

CFBank – Experiencing Strong Growth in the Commercial Banking Arena and Their Market Share in Columbus, Cleveland, Cincinnati, and Indianapolis



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CEOCFO: *Mr. O'Dell, we spoke about eighteen months ago, and at that point, you were looking at expansion, going more commercial, perhaps acquisitions and micro branches. How has this strategy worked out over the last 1.5 years for CFBank and what may have changed given all of the outside influences in play today around the world, let alone the banking world?*

Mr. O'Dell: CFBank has continued since our previous conversations to lean into commercial banking. We have been and continue to execute our plan and business strategy. We are predominantly a commercial bank model. We look like a regional bank; we have products and services that look like a regional bank and we have experienced people that come predominantly from regional banks that are helping us to execute the strategy.

We are a commercial bank and that is our core. That strategy has continued to gain traction and has been working very well. We have had strong growth in the commercial banking arena. We continue to invest in building our teams and looking to grow our market share in our four major metro markets which include Columbus, Cleveland, Cincinnati, and Indianapolis.

CEOCFO: *What is different about commercial banking? What have you seen compared to your more traditional community bank model, and what surprised you? What was more difficult about getting involved in commercial activity?*

Mr. O'Dell: We are very pleased with our successes and our growth in the commercial banking space. We compete directly against the regional banks and it is the regional banks that have pushed their limits up. It is banks like us that continue to do the bulk of the heavy lifting when it comes to real estate lending and working capital financing for small and mid-sized businesses. Our space has both broadened as well as gotten taller.

We have bigger space and bigger opportunities because of what is happening with the regional banks. From that standpoint, that part of it has said to us that it is a little easier than we thought. The way that we win is with our responsiveness, the talent of our senior bankers and that we provide the old-fashioned way access to decision-makers. There are not many, if any, significant customers in the bank that I don't have a relationship with and those things are the differentiators.

CEOCFO: *Is your reputation as a community bank being accessible and involved with your customers recognized by the new commercial customer, or is it something they are surprised that you can provide them?*

Mr. O'Dell: It is a little bit of both. Most of our business comes from referrals and existing customers. We do find from time to time that when we go out and meet with companies that they are very much surprised with who we are, and how we go about our business. There is an opportunity on our part to do a better job of telling our story and becoming more of a brand in our markets.

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CEOCFO: *How are the economics in the area that you are serving; what role has inflation played and how does that transfer into the commercial market?*

Mr. O'Dell: Because we are well-capitalized and have strong credit quality, we are continuing to lend to quality borrowers. Many of the banks, particularly regional banks are either not lending or lending selectively to only certain types of projects or industries. We have continued to lend and have always targeted high-quality borrowers. We do see this as an opportunity to continue to expand our business. We are adding quality new customers and we see this period as a new opportunity. That being said, we have made several adjustments to pricing and terms and to the requirement of having a meaningful deposit relationship.

Deposits have become a real premium. We have always focused on blending into situations where we could have a full banking relationship, so that is not new for us. However, it has clearly been a point of emphasis here recently because of what is happening with pressure on deposit costs created by inflation as you mentioned.

CEOCFO: *How do you assess where inflation and interest rates may be going?*

Mr. O'Dell: We try to be nimble. We try to price off of our incremental cost of funding. If we do that then over the interest rate cycle we feel that we will be in good shape. Interest rates have gone up, so borrowing costs are higher. That makes some projects not feasible these days because of the higher interest rates. The other risk of the higher interest rates in our industry is that the longer they stay elevated, the more stress it puts on borrowers, particularly small business borrowers. In many cases, their rates may have gone from four or five to eight or nine. If they are tied to prime or a floating rate of borrowing facility, then, their interest rates may have doubled in a relatively short period. The longer interest rates stay elevated, the more risk there is on the ability of small businesses to be able to pay.

CEOCFO: *CF Bank has a great reputation for bringing in the right people, for being careful whom you add to your team. Is there something different when bringing on commercial people? Are there different standards and things you might look at when assessing someone for the team in the new arena?*

Mr. O'Dell: The most important thing is whether are they going to fit with our fast-paced cultured and culture of teamwork. This is indeed a high-functioning team so they need to be able to jump in, hit the ground running and be able to fit in with the team. We need to have people we can trust and rely on. We are looking for to make sure that we can rely on them to look out for the best interest of the bank. We talk a lot about that here. We make decisions and everyone

is empowered at CF Bank. We are looking for the consistency of making good decisions that reflect the best interest of the bank.

CEO CFO: *What, if anything, has changed in the types of companies or industries you bring into the fold?*

Mr. O'Dell: We always believed that there are not bad businesses, just bad operators. It is not the industry. We are not very selective in terms of whether we want to do this or we do not want to do that. We want to do business with well-run, well-established companies. That has always been our MO. In today's world, we are looking at hotels, although we have never done much of that, and there is also office space, which is challenging today. So those are areas we would not have much interest in today. It is more about the track record of the company and the leadership that is in place in these businesses.

CEO CFO: *Are micro branches and acquisitions in your strategy today?*

Mr. O'Dell: We have opened some micro branches and those have worked well for us. We are continuing to look at how we expand our footprint and gain market share in each of our metro markets. Acquisitions would need to be the right acquisitions. With today's environment, acquisitions would be very difficult. At the same time, we have been able to achieve 20 to 25% annualized organic growth for the past ten years.

Our organic growth is very strong, so an acquisition would have to be something special and be a strong strategic fit for us to consider. A lot of banks grow through acquisitions because they cannot generate strong organic growth. We have our teams that generate strong organic growth. On the acquisition side, to go pay a premium for new business that we are already capturing ourselves, would have to be something unique.

CEO CFO: *Would you tell us about giving back to the community; where you focus and why is it important for you and CF Bank?*

Mr. O'Dell: We have always been big believers in giving back to our respective communities. We have stepped up and contributed significantly to our community in several ways. We work with Archie Griffith and his foundation. We also work with several organizations and make significant investments in low and moderate housing. We have always believed that the stronger the community, the stronger our bank. Throughout my career that has always proven to be true.

CEO CFO: *Are the geographic areas you focus on fairly similar?*

Mr. O'Dell: All of our markets are strong and growing. We have a quality team in all of our markets. As we look at Ohio, and specifically in the Columbus market with what is happening with Intel, and Honda building their battery plant, Columbus is the fastest-growing and strongest metropolitan area in the state of Ohio. We are fortunate we are headquartered here.

At the same time, we are gaining great traction with strong players and customers in the Cincinnati market as well as Cleveland. Cleveland has continued to be a very strong market for us. In Indianapolis, we are driving significant deposits. All of our markets are bringing something to the table here and they are all growing.

CEO CFO: *Is the investment community paying enough attention; do they recognize what you are doing and how well you are doing it?*

Mr. O'Dell: That continues to be a challenge. We are unique that we are a commercial bank. Our strength is that we continue to be able to have growth opportunities and new customers. Do we feel we are undervalued and under-recognized? Yes, we do. Part of the challenge for us is we are publicly traded yet we are closely held. When you look around our board table, we have over 40% ownership of the bank. We also have several customers who are also shareholders of our bank.

We do not trade a lot of shares. Our investors are buy and hold. Because we do not have a lot of churn of the shares, it helps the stock price. We have investors who are interested in taking a position in our stock. However, we do not have many shares available though. As much as I would like for them to acquire a meaningful position, there just are not enough shares for them to do that. That is a little bit of a challenge for us in terms of shareholders and our share price.

CEO CFO: *Did you expect to enjoy what you are doing as much as you do? Your enthusiasm comes through loud and clear!*

Mr. O'Dell: I love it. What we do helps businesses grow and what we do helps our communities grow and also helps our local economies. Those are things we take great pride in. Customers tell us that we are making a difference for them and we are making a difference in our community by financing the projects that we do. That and the relationships are the part of it that is most compelling, along with working with the team.

We enjoy competing for quality customers and we take a fair amount of satisfaction in being able to compete with larger regional banks and to win. That is the culture of our team. We do everything as a team here. We do not send individuals out here without us rolling up our sleeves and working with them. Our successes are team successes and that is fun.

CEOCFO: *What is the takeaway for our readers about CF Bank?*

Mr. O'Dell: The takeaway is that this is a unique franchise located in multiple metro markets. Most banks tend to be concentrated in one or two markets. We are in four or five, if you count Akron, metro markets because we are a business bank and that is where the business customers are. Business banking is the only business in the banking industry that is not a commodity business. It is truly driven by relationships. All the other businesses are essentially commoditized. Commercial banking and business banking continues to be the place where you can make a difference because of our ability to build and service and bring value to those business relationships.

