets:									
Securities (1) (2)	$ 29,864	$ 1,520	5.09%	$ 30,991	$ 1,609	5.16%	$ 25,404	$ 1,121	4.45%
Loans and loans held for sale (3)	210,169	15,847	7.54%	164,204	11,805	7.19%	115,757	7,295	6.30%
Other earning assets	350	18	5.14%	1,610	82	5.09%	3,368	88	2.61%
FHLB stock	2,105	138	6.56%	2,723	158	5.80%	3,751	187	4.99%
Total interest-earning assets	242,488	17,523	7.23%	199,528	13,654	6.84%	148,280	8,691	5.87%
Noninterest-earning assets	17,098			14,233			14,272		
Total assets	$ 259,586			$ 213,761			$ 162,552		
Interest-bearing liabilities:									
Deposits	$ 166,242	7,218	4.34%	$ 139,056	5,280	3.80%	$ 110,601	2,824	2.55%
FHLB advances and other borrowings	51,295	2,577	5.02%	33,201	1,609	4.85%	24,860	899	3.62%
Total interest-bearing liabilities	217,537	9,795	4.50%	172,257	6,889	4.00%	135,461	3,723	2.75%
Noninterest-bearing liabilities	13,997			11,802			8,518		
Total liabilities	231,534			184,059			143,979		
Equity	28,052			29,702			18,573		
Total liabilities and equity	$ 259,586			$ 213,761			$ 162,552		
Net interest-earning assets	$ 24,951			$ 27,271			$ 12,819		
Net interest income/ interest rate spread		$ 7,728	2.73%		$ 6,765	2.84%		$ 4,968	3.12%
Net interest margin			3.19%			3.39%			3.35%
Average interest-earning assets to average interest-bearing liabilities	111.47%			115.83%			109.46%		

(1) Average balance is computed using the carrying value of securities.

Average yield is computed using the historical amortized cost average balance for available for sale securities.

(2) Average yields and interest earned are stated on a fully taxable equivalent basis.

(3) Balance is net of deferred loan origination fees, undisbursed proceeds of construction loans and includes nonperforming loans.

RATE/VOLUME ANALYSIS OF NET INTEREST INCOME

The following table presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the increase and decrease related to changes in balances and/or changes in interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (i.e., changes in volume multiplied by the prior rate) and (ii) changes in rate (i.e., changes in rate multiplied by prior volume). 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.

(DOLLARS IN THOUSANDS)

	YEAR ENDED DECEMBER 31, 2007 COMPARED TO YEAR ENDED DECEMBER 31, 2006			YEAR ENDED DECEMBER 31, 2006 COMPARED TO YEAR ENDED DECEMBER 31, 2005		
	INCREASE (DECREASE) DUE TO			INCREASE (DECREASE) DUE TO		
	RATE	VOLUME	NET	RATE	VOLUME	NET
Interest-earning assets:						
Securities (1)	$ (25)	$ (64)	$ (89)	$ 206	$ 282	$ 488
Loans and loans held for sale	600	3,442	4,042	1,135	3,375	4,510
Other earning assets	1	(65)	(64)	56	(62)	(6)
FHLB stock	19	(39)	(20)	28	(57)	(29)
Total interest-earning assets	595	3,274	3,869	1,425	3,538	4,963
Interest-bearing liabilities:						
Deposits	821	1,117	1,938	1,607	849	2,456
FHLB advances and other borrowings	61	907	968	357	353	710
Total interest-bearing liabilities	882	2,024	2,906	1,964	1,202	3,166
Net change in net interest income	$ (287)	$ 1,250	$ 963	$ (539)	$ 2,336	$1,797

(1) Securities amounts are presented on a fully taxable equivalent basis.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss from adverse changes in market prices and interest rates. We have not engaged in and, accordingly, have no risk related to trading accounts, commodities, or foreign exchange. Our hedging policy allows hedging activities, such as interest rate swaps, up to 10% of total assets. Disclosures about our hedging activities are set forth in Note 17 to our consolidated financial statements. Market risk arises primarily from interest rate risk inherent in our lending and deposit gathering activities and the issuance of debentures. The measurement of market risk associated with financial instruments is meaningful only when all related and offsetting on- and off-balance-sheet transactions are aggregated and the resulting net positions are identified. Disclosures about the fair value of financial instruments are set forth in Note 19 to our consolidated financial statements.

Management actively monitors and manages interest rate risk. The primary objective in managing interest rate risk is to limit, within established guidelines, the adverse impact of changes in interest rates on our net interest income and capital. We measure the effect of interest rate changes on CFBank's net portfolio value (NPV), which is the difference between the estimated market value of its assets and liabilities under different interest rate scenarios. Changes in NPV are measured using instantaneous changes in interest rates, rather than linear changes in rates over a period of time. At December 31, 2007, CFBank's NPV ratios, using interest rate shocks ranging from a 300 bp rise in rates to a 200 bp decline in rates are shown in the following table. All values are within the acceptable range established by CFBank's Board of Directors.

NET PORTFOLIO VALUE (CFBANK ONLY)

BASIS POINT CHANGE IN RATES	NPV RATIO
+300	9.59%
+200	10.25%
+100	10.90%
+50	11.22%
0	11.48%
-50	11.72%
-100	11.98%
-200	12.29%

In evaluating CFBank's exposure to interest rate risk, certain shortcomings inherent in the method of analysis presented in the foregoing table must be considered. For example, although certain assets and liabilities may have similar maturities or periods to which they reprice, they may react in different degrees to changes in market interest rates. In addition, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Furthermore, in the event of a change in interest rates, prepayments and early withdrawal levels would likely deviate significantly from those assumed in calculating the table. Finally, the ability of many borrowers to service their debt may decrease when interest rates rise. Therefore, the actual effect of changing interest rates may differ materially from that presented in the foregoing table.

CFBank's interest rate risk position has improved as a result of management's strategic decisions to sell substantially all fixed-rate single-family mortgage loan originations rather than retain long-term, low fixed-rate loans in portfolio and to increase commercial, commercial real estate and multi-family loans and home equity lines of credit, which, in many cases, have adjustable interest rates. During the flat/inverted yield curve period that existed during 2006 and much of 2007, we maintained a shorter duration of liabilities than earning assets. As the yield curve returns to a positive slope, we will benefit from the liability repricing and a resultant increase in our net interest margin. In 2006, we issued $9.7 million in callable brokered certificates of deposit which will assist with asset/liability management and improve our net interest margin when we exercise our call options as a result of the current downward shift in the short end of the yield curve. Our interest rate risk position also improved as a result of the securitization of mortgage loans in 2005, which increased liquidity of the mortgages.

LIQUIDITY AND CAPITAL RESOURCES

In general terms, liquidity is a measurement of ability to meet cash needs. The primary objective in liquidity management is to maintain the ability to meet loan commitments and to repay deposits and other liabilities in accordance with their terms without an adverse impact on current or future earnings. Principle sources of funds are deposits; amortization and prepayments of loans; maturities, sales and principal receipts of securities available for sale; borrowings; and operations. While maturities and scheduled amortization of loans are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions and competition.

CFBank is required by regulation to maintain sufficient liquidity to ensure its safe and sound operation. Thus, adequate liquidity may vary depending on CFBank's overall asset/liability structure, market conditions, the activities of competitors and the requirements of its own deposit and loan customers. Management believes that CFBank's liquidity is sufficient.

Liquidity management is both a daily and long-term responsibility of management. We adjust our investments in liquid assets, primarily cash, short-term investments and other assets that are widely traded in the secondary market, based on our ongoing assessment of expected loan demand, expected deposit flows, yields available on interest-earning deposits and securities and the objective of our asset/liability management program. In addition to liquid assets, we have other sources of liquidity available including, but not limited to, access to advances from the FHLB, lines of credit with commercial banks, use of brokered deposits and the ability to obtain deposits by offering above-market interest rates.

CFBank relies primarily on competitive interest rates, customer service, and relationships with customers to retain deposits. Based on our historical experience with deposit retention and current retention strategies, we believe that, although it is not possible to predict future terms and conditions upon renewal, a significant portion of such deposits will remain with CFBank.

At December 31, 2007, CFBank exceeded all of its regulatory capital requirements to be considered well-capitalized. Tier 1 capital level was $23.4 million, or 8.5% of adjusted total assets, which exceeds the required level of $13.8 million, or 5.0%. Tier 1 risk-based capital level was $23.4 million, or 9.9% of risk-weighted assets, which exceeds the required level of $14.2 million, or 6.0%. Risk-based capital was $26.1 million, or 11.0% of risk-weighted assets, which exceeds the required level of $23.7 million, or 10.0%. In January 2006, the holding company contributed $10.4 million in additional capital to CFBank.

IMPACT OF INFLATION

The financial statements and related data presented herein have been prepared in accordance with U.S. generally accepted accounting principles, which presently require us to measure financial position and results of operations primarily in terms of historical dollars. Changes in the relative value of money due to inflation are generally not considered. In our opinion, changes in interest rates affect our financial condition to a far greater degree than change in the inflation rate. While interest rates are generally influenced by changes in the inflation rate, they do not move concurrently. Rather, interest rate volatility is based on changes in the expected rate of inflation, as well as changes in monetary and fiscal policy. A financial institution's ability to be relatively unaffected by changes in interest rates is a good indicator of its ability to perform in a volatile economic environment. In an effort to protect performance from the effects of interest rate volatility, we review interest rate risk frequently and take the steps necessary to minimize any detrimental effects on profitability.

CRITICAL ACCOUNTING POLICIES

We follow financial accounting and reporting policies that are in accordance with U.S. generally accepted accounting principles and conform to general practices within the banking industry. These policies are presented in Note 1 to our consolidated financial statements. Some of these accounting policies are considered to be critical accounting policies, which are those policies that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Application of assumptions different than those used by management could result in material changes in our financial position or results of operations. We believe that the judgments, estimates and assumptions used in the preparation of the consolidated financial statements are appropriate given the factual circumstances at the time.

We have identified accounting policies that are critical accounting policies, and an understanding of these policies is necessary to understand our financial statements. One critical accounting policy relates to determining the adequacy of the allowance for loan losses. CFBank's Allowance for Loan Losses Policy provides a thorough, disciplined and consistently applied process that incorporates management's current judgments about the credit

CRITICAL ACCOUNTING POLICIES (CONTINUED)

quality of the loan portfolio into determination of the allowance for loan losses in accordance with U.S. generally accepted accounting principles and supervisory guidance. Management estimates the appropriate allowance balance by evaluating past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations, estimated value of collateral, economic conditions, and other factors. We believe that an adequate allowance for loan losses has been established. Additional information regarding this policy is included in the previous sections captioned "Provision for Loan Losses" and in Notes 1 and 3 to our consolidated financial statements.

Another critical accounting policy relates to valuation of the deferred tax asset for net operating losses. Net operating losses totaling $700,000, $2.7 million and $437,000 expire in 2023, 2024 and 2025, respectively. No valuation allowance has been recorded against the deferred tax asset for net operating losses because the benefit is more likely than not to be realized. As we continue our strategy to expand into business financial services and focus on growth, the resultant increase in interest-earning assets is expected to increase profitability. Additional information is included in Notes 1 and 13 to our consolidated financial statements.

MARKET PRICES AND DIVIDENDS DECLARED

The common stock of Central Federal Corporation trades on the Nasdaq® Capital Market under the symbol "CFBK." As of December 31, 2007, there were 4,434,787 shares of common stock outstanding and 537 shareholders, excluding persons or entities holding stock in nominee or street name through various brokerage firms.
The following table shows the quarterly reported high and low trade prices of the common stock and cash dividends per share declared during 2007 and 2006.

	HIGH	LOW	DIVIDENDS
2007			
First quarter	$7.72	$6.81	$ 0.09
Second quarter	7.00	6.22	0.09
Third quarter	7.00	5.21	0.05
Fourth quarter	6.75	3.75	0.05
2006			
First quarter	$8.10	$7.25	$ 0.09
Second quarter	8.27	7.10	0.09
Third quarter	8.50	7.79	0.09
Fourth quarter	8.33	7.01	0.09

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Central Federal Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities and Exchange Act of 1934, as amended. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

The Company's internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Based on our assessment and those criteria, management concluded that the Company maintained effective internal control over financial reporting as of December 31, 2007.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2007. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

This annual report does not contain an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Mark S. Allio
Chairman of the Board, President and Chief Executive Officer

Therese Ann Liutkus, CPA
Treasurer and Chief Financial Officer

March 19, 2008

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS

Crowe Chizek and Company LLC
Member Horwath International

The Board of Directors and Shareholders
Central Federal Corporation
Fairlawn, Ohio

We have audited the accompanying consolidated balance sheets of Central Federal Corporation as of December 31, 2007 and 2006 and the related consolidated statements of operations, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Federal Corporation as of December 31, 2007 and 2006 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Cleveland, Ohio
March 19, 2008

CONSOLIDATED BALANCE SHEETS

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)	DECEMBER 31	
	2007	2006
Assets		
Cash and cash equivalents	$ 3,894	$ 5,403
Securities available for sale	28,398	29,326
Loans held for sale	457	2,000
Loans, net of allowance of $2,684 and $2,109	230,475	184,695
Federal Home Loan Bank stock	1,963	2,813
Loan servicing rights	157	201
Foreclosed assets, net	86	—
Premises and equipment, net	5,717	4,105
Bank owned life insurance	3,769	3,646
Deferred tax asset	1,995	2,044
Accrued interest receivable and other assets	2,671	1,795
	$279,582	$236,028
Liabilities and shareholders' equity		
Deposits		
Noninterest bearing	$ 12,151	$ 11,114
Interest bearing	182,157	156,477
Total deposits	194,308	167,591
Federal Home Loan Bank advances	49,450	32,520
Advances by borrowers for taxes and insurance	154	137
Accrued interest payable and other liabilities	3,136	1,540
Subordinated debentures	5,155	5,155
Total liabilities	252,203	206,943
Shareholders' equity		
Preferred stock, 1,000,000 shares authorized; none issued	—	—
Common stock, $.01 par value; 6,000,000 shares authorized; 2007 — 4,628,320 shares issued, 2006 — 4,612,195 shares issued	46	46
Additional paid-in capital	27,348	27,204
Retained earnings	1,411	2,643
Accumulated other comprehensive income (loss)	187	(25)
Treasury stock, at cost (2007 — 193,533 shares, 2006 — 68,533 shares)	(1,613)	(783)
Total shareholders' equity	27,379	29,085
	$279,582	$236,028

(See accompanying notes.)

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)	YEARS ENDED DECEMBER 31		
	2007	2006	2005
Interest and dividend income			
Loans, including fees	$15,847	$11,805	$ 7,295
Securities	1,520	1,609	1,121
Federal Home Loan Bank stock dividends	138	158	187
Federal funds sold and other	18	82	88
	17,523	13,654	8,691
Interest expense			
Deposits	7,218	5,280	2,824
Federal Home Loan Bank advances and other debt	2,151	1,193	578
Subordinated debentures	426	416	321
	9,795	6,889	3,723
Net interest income	7,728	6,765	4,968
Provision for loan losses	539	820	674
Net interest income after provision for loan losses	7,189	5,945	4,294
Noninterest income			
Service charges on deposit accounts	287	232	195
Net gains on sales of loans	233	326	469
Loan servicing fees, net	49	59	16
Net gains (losses) on sales of securities	—	(5)	—
Earnings on bank owned life insurance	123	115	130
Other	36	96	56
	728	823	866
Noninterest expense			
Salaries and employee benefits	4,601	3,788	3,568
Occupancy and equipment	534	471	462
Data processing	556	492	495
Franchise taxes	293	171	233
Professional fees	358	428	595
Director fees	148	149	170
Postage, printing and supplies	162	155	161
Advertising and promotion	203	95	138
Telephone	99	109	122
Loan expenses	23	101	32
Foreclosed assets, net	(30)	8	18
Depreciation	619	506	415
Amortization of intangibles	—	—	82
Impairment loss on goodwill and intangibles	—	—	1,966
Other	431	376	370
	7,997	6,849	8,827
Loss before income taxes	(80)	(81)	(3,667)
Income tax benefit	(63)	(44)	(377)
Net loss	$ (17)	$ (37)	$(3,290)
Loss per share:			
Basic	$ —	$ (0.01)	$ (1.49)
Diluted	$ —	$ (0.01)	$ (1.49)

(See accompanying notes.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)	YEARS ENDED DECEMBER 31		
	2007	2006	2005
Net loss	$ (17)	$(37)	$(3,290)
Change in net unrealized gain (loss) on securities available for sale	322	(85)	(580)
Less: Reclassification adjustment for gains and (losses) later recognized in net income	—	(5)	—
Net unrealized gain (loss)	322	(80)	(580)
Initial unrealized gain on mortgage-backed securities received in securitization	—	—	530
Tax effect	(110)	27	17
Other comprehensive income (loss)	212	(53)	(33)
Comprehensive income (loss)	$ 195	$(90)	$(3,323)

(See accompanying notes.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	UNEARNED STOCK BASED INCENTIVE PLAN SHARES	TREASURY STOCK	TOTAL SHAREHOLDERS' EQUITY
Balance at January 1, 2005	$ 23	$ 12,519	$ 8,497	$ 61	$ (351)	$ (1,242)	$ 19,507
Comprehensive loss:							
Net loss			(3,290)				(3,290)
Other comprehensive loss				(33)			(33)
Total comprehensive loss							(3,323)
Issuance of stock based incentive plan shares (17,675 shares)		178			(178)		—
Release of 20,447 stock based incentive plan shares					240		240
Tax benefits from stock based incentive plan shares released		34					34
Stock options exercised (40,138 shares)		2	(86)			459	375
Tax benefits from stock options exercised		54					54
Cash dividends declared ($.36 per share)			(806)				(806)
Balance at December 31, 2005	23	12,787	4,315	28	(289)	(783)	16,081
Reclassification of unearned stock based incentive plan shares upon adoption of SFAS 123R, Share Based Payment, on January 1, 2006		(289)			289		—
Comprehensive loss:							
Net loss			(37)				(37)
Other comprehensive loss				(53)			(53)
Total comprehensive loss							(90)
Issuance of common stock in public offering, net of offering costs of $1,542 (2,300,000 shares)	23	14,535					14,558
Release of 14,556 stock based incentive plan shares		166					166
Tax benefits from dividends on unvested stock based incentive plan shares		5					5
Cash dividends declared ($.36 per share)			(1,635)				(1,635)
Balance at December 31, 2006	46	27,204	2,643	(25)	—	(783)	29,085
Comprehensive income:							
Net loss			(17)				(17)
Other comprehensive income				212			212
Total comprehensive income							195
Release of 17,633 stock based incentive plan shares		152					152
Tax benefits from dividends on unvested stock based incentive plan shares		3					3
Tax effect from vesting of stock based incentive plan shares		(26)					(26)
Stock option expense		15					15
Purchase of 125,000 treasury shares at $6.64 per share						(830)	(830)
Cash dividends declared ($.28 per share)			(1,215)				(1,215)
Balance at December 31, 2007	$ 46	$ 27,348	$ 1,411	$ 187	$ —	$ (1,613)	$ 27,379

(See accompanying notes.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)	YEARS ENDED DECEMBER 31		
	2007	2006	2005
Cash flows from operating activities			
Net loss	$ (17)	$ (37)	$ (3,290)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Provision for loan losses	539	820	674
Valuation (gain) loss on mortgage servicing rights	(3)	(17)	4
Depreciation	619	506	415
Amortization, net	(121)	(102)	42
Impairment loss on goodwill and intangibles	—	—	1,966
Net realized (gain) loss on sales of securities	—	5	—
Originations of loans held for sale	(37,282)	(44,033)	(55,356)
Proceeds from sale of loans held for sale	39,058	44,778	55,294
Net gain on sale of loans	(233)	(326)	(469)
Loss (gain) on disposal of premises and equipment	38	(38)	3
Loss (gain) on sale of foreclosed assets	(46)	(15)	9
FHLB stock dividend	—	(157)	(186)
Stock based incentive plan and stock option expense	167	166	240
Change in deferred income taxes	(61)	(39)	(470)
Net change in:			
Bank owned life insurance	(123)	(115)	(130)
Accrued interest receivable and other assets	(876)	(406)	(240)
Accrued interest payable and other liabilities	1,761	245	107
Net cash from operating activities	3,420	1,235	(1,387)
Cash flows from investing activities			
Available-for-sale securities:			
Sales	—	4,395	1,435
Maturities, prepayments and calls	7,244	5,193	4,580
Purchases	(5,867)	(8,025)	(5,037)
Loan originations and payments, net	(41,371)	(48,644)	(26,158)
Loans purchased	(5,146)	(12,976)	(8,778)
Proceeds from redemption of FHLB stock	850	—	1,308
Additions to premises and equipment	(2,278)	(1,678)	(662)
Proceeds from the sale of premises and equipment	9	39	—
Proceeds from the sale of foreclosed assets	246	233	104
Net cash from investing activities	(46,313)	(61,463)	(33,208)

(continued on next page.)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)	YEARS ENDED DECEMBER 31		
	2007	2006	2005
Cash flows from financing activities			
Net change in deposits	26,669	39,981	25,950
Net change in short-term borrowings from the Federal Home Loan Bank and other debt	17,000	8,525	(18,424)
Proceeds from Federal Home Loan Bank advances and other debt	4,200	5,000	—
Repayments on Federal Home Loan Bank advances and other debt	(4,270)	(4,000)	(2,000)
Net change in advances by borrowers for taxes and insurance	17	24	(208)
Cash dividends paid	(1,402)	(1,429)	(801)
Proceeds from exercise of stock options	—	—	375
Proceeds from issuance of common stock in public offering	—	14,558	—
Repurchase of common stock	(830)	—	—
Net cash from financing activities	41,384	62,659	4,892
Net change in cash and cash equivalents	(1,509)	2,431	(29,703)
Beginning cash and cash equivalents	5,403	2,972	32,675
Ending cash and cash equivalents	$ 3,894	$ 5,403	$ 2,972
Supplemental cash flow information:			
Interest paid	$ 9,733	$ 6,741	$ 3,657
Income taxes paid	15	—	—
Supplemental noncash disclosures:			
Transfers from loans to repossessed assets	$ 286	$ 218	$ —
Securitization of single-family residential mortgage loans	—	—	18,497

(See accompanying notes.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(DOLLARS IN THOUSANDS EXCEPT PER SHARE DATA)

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation:
The consolidated financial statements include Central Federal Corporation, its wholly-owned subsidiaries, CFBank and Ghent Road, Inc., together referred to as "the Company". Ghent Road, Inc. was formed in 2006 and owns property. Intercompany transactions and balances are eliminated in consolidation.

The Company provides financial services through its offices in Fairlawn, Worthington, Wellsville and Calcutta, Ohio. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. There are no significant concentrations of loans to any one industry or customer. However, the customers' ability to repay their loans is dependent on the real estate and general economic conditions in the areas.

Use of Estimates: To prepare financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and actual results could differ. The allowance for loan losses, loan servicing rights and fair values of financial instruments are particularly subject to change.

Cash Flows: Cash and cash equivalents include cash and deposits with other financial institutions with original maturities under 90 days. Net cash flows are reported for customer loan and deposit transactions, interest-bearing deposits in other financial institutions and borrowings with original maturities under 90 days.

Securities: Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Equity securities with readily determinable fair values are classified as available for sale. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Declines in the fair value of securities below their cost that are other than temporary are reflected as realized losses. In estimating other-than-temporary losses, management considers the length of time and extent that fair value has been less than cost, the financial condition and near term prospects of the issuer, and the Company's ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value.

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or market, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held for sale are generally sold with servicing rights released. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on mortgage and commercial loans is discontinued at the time the loan is four payments delinquent unless the loan is well-secured and in process of collection. Consumer and credit card loans are typically charged-off no later than four payments past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

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

Purchased Loans: The Company purchases individual loans and groups of loans. Purchased loans that show evidence of credit deterioration since origination are recorded at the amount paid, such that there is no carryover of the seller's allowance for loan losses. After acquisition, incurred losses are recognized by an increase in the allowance for loan losses.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful. The general component covers non-classified loans and is based on historical loss experience adjusted for current factors.

A loan is impaired when full payment under the loan terms is not expected. Commercial, multi-family residential and commercial real estate loans over $500 are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance loans, such as consumer and single-family residential real estate loans, are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

Servicing Rights: Servicing rights are recognized separately when they are acquired through sales of loans. For sales of mortgage loans prior to January 1, 2007, a portion of the cost of the loan was allocated to the servicing right based on relative fair values. The Company adopted Statement No. 156, *Accounting for Servicing of Financial Assets-an amendment of FASB Statement No. 140* (SFAS No. 156) on January 1, 2007, and for sales of mortgage loans beginning in 2007, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. The Company compares the valuation model inputs and results to published industry data in order to validate the model results and assumptions. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans. No new loan servicing rights were recorded in 2007.

Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into groupings based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual grouping, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular grouping, a reduction of the allowance may be recorded as an increase to income. Changes in valuation allowances are reported with loan servicing fees, net on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is reported on the income statement as loan servicing fees, net is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal; or a fixed amount per loan and are recorded as income when earned. The amortization of mortgage servicing rights is netted against loan servicing fee income. Loan servicing fees, net totaled $49, $59 and $16 for the years ended December 31, 2007, 2006 and 2005. Late fees and ancillary fees related to loan servicing are not material.

Transfers of Financial Assets: Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Foreclosed Assets: Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Premises and Equipment: Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Buildings and related components are depreciated using the straight-line method with useful lives ranging from 3 to 40 years. Furniture, fixtures and equipment are depreciated using the straight-line method with useful lives ranging from 2 to 25 years. Leasehold improvements are amortized over the lives of the respective leases.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Home Loan Bank (FHLB) stock: CFBank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Bank Owned Life Insurance: CFBank purchased life insurance policies on certain directors and employees. Upon adoption of EITF 06-5, which is discussed further below, bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. Prior to adoption of EITF 06-5, the Company recorded owned life insurance at its cash surrender value.

In September 2006, the FASB Emerging Issues Task Force finalized Issue No. 06-5, *Accounting for Purchases of Life Insurance — Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4 (Accounting for Purchases of Life Insurance)* (EITF 06-5). This Issue requires that a policyholder consider contractual terms of a life insurance policy in determining the amount that could be realized under the insurance contract. It also requires that if the contract provides for a greater surrender value if all individual policies in a group are surrendered at the same time, that the surrender value be determined based on the assumption that policies will be surrendered on an individual basis. Lastly, the Issue requires disclosure when there are contractual restrictions on the Company's ability to surrender a policy. The adoption of EITF 06-5 on January 1, 2007 had no impact on the Company's financial condition or results of operation.

Goodwill and Other Intangible Assets: Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment, or more frequently if events or circumstances indicate the asset might be impaired, and any such impairment is recognized in the period identified. Other intangible assets consisted of a noncompete agreement and prior owner intangible assets arising from the acquisition of Reserve Mortgages Services, Inc., (Reserve) in October 2004. They were initially measured at fair value and then amortized on the straight-line method over their estimated useful lives. See Note 7 — Goodwill and Intangible Assets for information regarding an impairment loss recognized in 2005.

Long-term Assets: Premises and equipment, other intangible assets, and other long-term assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. If impaired, the assets are recorded at fair value. See Note 7 — Goodwill and Intangible Assets for information regarding an impairment loss recognized in 2005.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Derivatives: Derivative financial instruments are recognized as assets or liabilities at fair value. The Company's derivatives consist mainly of interest rate swap agreements, which are used as part of its asset liability management to help manage interest rate risk. The Company does not use derivatives for trading purposes.

The Company's derivative transactions are considered instruments with no hedging designation ("stand-alone derivatives"). Changes in the fair value of the derivatives are reported currently in earnings, as noninterest income.

Mortgage Banking Derivatives: From time to time, the Company enters into rate lock commitments in the ordinary course of business. These derivatives are not designated as hedges and are carried at fair value. The net gain or loss on mortgage banking derivatives is included in gain on sale of loans.

Stock Based Compensation: Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123(R), *Share-based Payment,* using the modified prospective transition method. Accordingly, the Company has recorded stock-based employee compensation cost using the fair value method starting in 2006. For 2006, adopting this standard had no effect on income before income taxes, net loss, basic and diluted loss per share, cash flow from operations or cash flows from financing activities related to stock options since there were no unvested options at January 1, 2006 and no options were granted during 2006. Options granted in 2007 are accounted for in accordance with SFAS 123R.

Prior to January 1, 2006, employee compensation expense under stock options was reported using the intrinsic value method; therefore, no stock-based compensation cost is reflected in net income for the year ended December 31, 2005, as all options granted had an exercise price equal to or greater than the market price of the underlying common stock at date of grant.

On June 23, 2005, the Board of Directors approved the accelerated vesting of all unvested stock options awarded prior to 2005 to eligible participants under the 1999 Stock Based Incentive Plan and the 2003 Equity Compensation Plan. As a result of the acceleration, unvested options granted in 2003 and 2004 to acquire 102,000 shares of the Company's common stock, which

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

otherwise would have vested on various dates thru January 16, 2008, became immediately exercisable. All other terms and conditions applicable to options granted under these plans, including the exercise prices and the number of shares subject to the accelerated options, were unchanged. No compensation expense was recognized in 2005 from the accelerated vesting of the stock options. The decision to accelerate the vesting of these options was related to the issuance of SFAS 123R and eliminated compensation expense related to these options of approximately $115 and $33 which would have been recognized in 2006 and 2007 in accordance with the new accounting standard. The total expense is reflected in the pro forma footnote disclosure below and, as a result of the acceleration of the vesting of these options, the Company had no unvested options at January 1, 2006.

The following table illustrates the effect on net income and earnings per share if expense was measured using the fair value recognition provisions of FASB Statement No. 123, *Accounting for Stock-Based Compensation,* for the year ended December 31, 2005.

	2005
Net loss as reported	$(3,290)
Deduct: Stock-based compensation expense determined under fair value based method	404
Pro forma net loss	$(3,694)
Basic loss per share as reported	$ (1.49)
Pro forma basic loss per share	(1.68)
Diluted loss per share as reported	$ (1.49)
Pro forma diluted loss per share	(1.68)

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. Deferred tax assets are recognized for net operating losses that expire primarily in 2023, 2024 and 2025 because the benefit is more likely than not to be realized.

The Company adopted FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), as of January 1, 2007. A tax position is recognized as a benefit only if it is “more likely than not” that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the “more likely than not” test, no tax benefit is recorded. The adoption had no affect on the Company’s financial statements.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

Retirement Plans: Pension expense is the net of service and interest cost, return on plan assets and amortization of gains and losses not immediately recognized. Employee 401(k) and profit sharing plan expense is the amount of matching contributions. Supplemental retirement plan expense allocates the benefits over years of service.

Earnings Per Common Share: Basic earnings per common share is net income divided by the weighted average number of common shares outstanding during the period. Stock based incentive plan shares are considered outstanding as they are earned over the vesting period. Diluted earnings per common share includes the dilutive effect of stock based incentive plan shares and additional potential common shares issuable under stock options.

Comprehensive Income (Loss): Comprehensive income (loss) consists of net income (loss) and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale, which are also recognized as a separate component of equity.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements. See Note 23 — Arbitration Loss and Note 24 — Dispute Resolution.

Restrictions on Cash: Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements. These balances do not earn interest.

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by CFBank to the holding company or by the holding company to shareholders.

Fair Value of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Operating Segments: Internal financial information is primarily reported and aggregated in two lines of business, banking and mortgage banking.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation.

Adoption of New Accounting Standards:

In February 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 155, *Accounting for Certain Hybrid Financial Instruments* (SFAS No. 155), which permits fair value remeasurement for hybrid financial instruments that contain an embedded derivative that otherwise would require bifurcation. Additionally, SFAS No. 155 clarifies the accounting guidance for beneficial interests in securitizations. Under SFAS No. 155, all beneficial interests in a securitization will require an assessment in accordance with SFAS No. 133 to determine if an embedded derivative exists within the instrument. In January 2007, the FASB issued Derivatives Implementation Group Issue B40, *Application of Paragraph 13(b) to Securitized Interests in Prepayable Financial Assets* (DIG Issue B40). DIG Issue B40 provides an exemption from the embedded derivative test of paragraph 13(b) of SFAS No. 133 for instruments that would otherwise require bifurcation if the test is met solely because of a prepayment feature included within the securitized interest and prepayment is not controlled by the security holder. SFAS No. 155 and DIG Issue B40 are effective for fiscal years beginning after September 15, 2006. The adoption of SFAS No. 155 and DIG Issue B40 did not have a material impact on the Company’s consolidated financial position or results of operations.

Effect of Newly Issued But Not Yet Effective Accounting Standards:

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements.* 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 Statement is effective for fiscal years beginning after November 15, 2007. The Company does not expect the impact of this Statement to be material.

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 is effective for the Company on January 1, 2008. The Company did not elect the fair value option for any financial assets or financial liabilities as of January 1, 2008.

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 is effective for fiscal years beginning after December 15, 2007. The Company does not expect the impact of this issue to be material.

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 is effective for derivative loan commitments issued or modified in fiscal quarters beginning after December 15, 2007. The Company does not expect the impact of this standard to be material.

NOTE 2 — SECURITIES

The fair value of available for sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows:

	FAIR VALUE	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES
2007			
Federal agency	$ 6,993	$ 4	$ (9)
State and municipal	1,009	—	—
Mortgage-backed	20,396	345	(56)
Total	$28,398	$ 349	$ (65)
2006			
Federal agency	$ 5,883	$ —	$ (122)
State and municipal	1,979	—	(35)
Mortgage-backed	21,464	251	(132)
Total	$29,326	$ 251	$ (289)

Sales of available for sale securities were as follows:

	2007	2006	2005
Proceeds	$—	$4,395	$1,435
Gross gains	—	—	—
Gross losses	—	(5)	—

The tax benefit related to the net realized loss was $2 for the year ended 2006.

NOTE 2 — SECURITIES (CONTINUED)

The fair value of debt securities at year-end 2007 by contractual maturity were as follows. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

	AVAILABLE FOR SALE FAIR VALUE
Due in one year or less	$ 5,987
Due from one to five years	2,015
Mortgage-backed	20,396
Total	$ 28,398

Securities at year-end 2007 and 2006 with a carrying amount of $15,401 and $10,748 were pledged to secure Federal Home Loan Bank advances. Securities at year-end 2007 and 2006 with a carrying amount of $10,256 and $350 were pledged to secure public deposits and repurchase agreements. At year-end 2007 and 2006, there were no holdings of securities of any one issuer, other than federal agencies, in an amount greater than 10% of shareholders' equity.

Securities with unrealized losses at year-end 2007 and 2006, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, are as follows:

2007	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
DESCRIPTION OF SECURITIES	FAIR VALUE	UNREALIZED LOSS	FAIR VALUE	UNREALIZED LOSS	FAIR VALUE	UNREALIZED LOSS
Federal agency	$ 995	$ —	$ 4,992	$ (9)	$ 5,987	$ (9)
State and municipal	1,009	—	—	—	1,009	—
Mortgage-backed	905	—	3,811	(56)	4,716	(56)
Total temporarily impaired	$ 2,909	$ —	$ 8,803	$ (65)	$ 11,712	$ (65)

2006	LESS THAN 12 MONTHS		12 MONTHS OR MORE		TOTAL	
DESCRIPTION OF SECURITIES	FAIR VALUE	UNREALIZED LOSS	FAIR VALUE	UNREALIZED LOSS	FAIR VALUE	UNREALIZED LOSS
Federal agency	$ —	$ —	$ 5,883	$ (122)	$ 5,883	$ (122)
State and municipal	—	—	1,979	(35)	1,979	(35)
Mortgage-backed	2,518	(8)	6,876	(124)	9,394	(132)
Total temporarily impaired	$ 2,518	$ (8)	$ 14,738	$ (281)	$ 17,256	$ (289)

Unrealized losses on the above federal agency and mortgage-backed securities have not been recognized in income because the issuers of the bonds are all federal sponsored agencies and the decline in fair value is temporary and largely due to changes in market interest rates. The fair value is expected to recover as the bonds approach their maturity date and/or market rates decline.

Unrealized losses on state and municipal bonds have not been recognized in income because the bonds are of high credit quality (rated AAA), management has the intent and ability to hold for the foreseeable future and the decline in fair value is largely due to changes in interest rates. The fair value is expected to recover as the bonds approach maturity.

NOTE 3 — LOANS

Loans at year end were as follows:

	2007	2006
Commercial	$ 35,334	$ 31,913
Real estate:		
Single-family residential	31,082	30,209
Multi-family residential	43,789	47,247
Commercial	95,088	47,474
Consumer	28,248	30,246
Subtotal	233,541	187,089
Less: Net deferred loan fees	(382)	(285)
Allowance for loan losses	(2,684)	(2,109)
Loans, net	$230,475	$184,695

Real estate loans include $6,184 and $4,454 construction loans at year-end 2007 and 2006.

Activity in the allowance for loan losses was as follows:

	2007	2006	2005
Beginning balance	$2,109	$1,495	$ 978
Provision for loan losses	539	820	674
Loans charged-off	(44)	(302)	(255)
Recoveries	80	96	98
Ending balance	$2,684	$2,109	$1,495

Impaired loans are not material for any period presented.

Nonaccrual loans and loans past due over 90 days still on accrual were as follows:

	2007	2006
Loans past due over 90 days still on accrual	$ 97	$ —
Nonaccrual loans	391	297

Nonaccrual loans and loans past due over 90 days still on accrual include both smaller balance single-family mortgage and consumer loans that are collectively evaluated for impairment and individually classified impaired loans.

NOTE 4 — LOAN SERVICING

Loans held for sale at year end are as follows:

	2007	2006
Loans held for sale	$457	$2,000
Less: Allowance to adjust to lower of cost or market	—	—
Loans held for sale, net	$457	$2,000

Mortgage loans serviced for others are not reported as assets. The principal balances of these loans at year end are as follows:

	2007	2006
Mortgage loans serviced for Freddie Mac	$26,340	$30,923

Custodial escrow balances maintained in connection with serviced loans were $402 and $438 at year-end 2007 and 2006.

Activity for mortgage servicing rights and the related valuation allowance follows:

	2007	2006	2005
Servicing rights, net of valuation allowance:			
Beginning of year	$201	$250	$208
Additions	—	—	120
Amortized to expense	(46)	(66)	(74)
Change in valuation allowance	2	17	(4)
End of year	$157	$201	$250
Valuation allowance:			
Beginning of year	$ 7	$ 24	$ 20
Additions expensed	—	—	4
Reductions credited to expense	(2)	(17)	—
End of year	$ 5	$ 7	$ 24

The fair value of capitalized mortgage servicing rights was $255 and $306 at year-end 2007 and 2006. Fair value at year-end 2007 was determined using a 10% discount rate and prepayment speeds ranging from 190% to 960%, depending on the stratification of the specific right. Fair value at year-end 2006 was determined using a 10% discount rate and prepayment speeds ranging from 143% to 960%, depending on the stratification of the specific right.

The weighted average amortization period is 4.1 years. Estimated amortization expense for each of the next five years is:

2008	$44
2009	42
2010	40
2011	33
2012	3

NOTE 5 — SECURITIZATION

On June 30, 2005, the Company securitized single-family residential mortgage loans with an outstanding principal balance of $18.6 million, formerly held in its portfolio, with Freddie Mac. After the transaction, the Company continued to hold the securities and service the loans. The Company receives annual servicing fees of 0.25 percent of the outstanding balance and recorded a servicing asset related to this transaction of $120. Since the Company cannot de-securitize the securities to get back the loans, the securitization is not considered a sale or transfer under SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities,* but an exchange of loans for securities under SFAS No. 134, *Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise* and SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities* because the Company received the beneficial interest in the loans it transferred to Freddie Mac. As such, the mortgage-backed securities were recorded at the cost of the loans and were classified as "available for sale" with a $530,000 initial unrealized gain reported in other comprehensive income.

NOTE 6 — PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

	2007	2006
Land and land improvements	$ 1,995	$ 1,282
Buildings	3,551	1,880
Furniture, fixtures and equipment	2,904	2,691
Leasehold improvements	434	487
Construction in process	—	338
	8,884	6,678
Less: accumulated depreciation	(3,167)	(2,573)
	$ 5,717	$ 4,105

The Company leases certain office properties. Rent expense was $365, $348, and $351 for 2007, 2006 and 2005. Rent commitments under noncancelable operating leases were as follows, before considering renewal options that generally are present.

2008	$148
2009	151
2010	154
2011	157
2012	160
Thereafter	204
Total	$974

The Company is a one-third owner of a limited liability company that owns and manages the office building at 2923 Smith Road, Fairlawn, Ohio 44333 where the Company's headquarters and CFBank's Fairlawn office are located. The Company entered into a 10 year lease with the limited liability company in March 2004 that calls for monthly payments of $11, increasing 2% annually for the life of the lease through March 2014. The rental commitments above relate to this lease. Total rent expense under this operating lease, including common area maintenance costs per the lease agreement, was $187, $183 and $171 in 2007, 2006 and 2005.

The former President of Reserve is a 100% owner of a company that owns and manages the office building at 1730 Akron-Peninsula Road, Akron, Ohio 44313 where CFBank's mortgage services office was located. Lease agreements were for 5 year terms expiring at various times from May 2007 through December 2009, and called for monthly rental payments of $7, increasing 3% annually for the lives of the respective leases. In 2007, CFBank's mortgage services operations were moved to the Fairlawn office and a $100 lease termination expense was paid in settlement of the remaining future lease obligations. Total rent expense was $148, including the $100 lease termination expense, $80 and $86 in 2007, 2006 and 2005.

NOTE 7 — GOODWILL AND INTANGIBLE ASSETS

Goodwill

Goodwill was related to the October 2004 acquisition of Reserve Mortgage Services, Inc., the Company's mortgage services division. The acquisition of Reserve was expected to be immediately accretive to earnings however the mortgage services operation experienced losses rather than the expected profits. Management determined that the division would not achieve a sufficient level of performance to support the recorded goodwill and, as a result, a goodwill impairment loss of $1,749 was recorded in 2005. The fair value of the mortgage services segment was estimated using the expected present value of future cash flows in determining the impairment loss.

Acquired Intangible Assets

In association with the goodwill impairment loss, it was determined that the carrying amount of other intangible assets related to the Reserve acquisition was not recoverable and exceeded the fair value. An impairment loss of $217, the unamortized balance of other intangible assets, was recorded in 2005. Aggregate amortization expense was $82 for 2005.

NOTE 8 — DEPOSITS

Time deposits of $100 or more were $65,945 and $44,591 at year-end 2007 and 2006.

Scheduled maturities of time deposits for the next five years were as follows.

2008	$ 79,194
2009	23,100
2010	4,619
2011	6,556
2012	200
Thereafter	499
	$114,168

Time deposits included $53,630 and $30,454 in brokered deposits at year-end 2007 and 2006.

NOTE 9 — FEDERAL HOME LOAN BANK ADVANCES

At year end, advances from the Federal Home Loan Bank were as follows:

	2007	2006
Maturity January 2008 at 4.00% floating rate	$38,250	$ —
Maturity January 2007 at 5.18% floating rate	—	21,250
Maturities March 2008 thru March 2010, fixed at rates from 2.90% to 5.60%, averaging 4.89%	11,200	—
Maturities March 2007 thru June 2009, fixed at rates from 2.44% to 5.60%, averaging 4.16%	—	11,270
Total	$49,450	$32,520

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances.

The advances were collateralized as follows:

	2007	2006
First mortgage loans under a blanket lien arrangement	$ 26,649	$30,422
Second mortgages	577	679
Multi-family mortgage loans	15,227	12,580
Home equity lines of credit	9,918	10,495
Commercial real estate loans	62,287	35,028
Securities	15,401	10,748
Total	$130,059	$99,952

Based on this collateral and CFBank’s holdings of FHLB stock, CFBank is eligible to borrow up to $64,686 at year-end 2007.

Payment information

Required payments over the next five years are:

2008	$40,250
2009	8,200
2010	1,000
Total	$49,450

NOTE 10 — OTHER BORROWINGS

CFBank has lines of credit totaling $11,000 with two commercial banks. CFBank entered into an agreement for a $5,000 line in 2006 and an additional $6,000 line in 2007.

At December 31, 2007 there was no outstanding balance for the lines of credit. Interest on the lines accrues daily and is variable based on the bank's federal funds rate.

	2007	2006
Commercial bank lines of credit		
Average daily balance during the year	$ 4	$ —
Average interest rate during the year	5.67%	5.88%
Maximum month-end balance during the year	$ 373	$ —

NOTE 11 — SUBORDINATED DEBENTURES

In December 2003, Central Federal Capital Trust I, a trust formed by the Company, closed a pooled private offering of 5,000 trust preferred securities with a liquidation amount of $1 per security. The Company issued $5,155 of subordinated debentures to the trust in exchange for ownership of all of the common security of the trust and the proceeds of the preferred securities sold by the trust. In accordance with FASB Interpretation 46R, the trust is not consolidated with the Company's financial statements, but rather the subordinated debentures are shown as a liability. The Company's investment in the common stock of the trust was $155 and is included in other assets.

The Company may redeem the subordinated debentures, in whole or in part, in a principal amount with integral multiples of $1, on or after December 30, 2008 at 100% of the principal amount, plus accrued and unpaid interest. The subordinated debentures mature on December 30, 2033. The subordinated debentures are also redeemable in whole or in part from time to time, upon the occurrence of specific events defined within the trust indenture. The Company has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years. There are no required payments on the subordinated debentures over the next 5 years.

The trust preferred securities and subordinated debentures have a variable rate of interest, reset quarterly, equal to the three month London Interbank Offered Rate (LIBOR) plus 2.85%, which was 8.08% at year-end 2007.

NOTE 12 — BENEFIT PLANS

Multi-employer pension plan: The Company participates in a multi-employer contributory trusteed pension plan. The retirement benefits to be provided by the plan were frozen as of June 30, 2003 and future employee participation in the plan was stopped. The plan was maintained for all eligible employees and the benefits were funded as accrued. The cost of funding was charged directly to operations. The unfunded liability at June 30, 2007 totaled $286. The Company's contribution for the plan years ending June 30, 2008, June 30, 2007 and June 30, 2006, totaled $124, $127 and $90.

401(k) Plan: A 401(k) benefit plan allows employee contributions up to the maximum amount allowable under federal tax regulations, which are matched equal to 25% of the first 8% of the compensation contributed. Expense for 2007 was $41. Prior to 2007 the Company match was on a discretionary basis. There was no match in 2006 or 2005.

Salary Continuation Agreement: In 2004, the Company initiated a nonqualified salary continuation agreement for the Vice-Chairman of the Company. Benefits provided under the plan are unfunded, and payments will be made the by Company. Under the plan, the Company pays him, or his beneficiary, a benefit of $25 annually for 20 years, beginning the earlier of March 2008 or termination of his employment. The expense related to this plan totaled $92, $73 and $68 in 2007, 2006 and 2005. The accrual is included in accrued interest payable and other liabilities in the consolidated balance sheets and totaled $271 and $179 at year-end 2007 and 2006.

Life Insurance Benefits: CFBank entered into agreements with certain employees, former employees and directors to provide life insurance benefits which are funded through life insurance policies purchased and owned by CFBank. The expense related to these benefits totaled $22, $16 and $11 in 2007, 2006 and 2005. The accrual is included in accrued interest payable and other liabilities in the consolidated balance sheets and totaled $150 and $128 at year-end 2007 and 2006.

NOTE 13 — INCOME TAXES

Income tax expense (benefit) was as follows.

	2007	2006	2005
Current federal	$ (2)	$ (5)	$ 93
Deferred federal	(61)	(39)	(470)
Total	$(63)	$(44)	$(377)

Effective tax rates differ from federal statutory rate of 34% applied to loss before income taxes due to the following:

	2007	2006	2005
Federal statutory rate times financial statement loss	$ (27)	$ (28)	$(1,247)
Effect of:			
Bank owned life insurance income	(42)	(39)	(44)
Goodwill impairment	—	—	595
FHLB stock redemption	—	—	344
Other	6	23	(25)
	$ (63)	$ (44)	$ (377)
Effective tax rate	78.8%	54.3%	10.3%

In December 2005, a redemption of $1,300 in FHLB stock resulted in a $1,000 gain for tax purposes which utilized a portion of the Company's net operating loss carryforward. The stock redemption resulted in no gain for book purposes but did result in the recognition of federal income tax expense of $344. The federal income tax charge was a non-cash, non-recurring expense reflecting the tax liability associated with FHLB stock dividends received from 1978 through 1997 which reduced the basis of the shares redeemed for which no deferred tax liability had been established.

NOTE 13 — INCOME TAXES (CONTINUED)

Year-end deferred tax assets and liabilities were due to the following:

	2007	2006
Deferred tax assets:		
Allowance for loan losses	$ 912	$ 717
Deferred loan fees	120	126
Post-retirement death benefits	51	44
Deferred compensation	92	61
Nonaccrual interest	7	14
Accrued stock awards	66	77
Net operating loss	1,310	1,830
Unrealized loss on securities available for sale	—	13
Other	156	30
	2,714	2,912
Deferred tax liabilities:		
Depreciation	106	162
FHLB stock dividend	372	547
Mortgage servicing rights	53	68
Prepaid expenses	36	36
Unrealized gain on securities available for sale	97	—
Other	55	55
	719	868
Net deferred tax asset	$1,995	$2,044

Federal income tax laws provided additional bad debt deductions through 1987, totaling $2,250. Accounting standards do not require a deferred tax liability to be recorded on this amount, which otherwise would total $765 at year-end 2007. If CFBank were liquidated or otherwise ceases to be a bank or if tax laws were to change, this amount would be expensed.

No valuation allowance has been recorded against the deferred tax asset for net operating losses because the benefit is more likely than not to be realized. Net operating losses totaling $700, $2,714 and $437 expire in 2023, 2024 and 2025, respectively.

The adoption of FIN 48 at January 1, 2007 had no impact on the Company's financial statements. At January 1, 2007 and December 31, 2007, the Company had no unrecognized tax benefits recorded. The Company does not expect the amount of unrecognized tax benefits to significantly change within the next twelve months.

The Company is subject to U.S. federal income tax as well as West Virginia state income tax. The Company is no longer subject to federal or West Virginia examination for years prior to 2004. The tax years 2004-2006 remain open to federal and West Virginia examination.

NOTE 14 — RELATED PARTY TRANSACTIONS

Loans to principal officers, directors, and their affiliates during 2007 were as follows.

Beginning balance	$1,344
New loans	1,393
Repayments	(57)
Ending balance	$2,680

Deposits from principal officers, directors, and their affiliates at year-end 2007 and 2006 were $1,583 and $1,640.

NOTE 15 - STOCK — BASED COMPENSATION

The Company has two share based compensation plans as described below. Total compensation cost that has been charged against income for those plans was $167, $166, and $240 for 2007, 2006 and 2005. The total income tax benefit was $52, $56, and $82.

Stock-based incentive plans (SBIP) provide for stock option grants and restricted stock awards to directors, officers and employees. The 1999 Stock-based Incentive Plan was approved by shareholders on July 13, 1999. The plan provided 193,887 shares for stock option grants and 77,554 shares for restricted stock awards. The 2003 Equity Compensation Plan was ratified by shareholders on April 23, 2003 and provided an aggregate of 100,000 shares for stock option grants and restricted stock awards, including up to a maximum of 30,000 shares for restricted stock awards. An amendment and restatement of the 2003 Equity Compensation Plan was approved by stockholders on April 20, 2005 to provide an additional 100,000 shares of Company stock for stock option grants and restricted stock awards, including up to a maximum of 30,000 shares for restricted stock awards. A second amendment and restatement of the 2003 Equity Compensation Plan was approved by stockholders on May 20, 2006 to provide an additional 100,000 shares of Company stock for stock option grants and restricted stock awards, including up to a maximum of 30,000 shares for restricted stock awards. A third amendment and restatement of the 2003 Equity Compensation Plan was approved by stockholders on May 17, 2007 to provide an additional 200,000 shares of Company stock for stock option grants and restricted stock awards, including up to a maximum of 60,000 shares for restricted stock awards.

Stock Options

The Plans permit the grant of share options to directors, officers and employees for up to 693,887 shares of common stock. The Company believes that such awards better align the interests of its employees with those of its shareholders. Option awards are granted with an exercise price equal to the market price of the Company's common stock at the date of grant; those option awards generally have vesting periods ranging from 3 to 5 years and have 10-year contractual terms.

The fair value of each option award is estimated on the date of grant using a closed form option valuation (Black-Scholes) model that uses the assumptions noted in the table below. Expected volatilities are based on historical volatilities of the Company's common stock. The Company uses historical data to estimate option exercise and post-vesting termination behavior. (Employee and management options are tracked separately.) The expected term of options granted is based on historical data and represents the period of time that options granted are expected to be outstanding, which takes into account that the options are not transferable. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of the grant.

The fair value of options granted was determined using the following weighted-average assumptions as of grant date. There were no options granted in 2006.

	2007	2006	2005
Risk-free interest rate	4.61%	—	3.85%
Expected term (years)	6	—	6
Expected stock price volatility	22%	—	27%
Dividend yield	4.66%	—	3.46%

A summary of stock option activity in the plans for 2007 is as follows.

	2007			
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	WEIGHTED AVERAGE REMAINING CONTRACTUAL TERM (YEARS)	INTRINSIC VALUE
Outstanding at beginning of year	273,272	$ 11.23	6.7	
Granted	26,350	7.93	—	
Exercised	—	—	—	
Forfeited or expired	—	—	—	
Outstanding at end of year	299,622	$ 10.94	6.0	$ —
Exercisable at end of year	278,272	$ 11.21	5.7	$ —

NOTE 15 - STOCK — BASED COMPENSATION (CONTINUED)

Information related to stock options during each year follows:

	2007	2006	2005
Intrinsic value of options exercised	$ —	$ —	$ 157
Cash received from option exercises	—	—	375
Tax benefit realized from option exercises	—	—	54
Weighted average fair value of options granted	0.99	—	2.27

As of December 31, 2007, there was $11 of total unrecognized compensation cost related to nonvested stock options granted under the Plans. The cost is expected to be recognized over a weighted-average period of 1.5 years.

Restricted Stock Awards

The Plans permit the grant of restricted stock awards to directors, officers and employees. Compensation expense is recognized over the vesting period of the shares based on the fair value of the stock at issue date. The fair value of the stock was determined using the closing share price on the date of grant. Shares issuable under the plans totaled 60,000 at year-end 2007, 18,250 shares were issued in 2007 and no shares were issued in 2006.

A summary of changes in the Company's nonvested shares for the year follows:

	2007	
	Shares	Weighted Average Grant-Date Fair Value
Nonvested at January 1, 2007	29,552	$ 11.36
Granted	18,250	7.35
Vested	(15,277)	12.05
Forfeited	—	—
Nonvested at December 31, 2007	32,525	$ 8.79

As of December 31, 2007, there was $92 of total unrecognized compensation cost related to nonvested shares granted under the Plans. The cost is expected to be recognized over a weighted-average period of 1.0 years. The total fair value of shares vested during the years ended December 31, 2007, 2006 and 2005 was $106, $123 and $140.

NOTE 16 — CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS

CFBank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action. Management believes as of December 31, 2007, CFBank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2007 and 2006, the most recent regulatory notifications categorized CFBank as well capitalized under the regulatory framework for prompt corrective action. In January 2006, the holding company contributed $10.4 million in additional capital to CFBank. There are no conditions or events since that notification that management believes have changed the institution's category.

Actual and required capital amounts and ratios are presented below at year end.

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION REGULATIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
2007						
Total Capital to risk weighted assets	$26,097	11.0%	$ 18,962	8.0%	$ 23,702	10.0%
Tier 1 (Core) Capital to risk weighted assets	23,433	9.9%	9,481	4.0%	14,221	6.0%
Tier 1 (Core) Capital to adjusted total assets	23,433	8.5%	11,051	4.0%	13,813	5.0%
Tangible Capital to adjusted total assets	23,433	8.5%	4,144	1.5%	N/A	N/A
2006						
Total Capital to risk weighted assets	$24,972	12.6%	$ 15,915	8.0%	$ 19,894	10.0%
Tier 1 (Core) Capital to risk weighted assets	22,863	11.5%	7,958	4.0%	11,936	6.0%
Tier 1 (Core) Capital to adjusted total assets	22,863	9.8%	9,342	4.0%	11,678	5.0%
Tangible Capital to adjusted total assets	22,863	9.8%	3,503	1.5%	N/A	N/A

The Qualified Thrift Lender test requires at least 65% of assets be maintained in housing-related finance and other specified areas. If this test is not met, limits are placed on growth, branching, new investments, FHLB advances and dividends, or CFBank must convert to a commercial bank charter. Management believes that this test is met.

CFBank converted from a mutual to a stock institution, and a "liquidation account" was established at $14,300, which was net worth reported in the conversion prospectus. The liquidation account represents a calculated amount for the purposes described below, and it does not represent actual funds included in the consolidated financial statements of the Company. Eligible depositors who have maintained their accounts, less annual reductions to the extent they have reduced their deposits, would receive a distribution from this account if CFBank liquidated. Dividends may not reduce CFBank's shareholder's equity below the required liquidation account balance.

Dividend Restrictions

The holding company's principal source of funds for dividend payments is dividends received from CFBank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. During 2008, CFBank could, without prior approval, declare dividends of approximately $882 plus any 2008 net profits retained to the date of the dividend declaration.

NOTE 17 — INTEREST- RATE SWAPS

The Company utilizes interest-rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest-rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest-rate swap agreements.

The Company has a program whereby it lends to its borrowers at a fixed rate with the loan agreement containing a two-way yield maintenance provision. If the borrower prepays the loan, the yield maintenance provision will result in a prepayment penalty or benefit depending on the interest rate environment at the time of prepayment. This provision represents an embedded derivative which is required to be bifurcated from the host loan contract in accordance with SFAS No. 133, *"Accounting for Derivatives and Hedging Activities."* As the result of bifurcating the embedded derivative, the Company records the transaction with the borrower as a floating rate loan and a pay floating / receive fixed interest-rate swap. To offset the risk of the interest-rate swap with the borrower, the Company enters interest-rate swaps with outside counterparties that mirror the terms of the interest-rate swap between the Company and the borrower. Both interest-rate swaps are carried as freestanding derivatives with their changes in fair value reported in current earnings. The change in the fair value of the interest-rate swaps with borrowers was an increase of $124 which was offset by a decrease in value of $124 on the interest-rate swaps with outside parties, and together resulted in no impact on income.

Summary information about the interest-rate swaps between the Company and its borrowers is as follows:

	2007	2006
Notional amount	$3,689	$1,092
Weighted average receive rate	5.15%	5.48%
Weighted average pay rate	5.04%	5.32%
Weighted average maturity (years)	9.4	9.7
Fair value of interest-rate swap	$ 156	$ 32

Summary information about the interest-rate swaps between the Company and outside parties is as follows:

	2007	2006
Notional amount	$3,689	$1,092
Weighted average pay rate	5.15%	5.48%
Weighted average receive rate	5.04%	5.32%
Weighted average maturity (years)	9.4	9.7
Fair value of interest-rate swap	$ (156)	$ (32)

The fair value of the interest-rate swaps at December 31, 2007 and 2006 is reflected in other assets and other liabilities.

NOTE 1 8 — LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES

Some financial instruments, such as loan commitments, credit lines, letters of credit and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amount of financial instruments with off-balance-sheet risk at year end were as follows.

	2007		2006	
	FIXED RATE	VARIABLE RATE	FIXED RATE	VARIABLE RATE
Commitments to make loans	$ 1,492	$ 2,687	$ 3,476	$ 4,845
Unused lines of credit	72	26,468	76	23,921
Standby letters of credit	37	—	55	—

Commitments to make loans are generally made for periods of 60 days or less, except for construction loan commitments, which are typically for a period of one year, and loans under a specific drawdown schedule, which are based on the individual contracts. The fixed rate loan commitments have interest rates ranging from 5.63% to 7.75% with maturities ranging from 5 years to 30 years at December 31, 2007. The fixed rate loan commitments have interest rates ranging from 6.13% to 8.65% with maturities ranging from 3 years to 30 years at December 31, 2006.

NOTE 19 — FAIR VALUES OF FINANCIAL INSTRUMENTS

Carrying amounts and estimated fair values of financial instruments were as follows at year end.

	2007		2006	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Financial assets				
Cash and cash equivalents	$ 3,894	$ 3,894	$ 5,403	$ 5,403
Securities available for sale	28,398	28,398	29,326	29,326
Loans held for sale	457	466	2,000	2,000
Loans, net	230,475	230,605	184,695	185,795
Federal Home Loan Bank stock	1,963	—	2,813	—
Accrued interest receivable	1,360	1,360	1,119	1,119
Interest-rate swaps	156	156	32	32
Financial liabilities				
Deposits	(194,308)	(192,422)	(167,591)	(167,953)
Federal Home Loan Bank advances	(49,450)	(49,600)	(32,520)	(32,479)
Subordinated debentures	(5,155)	(5,155)	(5,155)	(5,155)
Accrued interest payable	(301)	(301)	(239)	(239)
Interest-rate swaps	(156)	(156)	(32)	(32)

The methods and assumptions used to estimate fair value are described as follows.

Carrying amount is the estimated fair value for cash and cash equivalents, short-term borrowings, accrued interest receivable and payable, demand deposits, short-term debt, and variable rate loans or deposits that reprice frequently and fully. Security fair values are based on market prices or dealer quotes, and if no such information is available, on the rate and term of the security and information about the issuer. For fixed rate loans or deposits and for variable rate loans or deposits with infrequent repricing or repricing limits, fair value is based on discounted cash flows using current market rates applied to the estimated life and credit risk. Fair values for impaired loans are estimated using discounted cash flow analysis or underlying collateral values. Fair value of loans held for sale is based on market quotes. Fair value of debt is based on current rates for similar financing. It was not practicable to determine the fair value of FHLB stock due to restrictions placed on its transferability. The fair value of off-balance-sheet items is based on the current fees or cost that would be charged to enter into or terminate such arrangements. The fair value of interest-rate swaps is based on market prices or dealer quotes.

NOTE 20 — PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

Condensed financial information of Central Federal Corporation follows.

CONDENSED BALANCE SHEETS
DECEMBER 31

	2007	2006
Assets		
Cash and cash equivalents	$ 6,125	$ 9,298
Investment in banking subsidiary	24,767	23,944
Investment in and advances to other subsidiaries	1,065	512
Other assets	823	924
Total assets	$32,780	$34,678
Liabilities and equity		
Subordinated debentures	$ 5,155	$ 5,155
Accrued expenses and other liabilities	246	438
Shareholders' equity	27,379	29,085
Total liabilities and shareholders' equity	$32,780	$34,678

CONDENSED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31

	2007	2006	2005
Interest expense	$ 426	$ 416	$ 321
Other expense	328	303	308
Loss before income tax and undistributed subsidiaries' operations	(754)	(719)	(629)
Income tax benefit	247	232	239
Effect of subsidiaries' operations	490	450	(2,900)
Net loss	$ (17)	$ (37)	$(3,290)

NOTE 20 — PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION (CONTINUED)

CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31

	2007	2006	2005
Cash flows from operating activities			
Net loss	$ (17)	$ (37)	$(3,290)
Adjustments:			
Effect of subsidiaries' operations	(490)	(450)	2,900
Change in other assets and other liabilities	91	(175)	(716)
Net cash from operating activities	(416)	(662)	(1,106)
Cash flows from investing activities			
Investments in banking subsidiary	—	(10,000)	—
Investments in subsidiaries	(525)	(158)	17
Net cash from investing activities	(525)	(10,158)	17
Cash flows from financing activities			
Proceeds from common stock issued in public offering	—	14,558	—
Proceeds from exercise of stock options	—	—	375
Purchase of treasury stock	(830)	—	—
Dividends paid	(1,402)	(1,429)	(801)
Net cash from financing activities	(2,232)	13,129	(426)
Net change in cash and cash equivalents	(3,173)	2,309	(1,515)
Beginning cash and cash equivalents	9,298	6,989	8,504
Ending cash and cash equivalents	$ 6,125	$ 9,298	$ 6,989

NOTE 21 — EARNINGS PER SHARE

The factors used in the earnings per share computation follow.

	2007	2006	2005
Basic			
Net loss	$ (17)	$ (37)	$ (3,290)
Weighted average common shares outstanding	4,467,750	4,452,119	2,203,623
Basic loss per common share	$ —	$ (0.01)	$ (1.49)
Diluted			
Net loss	$ (17)	$ (37)	$ (3,290)
Weighted average common shares outstanding for basic loss per share	4,467,750	4,452,119	2,203,623
Add: Dilutive effects of assumed exercises of stock options and stock based incentive plan shares	—	—	—
Average shares and dilutive potential common shares	4,467,750	4,452,119	2,203,623
Diluted loss per common share	$ —	$ (0.01)	$ (1.49)

The following potential average common shares were anti-dilutive and not considered in computing diluted earnings (loss) per share because the Company had a loss from continuing operations, the exercise price of the options was greater than the average stock price for the periods or the fair value of the stock based incentive plan shares at the date of grant was greater than the average stock price for the periods.

	2007	2006	2005
Stock options	292,730	277,655	270,131
Stock based incentive plan shares	17,221	15,401	29,366

NOTE 22 — SEGMENT INFORMATION

The reportable segments are determined by the products and services offered, primarily distinguished between banking and mortgage banking operations. Loans, securities, deposits and servicing fees provide the revenues in the banking operation, and single-family residential mortgage loan sales provide the revenues in mortgage banking. All operations are domestic.

The accounting policies for segments are the same as those described in the summary of significant accounting policies. Segment performance is evaluated using net income. Goodwill was allocated to mortgage banking. Income taxes are allocated and transactions among segments are made at fair value. Parent and Other includes activities that are not directly attributed to the reportable segments, and is comprised of the Parent Company and elimination entries between all segments. Information reported internally for performance assessment follows:

	BANKING	MORTGAGE BANKING	PARENT AND OTHER	CONSOLIDATED TOTAL
2007				
Net interest income (expense)	$ 8,093	$ 61	$ (426)	$ 7,728
Provision for loan losses	(539)	—	—	(539)
Net gain (loss) on sales of loans	(79)	312	—	233
Other revenue	473	—	22	495
Depreciation and amortization	(604)	(15)	—	(619)
Other expense	(5,965)	(1,084)	(329)	(7,378)
Income (loss) before income tax	1,379	(726)	(733)	(80)
Income tax expense (benefit)	432	(246)	(249)	(63)
Net income (loss)	$ 947	$ (480)	$ (484)	$ (17)
December 31, 2007				
Segment assets	$276,947	$ 737	$ 1,898	$ 279,582
2006				
Net interest income (expense)	$ 7,090	$ 91	$ (416)	$ 6,765
Provision for loan losses	(820)	—	—	(820)
Net gain (loss) on sales of loans	(90)	416	—	326
Other revenue	471	(4)	30	497
Depreciation and amortization	(399)	(107)	—	(506)
Other expense	(5,480)	(565)	(298)	(6,343)
Income (loss) before income tax	772	(169)	(684)	(81)
Income tax expense (benefit)	245	(57)	(232)	(44)
Net income (loss)	$ 527	$ (112)	$ (452)	$ (37)
December 31, 2006				
Segment assets	$232,074	$ 2,518	$ 1,436	$ 236,028

NOTE 22 — SEGMENT INFORMATION (CONTINUED)

	BANKING	MORTGAGE BANKING	PARENT AND OTHER	CONSOLIDATED TOTAL
2005				
Net interest income (expense)	$ 5,266	$ 23	$ (321)	$ 4,968
Provision for loan losses	(674)	—	—	(674)
Net gain (loss) on sales of loans	(19)	488	—	469
Other revenue	364	—	33	397
Impairment loss on goodwill and intangibles	—	(1,966)	—	(1,966)
Depreciation and amortization	(394)	(103)	—	(497)
Other expense	(5,334)	(728)	(302)	(6,364)
Loss before income tax	(791)	(2,286)	(590)	(3,667)
Income tax expense (benefit)	44	(182)	(239)	(377)
Net loss	$ (835)	$ (2,104)	$ (351)	$ (3,290)
December 31, 2005				
Segment assets	$168,973	$ 2,589	$ 1,459	$ 173,021

NOTE 23 — ARBITRATION LOSS

Richard J. O’Donnell, the former President of Reserve, filed for arbitration against CFBank for breach of his employment agreement and in September 2007 was awarded $662 plus 5,000 options to purchase Company stock. CFBank paid the award and the Company granted the options. CFBank was reimbursed by its insurance provider for $36 in legal fees that were part of the award. The arbitration loss of $641, which included $15 in payroll taxes related to the award, is included in salaries and employee benefits expense in the consolidated statement of operations.

NOTE 24 — DISPUTE RESOLUTION

In June 2005, CFBank executed an agreement with Kaleidico LLC for creation of a residential mortgage lead generation interface system. CFBank maintains that it owns the intellectual property developed under the contract. CFBank, further maintaining that the system developed under the contract by Kaleidico is functionally inadequate, seeks the return of the intellectual property.

Kaleidico resists CFBank’s ownership claim. The contract between CFBank and Kaleidico calls for dispute resolution through arbitration, although CFBank and Kaleidico are first attempting informal resolution through negotiation. An outcome cannot be determined at this time.

BOARD OF DIRECTORS AND OFFICERS

CENTRAL FEDERAL CORPORATION AND CFBANK BOARD OF DIRECTORS

Mark S. Allio
Chairman, President and Chief Executive Officer Central Federal Corporation Chairman & Chief Executive Officer CFBank

David C. Vernon
Chairman Emeritus Central Federal Corporation and CFBank

Jeffrey W. Aldrich
Former President Sterling China Co.

Thomas P. Ash
Director of Governmental Relations Buckeye Association of School Administrators

William R. Downing
President, R.H. Downing Inc.

Gerry W. Grace
Former President Grace Services, Inc.

Jerry F. Whitmer, Esq.
Of Counsel Brouse McDowell

CENTRAL FEDERAL CORPORATION OFFICERS

Mark S. Allio
Chairman, President & Chief Executive Officer

Eloise L. Mackus, Esq.
Senior Vice President, General Counsel & Secretary

Therese A. Liutkus, CPA
Treasurer & Chief Financial Officer

Laura L. Martin
Assistant Secretary

CFBANK EXECUTIVE OFFICERS

Mark S. Allio
Chairman & Chief Executive Officer

Raymond E. Heh
President & Chief Operating Officer

R. Parker MacDonell
President, Columbus Region

Eloise L. Mackus, Esq.
Senior Vice President, General Counsel & Secretary

Therese A. Liutkus, CPA
Treasurer & Chief Financial Officer

William R. Reed
Senior Credit Officer

CFBANK COLUMBUS DEVELOPMENT BOARD

James J. Chester
Partner, Chester Willcox & Saxbe, LLP

R. Parker MacDonell
President, Columbus Region CFBank

John L. Mead
Managing Partner The Wickford Companies

Douglas S. Morgan
Managing Partner Columbus Office Calfee, Halter & Griswold LLP

Louis A. Nobile, Jr.
Former President Bank One Lima

Robert F. Parsons
Director of Development & Marketing Communities in Schools, Columbus Inc.

Joseph Robertson, IV
Managing Director RBC Capital Markets

Brenda K. Stier
President, Marketing Works

Steven J. Yakubov
Interventional Cardiologist Mid Ohio Cardiology and Vascular Consultants

CFBANK COLUMBIANA COUNTY DEVELOPMENT BOARD

Nicholas T. Amato
Attorney Amato Law Office

Chuck R. Blasdel
Political/Government Consultant

James J. Sabatini II
Trustee, St. Clair Township Co-Owner, Sabatini Shoes

James V. Saracco
Village Administrator Village of Wellsville

Diana M. Spencer
Assistant Vice President & Regional Manager, Columbiana County CFBank

Penny J. Traina
Commissioner Columbiana County

CFBANK OFFICE LOCATIONS

CALCUTTA, OH

49028 Foulks Drive
Calcutta, Ohio 43920
330-385-4323

FAIRLAWN, OH

2923 Smith Road
Fairlawn, Ohio 44333
330-666-7979

WELLSVILLE, OH

601 Main Street
Wellsville, Ohio 43968
330-532-1517

WORTHINGTON, OH

7000 North High Street
Worthington, Ohio 43085
614-334-7979

CORPORATE DATA

ANNUAL REPORT

A copy of the Annual Report on Form 10-K filed with the Securities and Exchange Commission will be available March 28, 2008 without charge upon written request to:

Therese A. Liutkus, CPA
Treasurer and Chief Financial Officer
Central Federal Corporation
2923 Smith Road
Fairlawn, Ohio 44333
Phone: 330-576-1209
Fax: 330-576-1339
Email: TerriLiutkus@cfbankmail.com

ANNUAL MEETING

The Annual Meeting of Shareholders of Central Federal Corporation will be held at 10AM on Thursday, May 15, 2008 at the Fairlawn Country

Club, 200 North Wheaton Road, Fairlawn, Ohio.

SHAREHOLDER SERVICES

Registrar and Transfer Company serves as transfer agent for Central Federal Corporation shares. Communications regarding change of address, transfer of shares or lost certificates should be sent to:

Registrar & Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
Phone: 800-368-5948

Printed on recycled paper

Exhibit 21.1

Subsidiaries of the Registrant

CFBank
Ghent Road, Inc.
Central Federal Capital Trust I

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (333-84817, 333-105515, 333-114025, 333-115943, and 333-125661), and Form S-3 (333-110218, 333-124323) of Central Federal Corporation (formerly Grand Central Financial Corp.) of our report dated March 19, 2008, related to the consolidated financial statements of Central Federal Corporation included in this annual report on Form 10-K for the year ended December 31, 2007.

Crowe Chizek and Company LLC

Cleveland, Ohio
March 27, 2008

Exhibit 31.1

Rule 13a-14(a) Certifications

I, Mark S. Allio, certify, that:

1. I have reviewed this report on Form 10-K of Central Federal Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;
4. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2008

/s/ Mark S. Allio
Mark S. Allio
Chairman of the Board, President
and Chief Executive Officer

Exhibit 31.2

Rule 13a-14(a) Certifications

I, Therese Ann Liutkus, certify, that:

6. I have reviewed this report on Form 10-K of Central Federal Corporation;

7. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

8. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the periods presented in this report;

9. The small business issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

10. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing equivalent functions):

   c) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   d) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 27, 2008

/s/ Therese Ann Liutkus
Therese Ann Liutkus, CPA
Treasurer and Chief Financial Officer

Exhibit 32.1

Section 1350 Certifications

In connection with the Annual Report of Central Federal Corporation (the "Company") on Form 10-K for the fiscal year ended December 31, 2007 as filed with the Securities and Exchange Commission (the "Report"), the undersigned, Mark S. Allio, Chairman of the Board, President and Chief Executive Officer of the Company and Therese Ann Liutkus, Treasurer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ Mark S. Allio
Mark S. Allio
Chairman of the Board, President
and Chief Executive Officer

/s/ Therese Ann Liutkus
Therese Ann Liutkus, CPA
Treasurer and Chief Financial Officer

Date: March 27, 2008