STRAUSS THOMAS W
Form 4
November 02, 2009

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
STRAUSS THOMAS W

(Last) (First) (Middle)

C/O COWEN GROUP, INC., 599 LEXINGTON AVENUE

(Street)

NEW YORK, NY 10022

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
COWEN GROUP, INC. [COWN]

3. Date of Earliest Transaction (Month/Day/Year)
11/02/2009

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director __X__ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
CEO/PRES. RAMIUS ALT. SOL. LLC

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Class A Common Stock	11/02/2009		A		2,874,001	A	(1) (2)	2,874,001	I	See Footnote (1) (2)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
STRAUSS THOMAS W C/O COWEN GROUP, INC. 599 LEXINGTON AVENUE NEW YORK, NY 10022		X	CEO/PRES. RAMIUS ALT. SOL. LLC	

Signatures

/s/ Thomas W. Strauss	11/02/2009
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Upon consummation of the transactions (the "Transactions") contemplated by the Transaction Agreement and Agreement and Plan of Merger, dated as of June 3, 2009, by and among Cowen Holdings, Inc. (f/k/a Cowen Group, Inc.), Cowen Group, Inc. (f/k/a/ LexingtonPark Parent Corp.), Lexington Merger Corp., Ramius LLC (f/k/a Park Exchange LLC) and RCG Holdings LLC (f/k/a Ramius LLC) ("RCG"), 37,536,826 shares of Class A Common Stock were issued to RCG. The Reporting Person is a member of RCG and may be deemed to have a pecuniary interest in 2,874,001 shares of Class A Common Stock that were acquired by RCG in the Transactions, including 1,817,799 shares that are held by RCG and allocated to the Reporting Person in connection with his ownership interest in RCG and 1,056,202 shares that are held by RCG and allocated to an entity controlled by the Reporting Person in connection with its ownership interest in RCG.

(2) The Reporting Person's acquisition of a pecuniary interest in these shares was pursuant to an exempt transaction pursuant to Rule 16b-3 under the Securities Exchange Act of 1934, as amended.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. #D9D9D9 ;border-bottom:1pt none #D9D9D9 ;border-right:1pt none #D9D9D9 ;height:12.00pt;padding:0pt;">

Interest-rate swaps

$

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CENTRAL FEDERAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

	Fair Value Measurements at December 31, 2014 using Significant Other Observable Inputs (Level 2)
Financial Assets:	
Securities available for sale:	
Corporate debt	$ 2,936
State and municipal	886
Issued by U.S. government-sponsored entities and agencies:	
U.S. Treasury	5,011
Mortgage-backed securities - residential	727
Collateralized mortgage obligations	885
Total securities available for sale	$ 10,445
Loans held for sale	1,672
Yield maintenance provisions (embedded derivatives)	$ 318
Interest rate lock commitments	$ 25
Financial Liabilities:	
Interest-rate swaps	$ 318

The Company had no assets or liabilities measured at fair value on a recurring basis that were measured using Level 1 or Level 3 inputs at September 30, 2015 or December 31, 2014.

Assets and liabilities measured at fair value on a non-recurring basis are summarized below:

Fair Value Measurements at
September 30, 2015 Using

Significant Unobservable Inputs
(Level 3)

Impaired loans:	
Commercial	$ 147
Real Estate:	
Single-family residential	129
Multi-family residential	47
Commercial:	
Non-owner occupied	2,225
Owner occupied	216
Land	260
Total impaired loans	$ 3,024

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

Fair Value Measurements at December 31, 2014 Using Significant Unobservable Inputs (Level 3)	
Impaired loans:	
Commercial	$ 157
Real Estate:	
Single-family residential	123
Multi-family residential	-
Commercial:	
Non-owner occupied	-
Owner occupied	225
Land	289
Total impaired loans	$ 794

The Company had no material assets or liabilities measured at fair value on a non-recurring basis that were measured using Level 1 or Level 2 inputs at September 30, 2015 or December 31, 2014.

Impaired loans that are measured for impairment using the fair value of the collateral for collateral dependent loans, had a principal balance of $804 with a valuation allowance of $7, at September 30, 2015. There were no write-downs of impaired collateral dependent loans during the three and nine months ended September 30, 2015 or 2014. Impaired loans that are measured for impairment using the fair value of the collateral for collateral dependent loans, had a principal balance of $867, with a valuation allowance of $20 at December 31, 2014.

During the three and nine months ended September 30, 2015, the Company did not have any significant transfers of assets or liabilities between those measured using Level 1, 2 or 3 inputs. The Company recognizes transfers of assets and liabilities between Level 1 and 2 inputs based on the information relating to those assets and liabilities at the end of the reporting period.

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measured at fair value on a non-recurring basis at September 30, 2015:

	Fair Value	Valuation Technique(s)	Unobservable Inputs	(Range) Weighted Average
Impaired loans:				
Commercial	$ 147	Comparable sales approach	Adjustment for differences between the comparable market transactions	1.10%
Commercial real estate:				

Single-family residential	129	Comparable sales approach	Adjustment for differences between the comparable market transactions	(-1.23% , 4.63%) -.17%
Multi-family residential	47	Comparable sales approach	Adjustment for differences between the comparable market transactions	5.74%
Commercial:				
Non-owner occupied	2,225	Comparable sales approach	Adjustment for differences between the comparable market transactions	(1.10%, 5.74%) 1.35%
Owner occupied	216	Comparable sales approach	Adjustment for differences between the comparable market transactions	-29.30%
Land	260	Comparable sales approach	Adjustment for differences between the comparable market transactions	(-1.89%, 2.54%) .08%

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

The following table presents quantitative information about Level 3 fair value measurements for financial instruments measures at fair value on a non-recurring basis at December 31, 2014:

	Fair Value	Valuation Technique(s)	Unobservable Inputs	(Range) Weighted Average
Impaired loans:				
Commercial	$ 157	Income approach	Adjustment for differences in net operating income expectations	-16.00%
Commercial real estate:				
Single -family residential	123	Comparable sales approach	Adjustment for differences between the comparable market transactions	2.35%
Commercial:				
Owner occupied	225	Comparable sales approach	Adjustment for differences between the comparable market transactions	-12.21%
Land	289	Comparable sales approach	Adjustment for differences between the comparable market transactions	8.10%

Financial Instruments Recorded Using Fair Value Option

The Company has elected the fair value option for loans held for sale. These loans are intended for sale and the Company believes that the fair value is the best indicator of the resolution of these loans. Loans originated as construction loans, that were subsequently transferred to held for sale, are carried at the lower of cost or market and are not included. Interest income is recorded based on the contractual terms of the loan and in accordance with the Company's policy on loans held for investment. None of these loans were 90 days or more past due or on nonaccrual as of September 30, 2015 or December 31, 2014.

As of September 30, 2015 and December 31, 2014, the aggregate fair value, contractual balance and gain or loss of loans held for sale were as follows:

	September 30, 2015	December 31, 2014
Aggregate fair value	$ 510	$ 1,672
Contractual balance	506	1,657
Gain (loss)	4	15

The total amount of gains and losses from changes in fair value included in earnings for the three and nine months ended September 30, 2015 and 2014 for loans held for sale were:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Interest income	$ 14	$ 31	$ 54	$ 84
Interest expense	-	-	-	-
Change in fair value	(14)	(3)	(11)	13
Total change in fair value	$ -	$ 28	$ 43	$ 97

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

The carrying amounts and estimated fair values of financial instruments at September 30, 2015 were as follows:

	Fair Value Measurements at September 30, 2015 Using:				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 20,101	$ 20,101	$ -	$ -	$ 20,101
Interest-bearing deposits in other financial institutions	494	494	-	-	494
Securities available for sale	11,573	-	11,573	-	11,573
Loans held for sale	673	-	673	-	673
Loans, net	283,434	-	-	286,028	286,028
FHLB stock	1,942	n/a	n/a	n/a	n/a
Accrued interest receivable	833	3	45	785	833
Yield maintenance provisions (embedded derivatives)	265	-	265	-	265
Interest rate lock commitments	10	-	10	-	10
Financial liabilities					
Deposits	$ (273,814)	$ (133,082)	(141,605)	$ -	$ (274,687)
FHLB advances and other borrowings	(14,500)	-	(14,843)	-	(14,843)
Advances by borrowers for taxes and insurance	(311)	-	-	(311)	(311)
Subordinated debentures	(5,155)	-	(2,429)	-	(2,429)
Accrued interest payable	(46)	-	(46)	-	(46)
Interest-rate swaps	(265)	-	(265)	-	(265)

The carrying amounts and estimated fair values of financial instruments at December 31, 2014 were as follows:

	Fair Value Measurements at December 31, 2014 Using:				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets					
Cash and cash equivalents	$ 28,207	$ 28,207	$ -	$ -	$ 28,207
Interest-bearing deposits in other financial institutions	494	494	-	-	494
Securities available for sale	10,445	-	10,445	-	10,445
Loans held for sale	1,672	-	1,672	-	1,672

Loans, net	257,085	-	-	257,333	257,333
FHLB stock	1,942	n/a	n/a	n/a	n/a
Accrued interest receivable	780	2	32	746	780
Yield maintenance provisions (embedded derivatives)	318	-	318	-	318
Interest rate lock commitments	25	-	25	-	25
Financial liabilities					
Deposits	$ (258,315)	$ (121,132)	$ (137,700)	$ -	$ (258,832)
FHLB advances and other borrowings	(14,500)	-	(14,663)	-	(14,663)
Advances by borrowers for taxes and insurance	(401)	-		(401)	(401)
Subordinated debentures	(5,155)	-	(2,536)	-	(2,536)
Accrued interest payable	(48)	-	(48)	-	(48)
Interest-rate swaps	(318)	-	(318)	-	(318)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

The methods and assumptions, not previously presented, used to estimate fair values are described as follows:

Cash and Cash Equivalents

The carrying amounts of cash and short-term instruments approximate fair values and are classified as Level 1.

Interest-Bearing Deposits in Other Financial Institutions

The carrying amounts of interest bearing deposits in other financial institutions approximate fair values and are classified as Level 1.

FHLB Stock

It is not practical to determine the fair value of FHLB stock due to restrictions placed on its transferability.

Loans

Fair values of loans, excluding loans held for sale, are estimated as follows: For variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values resulting in a Level 3 classification. Fair values for other loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality resulting in a Level 3 classification. Impaired loans are valued at the lower of cost or fair value as described previously. The methods utilized to estimate the fair value of loans do not necessarily represent an exit price.

Deposits

The fair values disclosed for demand deposits (e.g., interest and noninterest bearing checking, passbook savings, and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amount) resulting in a Level 1 classification. Fair values for fixed rate certificates of deposit are estimated using a discounted cash flows calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits resulting in a Level 2 classification.

Other Borrowings

The fair values of the Company’s long-term FHLB advances are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 2 classification.

The fair values of the Company’s subordinated debentures are estimated using discounted cash flow analyses based on the current borrowing rates for similar types of borrowing arrangements resulting in a Level 2 classification.

Accrued Interest Receivable/Payable

The carrying amounts of accrued interest approximate fair value resulting in a Level 1, 2 or 3 classification, consistent with the asset or liability with which they are associated.

Off-Balance-Sheet Instruments

The fair value of off-balance-sheet items is not considered material.

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CENTRAL FEDERAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

NOTE 6 – SUBORDINATED DEBENTURES

In December 2003, Central Federal Capital Trust I, a trust formed by the Holding Company, closed a pooled private offering of 5,000 trust preferred securities with a liquidation amount of $1 per security. The Holding Company issued $5,155 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 Holding Company is not considered the primary beneficiary of this trust (variable interest entity); therefore, the trust is not consolidated in the Company's financial statements, but rather the subordinated debentures are shown as a liability. The Holding Company's investment in the common stock of the trust was $155 and is included in other assets.

The subordinated debentures mature on December 30, 2033. The Holding Company may redeem the subordinated debentures, in whole or in part, in a principal amount with integral multiples of $1, at 100% of the principal amount, plus accrued and unpaid interest. 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. There are no required principal payments on the subordinated debentures over the next five years. The Holding Company has the option to defer interest payments on the subordinated debentures for a period not to exceed five consecutive years.

The Holding Company's Board of Directors elected to defer interest payments on the subordinated debentures from time to time since 2010. However, in June 2014, the Holding Company paid all deferred and current interest payments in the amount of $293, with the prior approval of the FRB. The Holding Company subsequently paid the interest current on the subordinated debentures as of September 30, 2014, December 31, 2014, March 31, 2015, June 30, 2015 and September 30, 2015, after receiving the prior approval or written non-objection of the FRB to make such payments as required by the terms of the Holding Company Order and the subsequent commitments made by the Company following the termination of the Holding Company Order.

The subordinated debentures have a variable rate of interest, reset quarterly, equal to the three-month London Interbank Offered Rate plus 2.85%, which was 3.13% at September 30, 2015 and 3.11% at December 31, 2014.

NOTE 7 – STOCK-BASED COMPENSATION

The Company has issued awards under three stock-based compensation plans (the "Plans"), as described below. Total compensation cost that has been charged against income for those Plans totaled $31 and $102, respectively, for the three and nine months ended September 30, 2015 and $69 and $218, respectively for the three and nine months ended September 30, 2014. The total income tax effect was not material for the three and nine months ended September 30, 2015 and 2014.

The Plans are all stockholder-approved and provide for stock option grants and restricted stock awards to be made to directors, officers and employees. The 1999 Stock-Based Incentive Plan, which expired July 13, 2009, provided 38,778 shares of common stock for stock option grants and 15,511 shares of common stock for restricted stock awards. The 2003 Equity Compensation Plan (the "2003 Plan"), as amended and restated, provided an aggregate of 100,000 shares for stock option grants and restricted stock awards, of which up to 30,000 shares could be awarded in the form of restricted stock awards. The 2009 Equity Compensation Plan (the "2009 Plan"), which was approved by stockholders on May 21, 2009, replaced the 2003 Plan and provided for 200,000 shares, plus any remaining shares available to grant or that are later forfeited or expire under the 2003 Plan, to be made available to be issued as stock option grants, stock appreciation rights or restricted stock awards. On May 16, 2013, the Company's stockholders approved the First Amendment to the 2009 Plan to increase the number of shares of common stock reserved for stock option grants and restricted stock awards thereunder to 1,500,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

Stock Options

The Plans permit the grant of stock options to directors, officers and employees of the Holding Company and CFBank. Option awards are granted with an exercise price equal to the market price of the Company's common stock on the date of grant, generally have vesting periods ranging from one to three years, and are exercisable for ten years from the date of grant. Unvested stock options immediately vest upon a change of control.

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.

There were no options granted or exercised during the three and nine months ended September 30, 2015 and September 30, 2014.

A summary of stock option activity in the Plans for the nine months ended September 30, 2015 follows:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Intrinsic Value
Outstanding at beginning of year	621,396	$ 1.56		
Granted	-	-		
Exercised	-	-		
Expired	(1,000)	52.10		
Cancelled or Forfeited	(7,867)	1.51		
Outstanding at end of period	612,529	$ 1.48	7.7	$ -
Expected to vest	302,330	$ 1.40	7.9	$ -
Exercisable at end of period	310,199	$ 1.55	7.5	$ -

During the nine months ended September 30, 2015, there were 7,867 stock options canceled or forfeited. During the nine months ended September 30, 2014, there were 16,490 stock options canceled or forfeited. Previously recognized expense associated with nonvested forfeited shares was reversed.

As of September 30, 2015, there was $48 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 0.9 years. Substantially all of the 302,330 nonvested stock options at September 30, 2015 are expected to vest.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

Restricted Stock Awards

The Plans permit the grant of restricted stock awards to directors, officers and employees. Compensation is recognized over the vesting period of the awards based on the fair value of the stock at grant date. The fair value of the stock is determined using the closing share price on the date of grant and shares generally have vesting periods of one to three years. There were no shares of restricted stock issued during the three and nine months ended September 30, 2015 and 2014. As of September 30, 2015, there were no nonvested shares of restricted stock outstanding.

There were no shares of restricted stock forfeited during the three and nine months ended September 30, 2015 and 2014. Also, there were no shares vested during the three and nine months ended September 30, 2015 and 2014.

There were 962,509 shares remaining available for stock option grants and restricted stock awards under the 2009 Plan at September 30, 2015.

NOTE 8 – REGULATORY CAPITAL MATTERS

CFBank is subject to regulatory capital requirements administered by federal banking agencies. 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.

Prompt corrective action regulations provide five classifications for banking organizations: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If a banking organization is classified as adequately capitalized, regulatory approval is required to accept brokered deposits. If a banking organization is classified as undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required.

In July 2013, the Holding Company's primary federal regulator, the FRB, published final rules (the "Basel III Capital Rules") establishing a new comprehensive capital framework for U.S. banking organizations. The rules implement the Basel Committee's December 2010 framework known as "Basel III" for strengthening international capital standards as well as certain provisions of the Dodd-Frank Act. The implementation of the Basel III Capital Rules result in higher capital requirements and more restrictive leverage and liquidity ratios than those previously in place. In addition, in order to avoid limitations on capital distributions, such as dividend payments and certain bonus payments to executive officers, the Basel III Capital Rules require insured financial institutions to hold a capital conservation buffer of common equity tier 1 capital above the minimum risk-based capital requirements. The capital conservation buffer will be phased in over time, becoming effective on January 1, 2019, and will consist of an additional amount of common equity equal to 2.5% of risk-weighted assets. The Basel III Capital Rules revise the regulatory agencies' prompt corrective action framework by incorporating the new regulatory capital minimums and updating the definition of common equity. The Basel III Capital Rules became effective for the Company on January 1, 2015, and will be fully phased in by January 1, 2019. The Company's implementation of the new rules on January 1, 2015 did not have a material impact on our capital needs or classifications.

The CFBank Order required CFBank to have an 8% Tier 1 (Core) Capital to adjusted total assets and 12% Total Capital to risk weighted assets. Although the CFBank Order was terminated by the OCC effective January 23, 2014, CFBank remains subject to the heightened capital requirements imposed by the OCC and is required to maintain an 8% Tier 1 (core) Capital ratio to adjusted total assets and 12% Total Capital to risk weighted assets. CFBank met the heightened capital requirements imposed by the OCC at September 30, 2015 and December 31, 2014. See Note 2-Regulatory Order Considerations for additional information.

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CENTRAL FEDERAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands)

Actual and required capital amounts and ratios of CFBank are presented below:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Applicable Regulatory Action Regulations		Required Pursuant to OCC Commitment	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2015								
Total Capital to risk weighted assets	$ 39,594	13.77%	$ 23,010	8.00%	$ 28,762	10.00%	$ 34,515	12.00%
Tier 1 (Core) Capital to risk weighted assets	35,963	12.50%	17,257	6.00%	23,010	8.00%	N/A	N/A
Common equity tier 1 capital to risk-weighted assets	35,963	12.50%	12,943	4.50%	18,695	6.50%	N/A	N/A
Tier 1 (Core) Capital to adjusted total assets	35,963	10.82%	13,291	4.00%	16,613	5.00%	26,581	8.00%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Applicable Regulatory Capital Standards		Required Pursuant to OCC Commitment	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio

December 31,2014								
Total Capital to risk weighted assets	$ 37,898	14.18%	$ 21,379	8.00%	$ 26,724	10.00%	$ 32,069	12.00%
Tier 1 (Core) Capital to risk weighted assets	34,520	12.92%	10,690	4.00%	16,034	6.00%	N/A	N/A
Common equity tier 1 capital to risk-weighted assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Tier 1 (Core) Capital to adjusted total assets	34,520	11.03%	12,515	4.00%	15,643	5.00%	25,029	8.00%

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(Dollars in thousands)

The Qualified Thrift Lender test requires CFBank to maintain at least 65% of assets 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. Management believes that this test was met by CFBank at September 30, 2015 and December 31, 2014.

CFBank converted from a mutual to a stock institution in 1998, and a “liquidation account” was established in the amount of $14,300, which was the 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 and its assets exceeded its liabilities. Dividends may not reduce CFBank’s stockholder’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 by CFBank 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. As of September 30, 2015, CFBank was not permitted to declare or pay dividends or make any other capital distributions without receiving the prior written approval of the OCC. Future dividend payments by CFBank to the Holding Company would be based on future earnings and regulatory approval. The payment of dividends from CFBank to the Holding Company is not likely to be approved by regulators until CFBank is able to generate consistent earnings.

Any future dividends by the Holding Company on its common stock or Series B Preferred Stock, and any dividends or capital contributions by CFBank to the Holding Company, are also subject to prior regulatory approval in accordance with the commitments made in connection with the release and termination of the Orders. The Holding Company received prior approval from the FRB for the payment of quarterly cash dividends on its Series B Preferred Stock for the quarter ended September 30, 2015 in the aggregate amount of $187 (which dividend was paid in October 2015). The Holding Company also received prior approval from the FRB for the payment of quarterly cash dividends on its Series B Preferred Stock in each of the previous quarters commencing with the first dividend payment on July 15, 2014.

The Holding Company’s ability to pay dividends on its stock is also conditioned upon the payment, on a current basis, of quarterly interest payments on the subordinated debentures underlying the Company’s trust preferred securities, which also requires the written non-objection of the FRB. Additionally, so long as the Company’s Series B Preferred Stock remains outstanding, the Holding Company will be prohibited from paying dividends (other than dividends payable solely in shares) on the Company’s common stock for the then-current dividend period, unless full dividends on the Series B Preferred Stock have been paid or set aside for payment. Dividends on the Series B Preferred Stock are non-cumulative, which means that if for any reason we do not declare cash dividends on the Series B Preferred Stock for a quarterly dividend period we will have no obligation to pay any dividends for that period (i.e., the dividends will not accrue or cumulate), whether or not we declare dividends on the Series B Preferred Stock for any subsequent dividend period.

Additionally, CFBank does not intend to make distributions to the Holding Company that would result in a recapture of any portion of its thrift bad debt reserve as discussed in Note 10-Income taxes.

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(Dollars in thousands)

NOTE 9 – DERIVATIVE INSTRUMENTS

Interest-rate swaps:

CFBank utilizes interest-rate swaps as part of its asset/liability management strategy to help manage its interest rate risk position, and does not use derivatives for trading purposes. 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. CFBank was party to interest-rate swaps with a combined notional amount of $2,904 at September 30, 2015 and $3,811 at December 31, 2014.

The objective of the interest-rate swaps is to protect the related fixed-rate commercial real estate loans from changes in fair value due to changes in interest rates. CFBank has a program whereby it lends to its borrowers at a fixed rate with the loan agreement containing a two-way yield maintenance provision, which will be invoked in the event of prepayment of the loan, and is expected to exactly offset the fair value of unwinding the swap. The yield maintenance provision represents an embedded derivative which is bifurcated from the host loan contract and, as such, the swaps and embedded derivatives are not designated as hedges. Accordingly, both instruments are carried at fair value and changes in fair value are reported in current period earnings. CFBank currently does not have any derivatives designated as hedges.

Contingent Features:

The counterparty to CFBank's interest-rate swaps is exposed to credit risk whenever the interest-rate swaps are in a liability position. At September 30, 2015, CFBank had $789 in securities and cash pledged as collateral for these derivatives. Should the liability increase, CFBank will be required to pledge additional collateral.

Additionally, CFBank's interest-rate swap instruments contain provisions that require CFBank to remain well capitalized under regulatory capital standards. The interest-rate swaps may be called by the counterparty if CFBank fails to maintain well-capitalized status under regulatory capital standards. As of September 30, 2015, CFBank was well-capitalized under regulatory capital standards

Summary information about the derivative instruments is as follows:

	September 30, 2015	December 31, 2014
Notional amount	$ 2,904	$ 3,811
Weighted average pay rate on interest-rate swaps	3.67%	4.06%
Weighted average receive rate on interest-rate swaps	0.23%	0.18%
Weighted average maturity (years)	4.3	4.3
Fair value of interest-rate swaps	$ (265)	$ (318)
Fair value of yield maintenance provisions	265	318

The fair value of the yield maintenance provisions and interest-rate swaps is recorded in other assets and other liabilities, respectively, in the consolidated balance sheet. Changes in the fair value of the yield maintenance provisions and interest-rate swaps are reported currently in earnings, as other noninterest income in the consolidated statements of operations. There were no net gains or losses recognized in earnings related to yield maintenance provisions and interest-rate swaps for the three and nine months ended September 30, 2015 or 2014.

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Mortgage banking derivatives:

Commitments to fund certain mortgage loans (interest rate locks) to be sold into the secondary market are considered derivatives. These mortgage banking derivatives are not designated in hedge relationships. The Company had approximately $1,754 and $2,964 of interest rate lock commitments related to residential mortgage loans at September 30, 2015 and December 31, 2014, respectively. The fair value of these mortgage banking derivatives was reflected by a derivative asset of $10 and $25 at September 30, 2015 and December 31, 2014, respectively, which was included in other assets in the consolidated balance sheet. Fair values were estimated based on anticipated gains on the sale of the underlying loans. Changes in the fair values of these mortgage banking derivatives are included in net gains on sales of loans.

NOTE 10 – INCOME TAXES

The Company maintained a valuation allowance against the net deferred tax assets at September 30, 2015, December 31, 2014 and December 31, 2013, based on its estimate of future reversal and utilization. When determining the amount of deferred tax assets that are more-likely-than-not to be realized, and therefore recorded as a benefit, the Company conducts a regular assessment of all available information. This information includes, but is not limited to, taxable income in prior periods, projected future income and projected future reversals of deferred tax items. Based on these criteria, the Company determined that it was necessary to maintain a full valuation allowance against the entire net deferred tax asset.

In 2012, a recapitalization program through the sale of $22.5 million in common stock improved the capital levels of CFBank and provided working capital for the Holding Company. The result of the change in stock ownership associated with the stock offering, within the guidelines of Section 382 of the Internal Revenue Code of 1986, was that the Company incurred an ownership change. At year-end 2014, the Company had net operating loss carryforwards of $26,732, which expire at various dates from 2024 to 2033, and has alternative minimum tax credit carryforwards of $75, which do not expire. As a result of the ownership change, the Company's ability to utilize carryforwards that arose before the stock offering closed is limited to $163 per year. Due to this limitation, management determined it is more likely than not that $20,520 of net operating loss carryforwards will expire unutilized. As required by accounting standards, the Company reduced the carrying value of deferred tax assets, and the corresponding valuation allowance, by the $6,977 tax effect of this lost realizability.

Federal income tax laws provided additional deductions, totaling $2,250, for thrift bad debt reserves established before 1988. Accounting standards do not require a deferred tax liability to be recorded on this amount, which otherwise would total $765 at year-end 2014. However, if CFBank were wholly or partially liquidated or otherwise ceases to be a bank, or if tax laws were to change, this amount would have to be recaptured and a tax liability recorded. Additionally, any distributions in excess of CFBank's current or accumulated earnings and profits would reduce amounts allocated to its bad debt reserve and create a tax liability for CFBank. The amount of additional taxable income created by such a 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 distribution that reduces the amount allocated to its bad debt reserve, then approximately one and one-half times the amount used would be includible in gross income for federal income tax purposes, assuming a 34% corporate income tax rate. CFBank does not intend to make distributions that would result in a recapture of any portion of its bad debt reserve.

At September 30, 2015 and December 31, 2014, the Company had no unrecognized tax benefits recorded. On a quarterly basis, the Company assesses the facts and circumstances to determine if the recognition of the deferred tax asset is appropriate. The Company is subject to U.S. federal income tax and is no longer subject to federal examination for years prior to 2011.

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NOTE 11- ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table summarizes the changes within each classification of accumulated other comprehensive income, net of tax, for the three and nine months ended September 30, 2015 and 2014 and summarizes the significant amounts reclassified out of each component of accumulated other comprehensive income:

Changes in Accumulated Other Comprehensive Income by Component (1)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
	Unrealized Gains and Losses on Available-for-Sale Securities		Unrealized Gains and Losses on Available-for-Sale Securities	
Accumulated Other Comprehensive income (loss), beginning of period	$ 74	$ 74	$ 51	$ 98
Other comprehensive income (loss) before reclassifications	5	(7)	16	(31)
Less amount reclassified from accumulated other comprehensive loss (2)	-	-	12	-
Net current-period other comprehensive income (loss)	5	(7)	28	(31)
Accumulated Other Comprehensive income (loss), end of period	$ 79	$ 67	$ 79	$ 67

(1) All amounts are net of tax. Amounts in parentheses indicate a reduction of other comprehensive income.

(2) There were no amounts reclassified out of other comprehensive income for the three months ended September 30, 2015 and 2014. There was $12 reclassified out of other comprehensive income for the nine months ended September 30, 2015 due to an early redemption on a municipal security. There were no amounts reclassified out of other comprehensive income for the nine months ended September 30, 2014.

NOTE 12- PREFERRED STOCK

Commencing in April 2014, the Company conducted a private placement of 6.25% Non-Cumulative Convertible Perpetual Preferred Stock, Series B (“Series B Preferred Stock”) for an offering price of $25.00 per share (the “Private Placement”). Pursuant to the Private Placement, the Company sold an aggregate of 480,000 shares of Series B Preferred Stock on May 12, 2014 and July 15, 2014, for an aggregate offering price of $12,000. The Series B Preferred Stock was sold by the Company with the assistance of McDonald Partners, LLC, as placement agent, on a best efforts basis. After payment of approximately $482 in placement fees to McDonald Partners, LLC and approximately $149 of other offering expenses, the Company’s net proceeds from its sale of the 480,000 shares of Series B Preferred Stock in the Private Placement were approximately $11,369.

For each share of Series B Preferred Stock sold in the Private Placement, the Company also agreed to issue, at no additional charge, a Warrant to purchase (i) 2.00 shares of common stock of the Company if the purchaser purchased less than $700 (28,000 shares) of Series B Preferred Stock in the Private Placement, or (ii) 3.25 shares of common stock if the purchaser purchased $700 (28,000 shares) or more of Series B Preferred Stock in the Private Placement. See Note 13- Warrants for additional information.

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The Series B Preferred Stock and Warrants have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), or under the securities laws of any state in reliance upon exemptions from registration thereunder, including the exemptions provided under Section 4(a)(2) of the Securities Act and Rule 506(b) promulgated thereunder. The Series B Preferred Stock and Warrants were sold solely to "accredited investors" as defined in Rule 501(a), and neither the Series B Preferred Stock or Warrants, nor any shares of common stock of the Company into which the Series B Preferred Stock may be converted or for which the Warrants may be exercised, may be resold for a period of at least six months from the date of issue without registration or an exemption from registration under the Securities Act and applicable state securities laws. However, the Company has agreed to provide certain registration rights to the holders of the Warrants pursuant to the terms of a Registration Rights Agreement between the Company and each purchaser of Series B Preferred Stock and Warrants in the Private Placement.

NOTE 13- COMMON STOCK WARRANTS

The Company issued Warrants to purchase an aggregate of 1,152,125 shares of common stock to the purchasers of the 480,000 shares of Series B Preferred Stock sold in the Private Placement. Subject to certain limitations, the Warrants are exercisable until July 15, 2019, at a cash purchase price of $1.85 per share of common stock.

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FORWARD LOOKING STATEMENTS

Statements in this annual report and in other communications by Central Federal Corporation (the “Holding Company”) and/or CFBank (collectively, the “Company”) that are not statements of historical fact are forward-looking statements which are made in good faith by us. Forward-looking statements include, but are not limited to: (1) projections of revenues, income or loss, earnings or loss per common share, capital structure and other financial items; (2) plans and objectives of the management or Boards of Directors of the Holding Company or CFBank; (3) statements regarding future events, actions or economic performance; and (4) statements of assumptions underlying such statements. Words such as "estimate," "strategy," "may," "believe," "anticipate," "expect," "predict," "will," "intend," "plan," "targeted," and the negative of these terms, or similar expressions, are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Various risks and uncertainties may cause actual results to differ materially from those indicated by our forward-looking statements. The following, among other factors, could cause such differences:

- difficult economic conditions including high unemployment rates or other adverse changes in general economic conditions and/or economic conditions in the markets we serve, any of which may affect, among other things, our level of nonperforming assets, charge-offs, and provision for loan loss expense;
- changes in interest rates that may reduce net interest margin and impact funding sources;
- the possibility that we will need to make increased provisions for loan losses;
- our ability to maintain sufficient liquidity to continue to fund our operations;
- our ability to reduce our high level of nonperforming assets and the associated operating expenses;
- changes in market rates and prices, including real estate values, which may adversely impact the value of financial products including securities, loans and deposits;
- the possibility of other-than-temporary impairment of securities held in our securities portfolio;
- results of examinations of the Holding Company and CFBank by the regulators, including the possibility that the regulators may, among other things, require CFBank to increase its allowance for loan losses or write-down assets;
- our ability to continue to meet regulatory guidelines, commitments or requirements to which we are subject;
- our ability to generate profits in the future;
- our ability to raise additional capital in the future, if necessary;
- changes in tax laws, rules and regulations;
- increases in deposit insurance rates or premiums;
- further legislative and regulatory changes which may increase compliance costs and burdens;
- unexpected losses of key management;
- various monetary and fiscal policies and regulations, including those determined by the Board of Governors of the Federal Reserve System (the “FRB”), the Federal Deposit Insurance Corporation (the “FDIC”) and the Office of the Comptroller of the Currency (the “OCC”);
- competition with other local and regional commercial banks, savings banks, credit unions and other non-bank financial institutions;
- our ability to grow our core businesses;
- our ability to effectively manage our growth;

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- any failure, interruption or breach in security of our communications and information systems;
- technological factors which may affect our operations, pricing, products and services;
- unanticipated litigation, claims or assessments; and
- Management's ability to manage these and other risks.

Forward-looking statements are not guarantees of performance or results. A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. The Company believes it has chosen these assumptions or bases in good faith and that they are reasonable. We caution you, however, that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual results can be material. The forward-looking statements included in this report speak only as of the date of the report. We undertake no obligation to publicly release revisions to any forward-looking statements to reflect events or circumstances after the date of such statements, except to the extent required by law.

Our filings with the Securities and Exchange Commission (the “SEC”) detail other risks, all of which are difficult to predict and many of which are beyond our control.

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Business Overview

The Holding Company is a savings and loan holding company incorporated in Delaware in 1998. Substantially all of our business is conducted through 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 business model emphasizes personalized service, clients' access to decision makers, solution-driven lending and quick execution, efficient use of technology and the convenience of online internet banking, mobile banking, remote deposit and corporate cash management. We attract retail and business 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. The majority of our customers are small businesses, small business owners and consumers.

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; Columbiana County through our offices in Calcutta and Wellsville, Ohio; and Cuyahoga County, through our loan production office in Woodmere, Ohio. We originate commercial and residential real estate loans and business loans primarily throughout Ohio. Most of our deposits and loans come from our market area. Because of CFBank's concentration of business activities in Ohio, the Company's financial condition and results of operations depend upon economic conditions in Ohio.

General

Our net income is dependent primarily on net interest income, which is the difference between the interest income earned on loans and securities and our 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, the level of nonperforming assets and deposit flows.

Net income is also affected by, among other things, provisions for loan losses, loan fee income, service charges, gains on loan sales, operating expenses, income and other various taxes. Operating expenses principally consist of employee compensation and benefits, occupancy expense, FDIC insurance premiums and other general and administrative expenses. In general, results of operations are significantly affected by general economic and competitive conditions, changes in market interest rates and real estate values, government policies and actions of regulatory authorities. Our regulators have extensive discretion in their supervisory and enforcement activities, including the authority to impose restrictions on our operations, to classify our assets and to determine the level of our allowance for loan losses. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our business, financial condition, results of operations and/or cash flows.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). The Dodd-Frank Act included numerous provisions designed to strengthen the financial industry, enhance consumer protection, expand disclosures and provide for transparency. Some of these provisions included changes to FDIC insurance coverage, which included a permanent increase in the coverage to $250,000 per depositor. Additional provisions created a Bureau of Consumer Financial Protection, which is authorized to write rules on all consumer financial products. Still other provisions created a Financial Stability Oversight Council, which is not only empowered to determine the entities that are systemically significant and therefore require more stringent regulations, but which is also charged with reviewing, and, when appropriate, submitting comments to the SEC and Financial Accounting Standards Board (FASB) with respect to existing or proposed accounting principles, standards or procedures. The aforementioned are only a few of the numerous provisions included in the Dodd-Frank Act. The overall impact of the entire Dodd-Frank Act will not be known until full implementation is completed, but the possibility of significant additional compliance costs exists, and the Dodd-Frank Act consequently may have a material adverse impact on our operations.

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Cease and Desist Orders

On May 25, 2011, the Holding Company and CFBank each consented to the issuance of an Order to Cease and Desist (the "Holding Company Order" and the "CFBank Order", respectively, and collectively, the "Orders") by the Office of Thrift Supervision (the "OTS"), the primary regulator of the Holding Company and CFBank at the time the Orders were issued. In July 2011, in accordance with the Dodd-Frank Act, the FRB replaced the OTS as the primary regulator of the Holding Company and the OCC replaced the OTS as the primary regulator of CFBank.

Effective as of January 23, 2014, the OCC released and terminated the CFBank Order based upon the improved capital position of CFBank, among other factors. Notwithstanding the release of the CFBank Order, CFBank is required to continue to maintain a minimum Tier 1 Leverage Capital Ratio of 8% and a Total Risk-based Capital to Risk-Weighted Assets ratio of 12%. In addition, in connection with the release and termination of the CFBank Order, CFBank has made certain commitments to the OCC to continue to adhere to certain prudent practices, including, without limitation, maintaining a written program to continue to improve CFBank's credit underwriting and administrative process; take actions to protect its interest in criticized assets as identified by CFBank, the OCC examiners or its external loan review process and implement its written program to effectively identify, monitor, control and continue to reduce the level of credit risk to CFBank; review and monitor progress against such plan with the Board of Directors and continue CFBank's aggressive workout efforts and individualized workout plans on all criticized assets greater than $250,000.

On May 15, 2014, the FRB announced the termination of the Holding Company Order, effective as of May 9, 2014. Notwithstanding the termination of the Holding Company Order, the Holding Company is required to continue to adhere to certain requirements and restrictions based on commitments made to the FRB in connection with the termination of the Holding Company Order. These commitments require the Holding Company, among other things, to continue to implement certain actions in accordance with the capital plan previously submitted to the FRB; not declare or pay dividends on its stock, purchase or redeem its stock, or accept dividends or other capital distributions from CFBank without the prior written approval of the FRB; not incur, increase or guarantee any debt without the prior written consent of the FRB; and provide prior written notice to the FRB with respect to certain changes in directors and senior executive officers.

The significant directives contained in the Orders and the commitments made by CFBank and the Holding Company in connection with the release and termination of the Orders have provided challenges for the operation of our business and our ability to effectively compete in our markets. In addition, the Orders and our ongoing commitments to the regulators have required that we obtain approval from our regulators for any deviations from our business plan, which has limited our flexibility to make changes to the scope of our business activities. We have also incurred significant additional regulatory compliance expense in connection with the Orders and our regulatory commitments, and it is possible that regulatory compliance expenses could continue to have a material adverse impact on us in the future.

Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Currently, CFBank cannot declare or pay dividends or make any other capital distributions without receiving prior written regulatory approval. Future dividend payments by CFBank to the Holding Company would be based on future earnings and regulatory approval. The payment of dividends from CFBank to the Holding Company is not likely to be approved by regulators until CFBank is able to generate consistent earnings. As a result of the current level of problem assets and the continuing slow economy, it is unlikely CFBank will be able to pay dividends to the Holding Company until such issues are resolved. The Holding Company has adequate operating capital for the foreseeable future. The Holding Company had $2.9 million in cash and cash equivalents at September 30, 2015. The regulators have further required the Holding Company to develop a business plan, separate from CFBank, that enables it to significantly reduce its dependence on CFBank for dividends through alternative funding mechanisms.

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

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Financial Condition

General. Assets totaled $331.4 million at September 30, 2015 and increased $15.9 million, or 5.0%, from $315.6 million at December 31, 2014. The increase was primarily due to a $26.3 million increase in net loan balances, partially offset by a $8.1 million decrease in cash and cash equivalents and a $2.8 million decrease in loans held for sale.

Cash and cash equivalents. Cash and cash equivalents totaled $20.1 million at September 30, 2015 and decreased $8.1 million, or 28.7%, from $28.2 million at December 31, 2014. The decrease was primarily due to funding loan growth.

Securities. Securities available for sale totaled $11.6 million at September 30, 2015 and increased $1.1 million, or 10.8%, compared to $10.4 million at December 31, 2014. The increase was due to $4.5 million in purchases, offset by maturities, repayments and an early redemption of a $885,000 municipal security.

Loans. Net loans totaled $283.4 million at September 30, 2015 and increased $26.3 million, or 10.2%, from $257.1 million at December 31, 2014. The increase was primarily due to a $21.5 million increase in single-family residential loan balances, a $4.2 million increase in home equity lines of credit, a $1.9 million increase in construction loan balances, and a $1.8 million increase in multi-family loan balances, partially offset by a $3.0 million decrease in commercial loans balances. The increase in single-family residential loan balances was primarily attributed to an increase in balances associated with our Northpointe mortgage program. The increase in home equity lines of credit, construction loans and multi-family loans was due to increased sales activity, coupled with draws on existing lines or construction loans. The decline in commercial loan balances was due to loan repayments.

CFBank has participated in a Mortgage Purchase Program with Northpointe Bank (Northpointe), a Michigan banking corporation, since December 2012. Pursuant to the terms of a participation agreement, CFBank purchases participation interests in loans made by Northpointe related to fully underwritten and pre-sold mortgage loans originated by various prescreened mortgage brokers located throughout the U.S. The underlying loans are individually (MERS registered) loans which are held until funded by the end investor. The mortgage loan investors include Fannie Mae and Freddie Mac, and other major financial institutions such as Wells Fargo Bank. This process on average takes approximately 14 days. Given the short-term holding period of the underlying loans, common credit risks (such as past due, impairment and TDR, nonperforming, and nonaccrual classification) are substantially reduced. Therefore, no allowance is allocated by CFBank to these loans. These purchased loans are classified as portfolio loans. These loans are 100% risk rated for CFBank capital adequacy purposes. Northpointe maintains an ownership interest in each loan it participates. Effective December 18, 2014, the participation agreement was amended and CFBank agreed to increase the level of interest in loans it purchases from Northpointe from 80% to 95% of the aforementioned loans, and therefore, Northpointe now maintains a 5% (reduced from 20%) ownership interest in each loan it participates. During the three and nine months ended September 30, 2015, loan origination activity in the program totaled $214.7 million and $543.3 million, respectively and payoffs for the same period totaled $213.5 million and $529.5million, respectively. At September 30, 2015 and December 31, 2014, CFBank held $38.8 million and $25.0 million, of such loans which are included in single family residential loan totals.

Allowance for loan losses (ALLL). The ALLL totaled $6.5 million at September 30, 2015 and increased $206,000, or 3.3%, from $6.3 million at December 31, 2014. The increase in the ALLL was primarily due to an increase in overall loan balances and net recoveries during the nine months ended September 30, 2015, which was partially offset by continued improvement in credit quality. The ratio of the ALLL to total loans was 2.25% at September 30, 2015 compared to 2.39% at December 31, 2014. In addition, the ratio of the ALLL to nonperforming loans was 437.1% at September 30, 2015, compared to 408.0% at December 31, 2014.

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The ALLL is a valuation allowance for probable incurred credit losses. The ALLL methodology is designed as part of a thorough process that incorporates management's current judgments about the credit quality of the loan portfolio into a determination of the ALLL in accordance with generally accepted accounting principles and supervisory guidance. Management analyzes the adequacy of the ALLL quarterly through reviews of the loan portfolio, including the nature and volume of the loan portfolio and segments of the portfolio; industry and loan concentrations; historical loss experience; delinquency statistics and the level of nonperforming loans; specific problem loans; the ability of borrowers to meet loan terms; an evaluation of collateral securing loans and the market for various types of collateral; various collection strategies; current economic conditions, trends and outlook; and other factors that warrant recognition in providing for an adequate ALLL. Based on the variables involved and the significant judgments management must make about outcomes that are uncertain, the determination of the ALLL is considered to be a critical accounting policy. See the section titled "Critical Accounting Policies" for additional discussion.

The ALLL consists of specific and general components. The specific component relates to loans that are individually classified as impaired. A loan is impaired when, based on current information and events, it is probable that CFBank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans of all classes within the commercial, commercial real estate and multi-family residential loan segments, regardless of size, and loans of all other classes over $250,000, are individually evaluated for impairment when they are 90 days past due, or earlier than 90 days past due if information regarding the payment capacity of the borrower indicates that payment in full according to the loan terms is doubtful. 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, less costs to sell, 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. Loans within any class for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings (TDRs) and are classified as impaired. See Notes 1 and 4 to our consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information regarding the ALLL.

Individually evaluated impaired loans totaled $5.9 million at September 30, 2015, and decreased $389,000, or 6.2%, from $6.3 million at December 31, 2014. The decrease was primarily due to loan repayments. The amount of the ALLL specifically allocated to individually impaired loans totaled $20,000 at September 30, 2015 and $64,000 at December 31, 2014. The decrease in the ALLL specifically allocated to impaired loans was primarily due to loan repayments.

The specific reserve on impaired loans is based on management's estimate of the present value of estimated future cash flows using the loan's effective rate or the fair value of collateral, if repayment is expected solely from the collateral. On at least a quarterly basis, management reviews each impaired loan to determine whether it should have a specific reserve or partial charge-off. Management relies on appraisals or internal evaluations to help make this determination. Determination of whether to use an updated appraisal or internal evaluation is based on factors including, but not limited to, the age of the loan and the most recent appraisal, condition of the property and whether we expect the collateral to go through the foreclosure or liquidation process. Management considers the need for a downward adjustment to the valuation based on current market conditions and on management's analysis, judgment and experience. The amount ultimately charged-off for these loans may be different from the specific reserve, as the ultimate liquidation of the collateral and/or projected cash flows may be different from management's estimates.

Nonperforming loans, which are nonaccrual loans and loans at least 90 days past due but still accruing interest, decreased $56,000, or 3.6%, and totaled $1.5 million at September 30, 2015, compared to $1.5 million at December 31, 2014. The ratio of nonperforming loans to total loans was 0.51% at September 30, 2015 compared to 0.59% at December 31, 2014.

Nonaccrual loans include some loans that were modified and identified as TDRs and are not performing. TDRs included in nonaccrual loans totaled $370,000 at September 30, 2015 and $422,000 at December 31, 2014. The decrease in TDRs included in nonaccrual loans was primarily due to loan repayments.

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Nonaccrual loans at September 30, 2015 and December 31, 2014 do not include $5.0 million and $5.2 million, respectively, in TDRs where customers have established a sustained period of repayment performance, generally six months, loans are current according to their modified terms and repayment of the remaining contractual payments is expected. These loans are included in total impaired loans. See Note 4 to the consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information regarding impaired loans and nonperforming loans.

The general reserve component of ALLL covers non-impaired loans of all classes and is based on historical loss experience adjusted for current factors. The historical loss experience is determined by loan class and is based on the actual loss history experienced by CFBank over a three-year period. The general component is calculated based on CFBank’s loan balances and actual three-year historical loss rates. For loans with little or no actual loss experience, industry estimates are used based on loan segment. This actual loss experience is supplemented with other economic and judgmental factors based on the risks present for each loan class. These economic and judgmental factors include consideration of the following: levels of and trends in delinquencies and impaired loans; levels of and trends in charge-offs and recoveries; trends in volume and terms of loans; effects of any changes in risk selection and underwriting standards; other changes in lending policies, procedures, and practices; experience, ability, and depth of lending management and other relevant staff; national and local economic trends and conditions; industry conditions; and effects of changes in credit concentrations.

Management’s loan review process is an integral part of identifying problem loans and determining the ALLL. We maintain an internal credit rating system and loan review procedures specifically developed as the primary credit quality indicator to monitor credit risk for commercial, commercial real estate and multi-family residential real estate loans. We analyze these loans individually and categorize loans into risk categories based on relevant information about the ability of borrowers to service their debt, such as current financial information, historical payment experience, credit documentation, public information and current economic trends, among other factors. Credit reviews for these loan types are performed at least annually, and more often for loans with higher credit risk. Loan officers maintain close contact with borrowers between reviews. Adjustments to loan risk ratings are based on the reviews and also may be made at any time information is received that may affect risk ratings. Additionally, an independent third party review of commercial, commercial real estate and multi-family residential loans is performed at least annually. Management uses the results of these reviews to help determine the effectiveness of the existing policies and procedures and to provide an independent assessment of our internal loan risk rating system.

We have incorporated the regulatory asset classifications as a part of our credit monitoring and internal loan risk rating system. In accordance with regulations, problem loans are classified as special mention, substandard, doubtful or loss, and the classifications are subject to review by the regulators. Assets designated as special mention are considered criticized assets. Assets designated as substandard, doubtful or loss are considered classified assets. See Note 4 to our consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information regarding descriptions of the regulatory asset classifications.

The level of total criticized and classified loans decreased during the nine months ended September 30, 2015, due to management’s focused efforts to improve credit quality, and continued repayment of loans by customers. Loans designated as special mention increased $1.1 million, or 47.7%, and totaled $3.5 million at September 30, 2015, compared to $2.4 million at December 31, 2014. Loans classified as substandard decreased $3.0 million, or 23.2%, and totaled $9.9 million at September 30, 2015, compared to $12.9 million at December 31, 2014. No loans were classified as doubtful at September 30, 2015 and December 31, 2014. See Note 4 to our consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information regarding risk classification of loans.

In addition to credit monitoring through our internal loan risk rating system, we also monitor past due information for all loan segments. Loans that are not rated under our internal credit rating system include groups of homogenous loans, such as single-family residential real estate loans and consumer loans. The primary credit indicator for these groups of homogenous loans is past due information.

Total past due loans increased $1.4 million, or 124.1%, and totaled $2.6 million at September 30, 2015, compared to $1.1 million at December 31, 2014. Past due loans totaled 0.9% of the loan portfolio at September 30, 2015, compared to 0.4% at December 31, 2014. The increase in the 30-59 days past due category was primarily due to three loans totaling $883,000, that had matured and were in the process of being renewed as of September 30, 2015, which impacted the commercial, land and a portion of the commercial non-

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owner occupied loan categories. See Note 4 to our consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information regarding loan delinquencies.

All lending activity involves risk of loss. Certain types of loans, such as option adjustable-rate mortgage (ARM) products, junior lien mortgages, high loan-to-value ratio mortgages, interest only loans, subprime loans and loans with initial teaser rates, can have a greater risk of non-collection than other loans. CFBank has not engaged in subprime lending, used option ARM products or made loans with initial teaser rates.

Loans that contain interest only payments may present a higher risk than those loans with an amortizing payment that includes periodic principal reductions. Interest only loans are primarily commercial lines of credit secured by business assets and inventory, and consumer home equity lines of credit secured by the borrower's primary residence. Due to the fluctuations in business assets and inventory of our commercial borrowers, CFBank has increased risk due to a potential decline in collateral values without a corresponding decrease in the outstanding principal. Interest only commercial lines of credit totaled $19.3 million, or 44.3%, of the commercial portfolio at September 30, 2015 compared to $17.9 million, or 38.4%, at December 31, 2014. Given the recessionary effects of the economy in the past several years, the collateral that secures the home equity lines of credit may have experienced a deterioration in value since the loan was originated, increasing the risk to CFBank. Interest only home equity lines of credit totaled $18.3 million, or 84.7%, of the total home equity lines of credit at September 30, 2015 compared to $14.9 million, or 85.2%, at December 31, 2014.

We believe the ALLL is adequate to absorb probable incurred credit losses in the loan portfolio as of September 30, 2015; however, future additions to the allowance may be necessary based on factors including, but not limited to, further deterioration in client business performance, continued or deepening recessionary economic conditions, declines in borrowers' cash flows and market conditions which result in lower real estate values. Additionally, various regulatory agencies, as an integral part of their examination process, periodically review the ALLL. Such agencies may require additional provisions for loan losses based on judgments and estimates that differ from those used by management, or on information available at the time of their review. Management continues to diligently monitor credit quality in the existing portfolio and analyze potential loan opportunities carefully in order to manage credit risk. An increase in loan losses could occur if economic conditions and factors which affect credit quality, real estate values and general business conditions worsen or do not improve.

Foreclosed assets. Foreclosed assets totaled $1.6 million at September 30, 2015, and remained constant compared to $1.6 million at December 31, 2014. Foreclosed assets at September 30, 2015 and December 31, 2014 consisted of one multi-family property in Mansfield, Ohio. The level of foreclosed assets and charges to foreclosed assets expense may increase in the future as we increase our workout efforts related to foreclosed assets, nonperforming loans and other loans with credit issues.

Deposits. Deposits totaled $273.8 million at September 30, 2015 and increased $15.5 million, or 6.0%, from $258.3 million at December 31, 2014.   The increase was primarily attributed to a $20.4 million increase in money market account balances,and a $3.5 million increase in certificates of deposits, partially offset by a $8.3 million decrease in checking account balances and a $185,000 decrease in savings account balances. The majority of the deposit increase was a result of management's focused sales and marketing efforts to grow core deposits to fund loan growth. The increase in core deposits was partially offset by a decrease in brokered and listing service deposits.

CFBank is a participant in the Certificate of Deposit Account Registry Service® (CDARS) program, a network of banks that allows us to provide our customers with FDIC insurance coverage on certificate of deposit account balances up to $50 million. CDARS balances are considered brokered deposits by regulation. Brokered deposits, including CDARS balances, totaled $24.0 million at September 30, 2015, and decreased $5.3 million, or 18.0%, from $29.3 million at December 31, 2014. The decrease in brokered deposits is primarily due to the maturity of brokered certificate of deposits, CDARS one-way deposits and the decrease in customers' CDARS balances.

While the CFBank Order was in place from May 2011 until January 2014, CFBank was prohibited from accepting or renewing brokered deposits, including CDARS balances. CFBank received limited waivers from the prohibition on renewal of reciprocal CDARS deposits from the FDIC, and the restrictions were subsequently lifted upon the termination of the CFBank Order in January 2014. Customer balances in the CDARS program totaled $9.3 million at September 30, 2015 and decreased $872,000, or 8.6%, from $10.2 million at December 31, 2014.

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FHLB advances. FHLB advances remained constant and totaled $14.5 million at both September 30, 2015 and December 31, 2014.

Subordinated debentures. Subordinated debentures totaled $5.2 million at both September 30, 2015 and December 31, 2014. 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 Holding Company. The terms of the subordinated debentures allow for the Holding Company to defer interest payments for a period not to exceed five years. The Holding Company's Board of Directors elected to defer interest payments on the subordinated debentures from time to time beginning in December 2010 in order to preserve cash at the Holding Company. However, in June 2014, the Holding Company paid all deferred and current interest payments in the amount of $293, with the prior approval of the FRB. The Holding Company subsequently paid the interest current on the subordinated debentures as of September 30, 2014, December 31, 2014, March 31, 2015, June 30, 2015 and September 30, 2015, after receiving the prior approval or written non-objection of the FRB to make such payments as required by the terms of the Holding Company Order and the subsequent commitments made by the Company following the termination of the Holding Company Order. The Holding Company's ability to continue to pay current interest on the subordinated debentures is conditioned upon receipt of the non-objection of the FRB on a quarterly basis.

Stockholders' equity. Stockholders' equity totaled $35.1 million at September 30, 2015, an increase of $616,000, or 1.8%, from $34.5 million at December 31, 2014. The increase in total stockholders' equity was primarily attributed to net income, which was partially offset by the dividend paid on the Company's Series B Preferred Stock for the three and nine months ended September 30, 2015.

Management continues to proactively monitor capital levels and ratios in its on-going capital planning process and to ensure compliance with its regulatory requirements and commitments. CFBank has leveraged its capital to support balance sheet growth and drive increased net interest income. Management remains focused on growing capital though improving results from operations; however, should the need arise, CFBank has additional sources of capital and alternatives it could utilize to remain in compliance with the increased capital requirements to which CFBank is subject.

Currently, the Holding Company has excess cash to cover its expenses for the foreseeable future, and could inject capital into CFBank if necessary for CFBank to remain in compliance with its required capital ratios. Also, CFBank has the flexibility to manage its balance sheet size as a result of the short duration of the assets as discussed with the Northpointe mortgage program, as well as to deploy those assets into higher earning assets to improve net interest income as the opportunity presents itself.

Comparison of the Results of Operations for the Three Months Ended September 30, 2015 and 2014

General. Net income for the three months ended September 30, 2015 totaled $330,000 and increased $44,000, or 15.4%, compared to net income of $286,000 for the three months ended September 30, 2014, due to a $17,000 increase in net interest income, a $25,000 decrease in provision expense, and a $124,000 decrease in noninterest expense, partially offset by $122,000 decrease in noninterest income.

Net income attributable to common stockholders for the three months ended September 30, 2015, totaled $116,000, or $0.01 per diluted common share, and increased $4,000, or 3.6%, compared to net income attributable to common stockholders of $112,000, or $0.01 per diluted common share, for the three months ended September 30, 2014. For the three months ended September 30, 2015, preferred dividends on the Series B Preferred Stock and accretion of discount reduced net income attributable to common stockholders by $214,000 compared to $174,000 for the three months ended September 30, 2014.

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 tables below 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 income totaled $2.5 million for the quarter ended September 30, 2015 and increased $17,000, or 0.7%, compared to $2.4 million for the quarter ended September 30, 2014. The increase in net interest income was primarily due to a $220,000, or 7.5%, increase in interest income, partially offset by a $203,000, or 42.1%, increase in interest expense. The increase in interest income was primarily attributed to a $30.1 million, or 10.7%, increase in average interest-earning assets outstanding, partially offset by a 12bps decrease in average yield on interest-earning assets. The increase in interest expense was primarily attributed to a $32.8 million, or

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14.1%, increase in average interest-bearing liabilities outstanding and a 20bps increase in the average cost of funds on interest bearing liabilities. As a result, the net interest margin of 3.17% for the quarter ended September 30, 2015 decreased 32bps compared to the net interest margin of 3.49% for the quarter ended September 30, 2014.

Interest income. Interest income totaled $3.1 million and increased $220,000, or 7.5%, for the quarter ended September 30, 2015, compared to $2.9 million for the quarter ended September 30, 2014. The increase in interest income was primarily due to a $21.8 million, or 8.6%, increase in average loans and loans held for sale balances from $254.5 million at September 30, 2014, to $276.3 million at September 30, 2015, partially offset by a 3bps decrease in the average yield on loans and loans held for sale.

Interest expense. Interest expense totaled $685,000 and increased $203,000, or 42.1%, for the quarter ended September 30, 2015, compared to $482,000 for the quarter ended September 30, 2014. The increase in interest expense resulted primarily from increased deposit costs due to a $31.4 million, or 14.7%, increase in average interest-bearing deposit balances. The overall cost of funds on total interest-bearing liabilities increased 20bps to 103bps at September 30, 2015 compared to 83bps at September 30, 2014 due to higher promotional rates paid to increase core deposit levels.

Provision for loan losses. The provision for loan losses totaled $50,000 for the quarter ended September 30, 2015 and decreased $25,000, or 33.3%, compared to $75,000 for the quarter ended September 30, 2014. The decrease in the provision for loan losses for the quarter ended September 30, 2015 was primarily due to a continued decrease in historical loss rates, lower loan growth, minimal charge-offs for the quarter and continually improving coverage ratios. Net charge-offs for the quarter ended September 30, 2015 totaled $8,000 compared to net recoveries of $310,000 for the quarter ended September 30, 2014; the variance of $318,000 is due to a large commercial real estate loan recovery in the third quarter of 2014. The ratio of the ALLL to nonperforming loans improved to 437.1% as of September 30, 2015.

The following table presents information regarding net charge-offs (recoveries) for the three months ended September 30, 2015 and 2014.

	For the three months ended September 30,	
	2015	2014
	(Dollars in thousands)	
Commercial	$ -	$ 18
Single-family residential real estate	9	(1)
Multi-family residential real estate	-	-
Commercial real estate	3	(320)
Home equity lines of credit	(4)	(7)
Other consumer loans	-	-
Total	$ 8	$ (310)

Noninterest income. Noninterest income for the quarter ended September 30, 2015 totaled $324,000 and decreased $122,000, or 27.4%, compared to $446,000 for the quarter ended September 30, 2014. The decrease was primarily due to a $143,000 decrease in net gains on sales of loans, partially offset by a $28,000 increase in service charges on deposit accounts. The decrease in the net gains on sales of loans was primarily due to lower sales activity. The increase in service charges on deposit accounts was related to increased deposit growth and account relationships.

Noninterest expense. Noninterest expense decreased $124,000, or 4.9%, and totaled $2.4 million for the quarter ended September 30, 2015, compared to $2.5 million for the quarter ended September 30, 2014. The decrease in noninterest expense during the three months ended September, 30 2015 was primarily due to a $149,000 decrease in foreclosed asset related expenses, a $87,000 decrease in professional fees, partially offset by a $98,000 increase in loan expenses. Foreclosed asset related expenses decreased primarily due to elevated levels of maintenance and light rehabilitation work performed during the third quarter of 2014 in order to improve occupancy levels. The decrease in professional fees was due to lower legal expenses incurred, and less reliance on consulting services in third quarter of 2015 since various projects had been completed. The increase in loan expense was primarily due to increased expenses incurred to obtain updated appraisals on certain loans coupled with other related loan costs incurred during the third quarter 2015.

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Income taxes. The Company recorded a deferred tax valuation allowance which reduced the deferred tax asset to zero beginning in 2009 and continuing through the quarter ended September 30, 2015. However, as a result of net operating loss carryforwards from periods following the post-2012 restructuring, there was no income tax expense for the quarters ended September 30, 2015 or 2014.

Comparison of the Results of Operations for the Nine months Ended September 30, 2015 and 2014

General. Net income for the nine months ended September 30, 2015 totaled $1.0 million and increased $878,000, or 516.5%, compared to net income of $170,000 for the nine months ended September 30, 2014, primarily due to a $1.1 million increase in net interest income, a $94,000 increase in noninterest income, partially offset by a $324,000 increase in noninterest expense.

Net income attributable to common stockholders for the nine months ended September 30, 2015, totaled $405,000, or $0.03 per diluted common share, and increased $468,000 compared to a net loss attributable to common stockholders of $63,000, or $0.00 per diluted common share, for the nine months ended September 30, 2014. For the nine months ended September 30, 2015, preferred dividends on the Series B Preferred Stock and accretion of discount reduced net income attributable to common stockholders by $643,000 compared to $233,000 at September 30, 2014; the 2014 amount was lower due to the pro-rated dividend as a result of the timing of the private placement of Series B Preferred Stock that commenced during the second quarter of the prior year.

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 tables below 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 income totaled $7.3 million for the nine months ended September 30, 2015 and increased $1.1 million, or 17.7%, compared to $6.2 million for the nine months ended September 30, 2014. The increase in net interest income was primarily due to a $1.7 million, or 22.0%, increase in interest income, offset by a $565,000, or 41.6%, increase in interest expense. The increase in interest income was primarily attributed to a $47.4 million, or 18.6%, increase in average interest-earning assets outstanding, a 12bps increase in average yield on interest-earning assets and improved mix of earning assets. The increase in interest expense was attributed to a $44.9 million, or 21.0%, increase in average interest-bearing liabilities outstanding and a 14bps increase in the average cost of funds on interest bearing liabilities. As a result, the net interest margin of 3.24% for the nine months ended September 30, 2015 decreased 2bps compared to the net interest margin of 3.26% for the nine months ended September 30, 2014.

Interest income. Interest income totaled $9.3 million and increased $1.7 million, or 22.0%, for the nine months ended September 30, 2015, compared to $7.6 million for the nine months ended September 30, 2014. The increase in interest income was primarily due to a $40.9 million, or 17.9%, increase in average loans and loans held for sale balances from $228.9 million at September 30, 2014, to $269.9 million at September 30, 2015 and a 19bps improvement in the average yield on loans and loans held for sale.

Interest expense. Interest expense totaled $1.9 million and increased $565,000, or 41.6%, for the nine months ended September 30, 2015, compared to $1.4 million for the nine months ended September 30, 2014. The increase in interest expense resulted primarily from increased deposit costs due to a $43.3 million, or 22.2%, increase in average interest-bearing deposit balances. The overall cost of funds on total interest-bearing deposits increased 14bps to 91bps at September 30, 2015 compared to 77bps at September 30, 2014 due to higher promotional rates paid to increase core deposit levels.

Provision for loan losses. The provision for loan losses totaled $200,000 for the nine months ended September 30, 2015 and decreased $3,000, or 1.5%, compared to $203,000 for the nine months ended September 30, 2014. The decrease in the provision for loan losses for the nine months ended September 30, 2015 was primarily due to improved credit quality, a continued decrease in historical loss rates, net recoveries and improving coverage ratios. Net recoveries for the nine months ended September 30, 2015 totaled $6,000 and decreased $318,000 compared to net recoveries of $324,000 for the nine months ended September 30, 2014; the variance is due to a large commercial real estate loan recovery in the third quarter of 2014. The ratio of the ALLL to nonperforming loans improved to 437.1% as of September 30, 2015.

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The following table presents information regarding net charge-offs (recoveries) for the nine months ended September 30, 2015 and 2014.

	For the nine months ended September 30, 2015	2014
	(Dollars in thousands)	
Commercial	$ (17)	$ 15
Single-family residential real estate	39	(2)
Multi-family residential real estate	-	-
Commercial real estate	(8)	(326)
Home equity lines of credit	(24)	(9)
Other consumer loans	4	(2)
Total	$ (6)	$ (324)

Noninterest income. Noninterest income for the nine months ended September 30, 2015 totaled $1.1 million and increased $94,000, or 9.0%, compared to $1.0 million for the nine months ended September 30, 2014. The increase was primarily due to a $53,000 increase in other noninterest income and a $51,000 increase in service charges on deposit accounts. The increase in service charges was related to increased deposit growth and account relationships. The increase in other noninterest income is primarily due to increased sales activity related to the Company's joint ventures, as further discussed in Note 22 to the 2014 Audited Financial Statements.

Noninterest expense. Noninterest expense increased $324,000, or 4.7%, and totaled $7.2 million for the nine months ended September 30, 2015, compared to $6.9 million for the nine months ended September 30, 2014. The increase in noninterest expense during the nine months ended September 30, 2015 was primarily due to a $273,000 increase in salaries and employee benefits, and a $132,000 increase in data processing expenses, and a $126,000 increase in loan expense, partially offset by a $195,000 decrease in professional fees. Salaries and benefit expenses increased primarily due to an increase in personnel in the credit administration, operations, and treasury management areas. The increase in data processing expenses was driven by expanded information technology services associated with the Company's growth and expansion, along with investments in our infrastructure. The increase in loan expense was primarily due to increased expenses incurred to obtain updated appraisals on certain loans coupled with other related loan costs incurred during the third quarter 2015.

Income taxes. The Company recorded a deferred tax valuation allowance which reduced the deferred tax asset to zero beginning in 2009 and continuing through the nine months ended September 30, 2015. However, as a result of net operating loss carryforwards from periods following the post-2012 restructuring, there was no income tax expense for the nine months ended September 30, 2015 or 2014.

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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. Average balances are computed using month-end balances.

	For Three Months Ended September 30,					
	2015			2014		
	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
	(Dollars in thousands)					
Interest-earning assets:						
Securities (1) (2)	$ 9,050	$ 31	1.38%	$ 8,396	$ 38	1.83%
Loans and loans held for sale (3)	276,309	3,073	4.45%	254,495	2,848	4.48%
Other earning assets	22,396	16	0.29%	14,805	14	0.38%
FHLB stock	1,942	19	3.91%	1,942	19	3.91%
Total interest-earning assets	309,697	3,139	4.06%	279,638	2,919	4.18%
Noninterest-earning assets	24,370			22,729		
Total assets	$ 334,067			$ 302,367		
Interest-bearing liabilities:						
Deposits	$ 245,918	585	0.95%	$ 214,494	400	0.75%
FHLB advances and other borrowings	19,656	100	2.04%	18,285	82	1.79%
Total interest-bearing liabilities	265,574	685	1.03%	232,779	482	0.83%
Noninterest-bearing liabilities	33,475			36,968		
Total liabilities	299,049			269,747		
Equity	35,018			32,620		
Total liabilities and equity	$ 334,067			$ 302,367		
Net interest-earning assets	$ 44,123			$ 46,859		
Net interest income/interest rate spread		$ 2,454	3.03%		$ 2,437	3.35%
Net interest margin			3.17%			3.49%
Average interest-earning assets to average interest-bearing liabilities	116.61%			120.13%		

(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) Average balance is computed using the recorded investment in loans net of the ALLL and includes nonperforming loans.

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	For Nine Months Ended September 30,					
	2015			2014		
	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate	Average Outstanding Balance	Interest Earned/ Paid	Average Yield/ Rate
	(Dollars in thousands)					
Interest-earning assets:						
Securities (1) (2)	$ 9,282	$ 100	1.45%	$ 8,875	$ 124	1.88%
Loans and loans held for sale (3)	269,840	9,063	4.48%	228,895	7,372	4.29%
Other earning assets	21,562	49	0.30%	15,489	46	0.40%
FHLB stock	1,942	58	3.98%	1,942	58	3.98%
Total interest-earning assets	302,626	9,270	4.09%	255,201	7,600	3.97%
Noninterest-earning assets	23,588			21,937		
Total assets	$ 326,214			$ 277,138		
Interest-bearing liabilities:						
Deposits	$ 238,572	1,628	0.91%	$ 195,239	1,123	0.77%
FHLB advances and other borrowings	19,656	296	2.01%	18,092	236	1.74%
Total interest-bearing liabilities	258,228	1,924	0.99%	213,331	1,359	0.85%
Noninterest-bearing liabilities	33,191			37,021		
Total liabilities	291,419			250,352		
Equity	34,795			26,786		
Total liabilities and equity	$ 326,214			$ 277,138		
Net interest-earning assets	$ 44,398			$ 41,870		
Net interest income/interest rate spread		$ 7,346	3.10%		$ 6,241	3.12%
Net interest margin			3.24%			3.26%
Average interest-earning assets to average interest-bearing liabilities	117.19%			119.63%		

(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) Average balance is computed using the recorded investment in loans net of the ALLL and includes nonperforming loans.

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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.

	Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014			Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014		
	Increase (decrease) due to			Increase (decrease) due to		
	Rate	Volume	Net	Rate	Volume	Net
	(Dollars in thousands)			(Dollars in thousands)		
Interest-earning assets:						
Securities (1)	$ (23)	$ 16	$ (7)	$ (33)	$ 9	$ (24)
Loans and loans held for sale	(116)	341	225	327	1,364	1,691
Other earning assets	(18)	20	2	(17)	20	3
FHLB Stock	-	-	-	-	-	-
Total interest-earning assets	(157)	377	220	277	1,393	1,670
Interest-bearing liabilities:						
Deposits	121	64	185	231	274	505
FHLB advances and other borrowings	12	6	18	38	22	60
Total interest-bearing liabilities	133	70	203	269	296	565
Net change in net interest income	$ (290)	$ 307	$ 17	$ 8	$ 1,097	$ 1,105

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

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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 2014 Audited Financial Statements. Some of these accounting policies are considered to be critical accounting policies, which are those policies that are both most important to the portrayal of the Company’s financial condition and results of operations, and 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 condition or results of operations. These policies, current assumptions and estimates utilized, and the related disclosure of this process, are determined by management and routinely reviewed with the Audit Committee of the Board of Directors. We believe that the judgments, estimates and assumptions used in the preparation of the consolidated financial statements were 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. The following discussion details the critical accounting policies and the nature of the estimates made by management.

Determination of the ALLL. The ALLL represents management’s estimate of probable incurred credit losses in the loan portfolio at each balance sheet date. The allowance consists of general and specific components. The general component covers loans not classified as impaired and is based on historical loss experience, adjusted for current factors. Current factors considered include, but are not limited to, management’s oversight of the portfolio, including lending policies and procedures; nature, level and trend of the portfolio, including past due and nonperforming loans, loan concentrations, loan terms and other characteristics; current economic conditions and outlook; collateral values; and other items. The specific component of the ALLL relates to loans that are individually classified as impaired. Loans exceeding policy thresholds are regularly reviewed to identify impairment. A loan is impaired when, based on current information and events, it is probable that CFBank will be unable to collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired. Determining whether a loan is impaired and whether there is an impairment loss requires judgment and estimates, and the eventual outcomes may differ from estimates made by management. The determination of whether a loan is impaired includes: review of historical data; judgments regarding the ability of the borrower to meet the terms of the loan; an evaluation of the collateral securing the loan and estimation of its value, net of selling expenses, if applicable; various collection strategies; and other factors relevant to the loan or loans. Impairment is measured based on the fair value of collateral, less costs to sell, if the loan is collateral dependent, or alternatively, the present value of expected future cash flows discounted at the loan’s effective rate, if the loan is not collateral dependent. When the selected measure is less than the recorded investment in the loan, an impairment loss is recorded. As a result, determining the appropriate level for the ALLL involves not only evaluating the current financial situation of individual borrowers or groups of borrowers, but also current predictions about future events that could change before an actual loss is determined. Based on the variables involved and the fact that management must make judgments about outcomes that are inherently uncertain, the determination of the ALLL is considered to be a critical accounting policy. Additional information regarding this policy is included in the previous section titled “Financial Condition - Allowance for loan losses”, in Note 4 to the consolidated financial statements included in this Quarterly Report on

Form 10-Q and in Notes 1, 4 and 6 to our 2014 Audited Financial Statements.

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Valuation of the deferred tax asset. The Company maintained a valuation allowance against the net deferred tax assets at September 30, 2015, December 31, 2014 and December 31, 2013, based on its estimate of future reversal and utilization. When determining the amount of deferred tax assets that are more-likely-than-not to be realized, and therefore recorded as a benefit, the Company conducts a regular assessment of all available information. This information includes, but is not limited to, taxable income in prior periods, projected future income and projected future reversals of deferred tax items. Based on these criteria, the Company determined that it was necessary to maintain a full valuation allowance against the entire net deferred tax asset.

In 2012, a recapitalization program through the sale of $22.5 million in common stock improved the capital levels of CFBank and provided working capital for the Holding Company. The result of the change in stock ownership associated with the stock offering, within the guidelines of Section 382 of the Internal Revenue Code of 1986, was that the Company incurred an ownership change. At year-end 2014, the Company had net operating loss carryforwards of $26,732, which expire at various dates from 2024 to 2033, and had alternative minimum tax credit carryforwards of $75, which do not expire. As a result of the ownership change, the Company's ability to utilize carryforwards that arose before the stock offering closed is limited to $163 per year. Due to this limitation, management determined it is more likely than not that $20,520 of net operating loss carryforwards will expire unutilized. As required by accounting standards, the Company reduced the carrying value of deferred tax assets, and the corresponding valuation allowance, by the $6,977 tax effect of this lost realizability.

Federal income tax laws provided additional deductions, totaling $2,250, for thrift bad debt reserves established before 1988. Accounting standards do not require a deferred tax liability to be recorded on this amount, which otherwise would total $765 at year-end 2014. However, if CFBank were wholly or partially liquidated or otherwise ceases to be a bank, or if tax laws were to change, this amount would have to be recaptured and a tax liability recorded. Additionally, any distributions in excess of CFBank's current or accumulated earnings and profits would reduce amounts allocated to its bad debt reserve and create a tax liability for CFBank. The amount of additional taxable income created by such a 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 distribution that reduces the amount allocated to its bad debt reserve, then approximately one and one-half times the amount used would be includible in gross income for federal income tax purposes, assuming a 34% corporate income tax rate. CFBank does not intend to make distributions that would result in a recapture of any portion of its bad debt reserve.

At September 30, 2015 and December 31, 2014, the Company had no unrecognized tax benefits recorded. On a quarterly basis, the Company assesses the facts and circumstances to determine if the recognition of the deferred tax asset is appropriate. The Company is subject to U.S. federal income tax and is no longer subject to federal examination for years prior to 2011.

Fair value of financial instruments. Another critical accounting policy relates to the fair values of financial instruments, which are estimated using relevant market information and other assumptions. 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. Additional information is included in Note 5 to the consolidated financial statements included in this Quarterly Report on Form 10-Q and in Notes 1 and 6 to our 2014 Audited Financial Statements.

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Fair value of foreclosed assets. Another critical accounting policy relates to the fair values of foreclosed assets, which are estimated based on real estate appraisals which may use a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant, and changes in assumptions or market conditions could significantly affect the values. Additional information is included in Note 5 to the consolidated financial statements included in this Quarterly Report on Form 10-Q and in Notes 1, 5 and 6 to our 2014 Audited Financial Statements.

Liquidity and Capital Resources

In general terms, liquidity is a measurement of an enterprise's 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. Principal 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, the requirements of our own deposit and loan customers and regulatory considerations. Management believes that the Holding Company's and CFBank's liquidity is sufficient to meet its daily operating needs and fulfill its strategic planning.

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 and borrowings from the FRB and our commercial bank line of credit.

The following table summarizes CFBank's cash available from liquid assets and borrowing capacity at September 30, 2015 and December 31, 2014.

	September 30, 2015	December 31, 2014
	(Dollars in thousands)	
Cash, unpledged securities and deposits in other financial institutions	$ 22,384	$ 28,309
Additional borrowing capacity at the FHLB	18,038	8,578

Additional borrowing capacity at the FRB	29,196	28,585
Unused commercial bank line of credit	1,000	1,000
Total	$ 70,618	$ 66,472

Cash, unpledged securities and deposits in other financial institutions decreased $5.9 million, or 20.9%, to $22.4 million at September 30, 2015 compared $28.3 million at December 31, 2014. The decrease is primarily due to a decrease in cash which was used to fund loan growth.

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PART 1. Item 2

MANAGEMENT’S DISCUSSION AND ANALYSIS

CFBank’s additional borrowing capacity with the FHLB increased $9.5 million to $18.0 million at September 30, 2015, compared to $8.6 million at December 31, 2014. The increase in additional borrowing capacity is a result of additional collateral pledged due to the increase in loans. As of December 31, 2013, due to regulatory considerations, CFBank was only eligible for future advances with a maximum maturity of 365 days. On January 24, 2014, CFBank was notified by the FHLB that the restriction on the term of future advances had been lifted as a result of the CFBank Order being terminated effective January 23, 2014.

CFBank’s additional borrowing capacity at the FRB increased to $29.2 million at September 30, 2015 from $28.6 million at December 31, 2014. CFBank is eligible to participate in the FRB’s primary credit program, providing CFBank access to short-term funds at any time, for any reason, based on the collateral pledged.

CFBank’s borrowing capacity with both the FHLB and FRB may be negatively impacted by changes such as, but not limited to, further tightening of credit policies by the FHLB or FRB, deterioration in the credit performance of CFBank’s loan portfolio or CFBank’s financial performance, or a decrease in the balance of pledged collateral.

CFBank had a $1.0 million unused line of credit with one commercial bank at September 30, 2015 and December 31, 2014.

Deposits are obtained predominantly from the areas in which CFBank’s offices are located. 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 may affect our ability to attract and retain deposits. As a result of the CFBank Order, we were prohibited from offering above-market interest rates and were subject to market rates published by the FDIC when offering deposits to the general public. However, these limitations are no longer applicable to CFBank as a result of the termination of the CFBank Order in January of 2014.

As a result of the CFBank Order, we were prohibited from accepting or renewing brokered deposits without FDIC approval, although we had the ability to seek wholesale deposits that are not considered brokered deposits. At December 31, 2013, CFBank had $21.0 million in brokered deposits with maturity dates from January 2014 through August 2016. In addition, the prohibition on brokered deposits limited CFBank’s ability to participate in the CDARS program and impacted our liquidity management. Although CFBank customers participate in the CDARS program, CDARS deposits are considered brokered deposits by regulation. As a result of the termination of the CFBank Order effective January 23, 2014, the restrictions on brokered deposits were lifted and, therefore, we now have greater access to more diversified funding sources.

CFBank relies on competitive interest rates, customer service, and relationships with customers to retain deposits. To promote and stabilize liquidity in the banking and financial services sector, the FDIC, pursuant to the provisions of the Dodd-Frank Act as previously discussed, permanently increased deposit insurance coverage from $100,000 to $250,000 per depositor.

The Holding Company, as a savings and loan holding company, has more limited sources of liquidity than CFBank. In general, in addition to its existing liquid assets, sources of liquidity include funds raised in the securities markets through debt or equity offerings, dividends received from its subsidiaries or the sale of assets. Pursuant to commitments made in connection with the termination of the Holding Company Order, the Holding Company is not permitted to declare or pay dividends on its stock, purchase or redeem its stock, or accept dividends or other capital distributions from CFBank without the prior written approval of the FRB. In addition, the Holding Company may not incur, increase or guarantee any debt without the prior written consent of the FRB. The Holding Company is not restricted, however, from raising funds in the securities markets through equity offerings.

The Holding Company had adequate funds at September 30, 2015 to meet its current and anticipated operating needs at this time. The Holding Company's current cash requirements include operating expenses and interest on subordinated debentures. The Company may elect to pay dividends on its preferred stock and common stock, if and when declared by the Board of Directors, subject to obtaining prior written regulatory "non-objection" from the FRB and further subject, in the case of dividends on common stock, to the payment in full of the dividend on the Company's Series B Preferred Stock for the current dividend period.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Annual debt service on the subordinated debentures is currently approximately $170,000. The subordinated debentures have a variable rate of interest, reset quarterly, equal to the three-month LIBOR plus 2.85%. The total rate in effect was 3.13% at September 30, 2015. An increase in the three-month LIBOR would increase the debt service requirement of the subordinated debentures.

Banking regulations limit the amount of dividends that can be paid to the Holding Company by CFBank without prior regulatory approval. Generally, financial institutions may pay dividends without prior approval as long as the dividend does not exceed the total of the current calendar year-to-date earnings plus any earnings from the previous two years not already paid out in dividends, and as long as the financial institution remains well capitalized after the dividend payment. As of September 30, 2015, CFBank could not pay any dividends to the Holding Company without receiving the prior written approval of the OCC. Future dividend payments by CFBank to the Holding Company would be based on future earnings and subject to regulatory approval. However, the payment of dividends from CFBank to the Holding Company is not likely to be approved by the OCC until CFBank is able to generate consistent earnings.

The ability of the Holding Company to pay dividends on its common stock and Series B Preferred Stock is generally dependent upon the receipt of dividends and other distributions from CFBank. The Holding Company is a legal entity that is separate and distinct from CFBank, which has no obligation to make any dividends or other funds available for the payment of dividends by the Holding Company. The Holding Company also is subject to various legal and regulatory policies and requirements impacting the Holding Company's ability to pay dividends on its stock. Pursuant to the commitments made to the FRB in connection with the termination of the Holding Company Order, the Holding Company may not declare or pay dividends on its stock without the prior written non-objection of the FRB. In addition, the Holding Company's ability to pay dividends on its stock is conditioned upon the payment, on a current basis, of quarterly interest payments on the subordinated debentures underlying the Company's trust preferred securities, which also requires the written non-objection of the FRB. Finally, so long as the Company's Series B Preferred Stock remains outstanding, the Holding Company will be prohibited from paying dividends on (other than dividends payable solely for the then-current dividend period in shares) the Company's common stock, unless full dividends on the Series B Preferred Stock have been paid or set aside for payment.

CENTRAL FEDERAL CORPORATION

PART 1. Item 3

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Management believes there has been no material change in the Company’s market risk from the information contained in the Company’s Form 10-K filed with the Securities and Exchange Commission for the year ended December 31, 2014.

CENTRAL FEDERAL CORPORATION

PART 1. Item 4

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 Securities Exchange Act of 1934 (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. Management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our 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 our disclosure controls and procedures were effective as of and for the quarter ended September 30, 2015.

Changes in internal control over financial reporting. We made no changes in our internal controls over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) in the third quarter of 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

CENTRAL FEDERAL CORPORATION

PART II. Item 4

OTHER INFORMATION

Item 1. 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 banking business.

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

Item 1A. Risk Factors

There were no material changes to the risk factors as presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) None
(b) Not applicable.
(c) No repurchases of the Holding Company's common shares were made by or on behalf of the Holding Company or any "affiliated purchaser" as defined in Rule 10b-18(a)(3) under the Exchange Act during the third quarter of 2015.

Item 3. Defaults upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits.

See Exhibit Index at page 67 of this report on Form 10-Q.

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CENTRAL FEDERAL CORPORATION

SIGNATURES

Pursuant to the requirements 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

v

Dated: November 12, 2015 By: /s/ Timothy T O'Dell
Timothy T. O'Dell
Chief Executive Officer

Chief Financial Officer

Dated: November 12, 2015 By: /s/ John W. Helmsdoerfer
John W. Helmsdoerfer, CPA
Chief Financial Officer

CENTRAL FEDERAL CORPORATION

Exhibit Number	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 (File 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 (File No. 333-129315), filed with the Commission on October 28, 2005)
3.3	Amendment to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.4 to the registrant’s Form 10-Q for the quarter ended June 30, 2009, filed with the Commission on August 14, 2009 (File No. 0-25045))
3.4	Amendment to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.5 to the registrant’s Form 10-Q for the quarter ended September 30, 2011, filed with the Commission on November 10, 2011 (File No. 0-25045))
3.5	Amendment to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.5 to the registrant’s Post-Effective Amendment to the Registration Statement on Form S-1 (File No. 333-177434), filed with the Commission on May 4, 2012)
3.6	Certificate of Designations to Certificate of Incorporation of the registrant (incorporated by reference to Exhibit 3.1 to the registrant’s Current Report on Form 8-K dated May 7, 2014 and filed with the Commission on May 13, 2014. (File No. 0-25045))
3.7	Second Amended and Restated Bylaws of the registrant (incorporated by reference to Exhibit 3.3 to the registrant’s Form 10-K for the fiscal year ended December 31, 2007, filed with the Commission on March 27, 2008 (File No. 0-25045))
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 (File No. 333-64089), filed with the Commission on September 23, 1998)
4.2	Form of Certificate for the Series B Preferred Stock of Central Federal Corporation (incorporated by reference to Exhibit 4.1 to the registrant’s Current Report on Form 8-K dated May 7, 2014 and filed with the Commission on May 13, 2014 (File No. 0-25045))
4.3	Form of Warrant for the purchase of common stock of Central Federal Corporation (incorporated by reference to Exhibit 4.2 to the registrant’s Current Report on Form 8-K dated May 7, 2014 and filed with the Commission on May 13, 2014 (File No. 0-25045))
4.4	

Form of Registration Rights Agreement (incorporated by reference to Exhibit 4.3 to the registrant's Current Report on Form 8-K dated May 7, 2014 and filed with the Commission on May 13, 2014 (File No. 0-25045))

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CENTRAL FEDERAL CORPORATION

11.1 Statement Re: Computation of Per Share Earnings
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
101.1 Interactive Data File (XBRL)