



transformation

2006

CITY FIRST BANK
ANNUAL REPORT



Since 1998, City First Bank has focused on providing banking services to neglected communities in Washington. We provide a full range of banking and financial services for local business owners, affordable housing developers, nonprofit community service organizations, churches and charter schools.

◆ We see the possibilities

A YEAR OF *transformation*

Greetings from the Chairman and President,

City First Bank continues to be a small and nimble institution that changes and conforms to meet the evolving needs of our customers. We are honored to have been at the helm in 2006, a year of transformation marked by fundamental growth in the capacity of the bank. We are both City First veterans – Desa in her second term as the Chairman of the Board, and Ed as a former member of the Board of Directors. In response to a written agreement with our regulator, the Office of the Comptroller of the Currency, we presided over a wholesale plan to re-build and strengthen the management, systems, operations and, most critically, the capacity of the bank. Consequently, we experienced some extraordinary costs at the expense of profits, and for the first time, a leveling of our loan portfolio.

In order to build the capacity of the bank, increase our loan volume, and improve efficiencies and service quality, a seasoned group of bankers was recruited to work with Ed to manage the bank as a team. We had considerable staff turnover, but the turnover presented an opportunity to re-train and re-orient our staff, and to bring in new staff members with deep industry experience. Operations have been re-organized and strengthened. We have built new systems and procedures to insure more consistency in credit underwriting and loan administration. We paved the way to introduce new products and services that will facilitate banking with us whether in person or remotely. Finally, along with all of the internal changes, we completed the move to our new headquarters and branch in a renovated historic building on the emerging U Street corridor. Our location on this bustling commercial corridor has energized our team and provided us better access to our customers and the community.



Chairman, Desa Sealy Ruffin and President and CEO, Ed Furash

While the transformation we experienced in 2006 was difficult, the changes have advanced the bank. Most of the regulatory issues have already been addressed and we are well on the way to clearing remaining matters. As a part of the process to gain momentum and build assets, we developed a three year capital and strategic plan under which we expect significant growth by 2009.

In the midst of these changes, City First remains committed to our charter mission – delivering superior customer service and providing customized financial solutions for underserved markets in Washington and the metropolitan area. We take this opportunity to thank our employees, investors, customers, partners and other stakeholders for your steadfast support of our mission. Please let us know if you have suggestions on how we can serve you more effectively.

Sincerely,

Desa Sealy Ruffin

Edward E. Furash

2006 *in review*

City First is a community development bank that combines a commitment to asset building in low income communities with the financing capability of a regulated commercial bank. We were established in 1998 with the specific purpose of ensuring adequate access to capital in underserved markets, primarily in Washington, but also in suburban communities.

2006 Highlights:

- recruitment of a talented executive management team with deep banking experience
- \$ 33.3 million in new community development loan originations booked for the year
- 18 housing acquisition or renovation loans accounting for 435 units of affordable housing
- \$71.8 million in loans and \$88.8 million in deposits outstanding at year end
- 66% of loans were to businesses or properties located in Washington
- 84% of loans were placed in low or moderate income census tracts
- an affiliate of City First won \$90 million in New Markets Tax Credit, NMTC, authority
- new capital of \$2 million was raised through an equity investment in the bank by the CDFI Fund
- NMTC investments of \$17.5 million were leveraged 1.67 times to attract total financing of \$29.4 million



TRANSFORMING COMPANIES *real estate finance*

Bo Menkiti is typical of the visionary real estate business owners who are City First customers. Bo, with a background in management consulting, had a vision – helping to revitalize what had been a vibrant commercial corridor in the Brookland neighborhood of NE Washington. His company focuses on strategic revitalization of real estate in emerging urban markets. Brookland had seen a decline in the commercial mix on 12th Street. As the housing market was rebounding, Bo saw the need to balance the community with the right mix of neighborhood commercial businesses to serve the consumer needs of existing and new residents. City First provided acquisition and construction financing on a mixed use property with retail on the street level and two residential units on the upper floors.





TRANSFORMING NONPROFIT ORGANIZATIONS

fort stevens 13th place

Nearly a quarter of City First customers are nonprofit organizations that are involved in the delivery of education, community services, or affordable housing. Transitional Housing Corporation, or THC, is one such customer. THC is a faith based nonprofit organization that provides housing and comprehensive services for homeless and otherwise at risk families. Its affiliate, THC Affordable Housing, Inc, THCAH, focuses on the development of affordable housing.

A deal we financed for THCAH, Fort Stevens 13th Place, is typical of the complex, multi-layered financing in which City First is an expert. City First made a \$3.9 million acquisition loan through the DC Department of Housing and Community Development's Site Acquisition Financing Initiative, or SAFI, which followed pre-development financing provided by the Washington Area Community Investment Fund, WACIF. The project involves the acquisition and renovation of a 32 unit apartment building in NW Washington to be operated as affordable transitional housing. The permanent financing is expected to include Low Income Housing Tax Credits, bond financing and support through the Housing Production Trust Fund.

City First is proud to be a partner in this effort to restore an apartment building to use as safe, sound and affordable housing for families in transition. Making small loans to finance the development of affordable housing is not an exception for City First, it is a part of our mission. In 2006 we made 18 such loans, which together accounted for the restoration of 435 units of affordable housing.





TRANSFORMING COMMUNITIES

new markets tax credit program

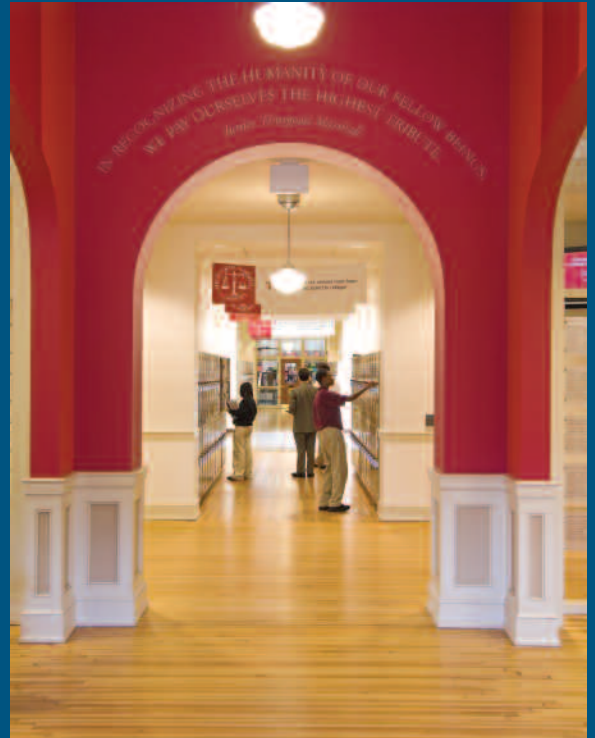
City First Bank is a national leader in the deployment of the New Markets Tax Credits, NMTC, as a tool to transform low income communities. NMTC provides a reduction in federal tax liability to investors willing to finance commercial development in low income communities. City First serves the role of amassing capital and managing structured funds to finance eligible projects. Our niche is community facilities that provide vital goods and services for children, families and senior citizens.

We have successfully brokered financing for 13 NMTC projects since we started the program in 2005, with the aggregate value of the capital at \$269 million. Among the projects financed in Washington are THEARC, Tivoli Theatre, and the Atlas Performing Arts Center.

Through our partnership with the Charter Schools Development Corporation or CSDC, a City First subsidiary is a minority partner in the investment of \$14 million in NMTC financing for the development and permanent financing of the Thurgood Marshall Academy Public Charter School, TMA. Located on Martin Luther King Jr. Avenue in SE Washington, TMA was founded in 2001 in the Anacostia community of Ward 8 as the first charter school focused on public interest law. The school has enjoyed tremendous success since inception – 100% college acceptance and above average standardized test scores for students.

In 2005, the school determined that it needed its own permanent facility to continue to fulfill its mission. The historic Nichols Avenue Elementary School was acquired and renovated using \$14 million in NMTC. The TMA campus includes 50,796 square feet for educational programs and classrooms, a gymnasium, four specialized laboratories, a moot court, a 10,000 volume library, a cafeteria and administrative offices to serve its 320 students, faculty and administrators.

The NMTC financing allowed the school to secure permanent 30 year financing at a below market interest rate with a portion of the debt converting to equity.



2006 *commercial loans*

City First Bank, with assets of \$110 million, is an industry leader in community development finance. As a small institution, we cannot serve every market sector. Instead, we focus on difficult loans for financially limited borrowers and deals that benefit economically challenged communities. Our market is:

- commercial real estate financing for small for profit and nonprofit developers of affordable housing including tenant sponsored conversions,
- providing lines of credit, term and revolving loans to help meet operational, equipment purchase and cash flow needs of small business owners, and
- financing facility acquisition, construction or renovation for churches, health care facilities, educational institutions and other for profit and nonprofit organizations.

In 2006, we had a significant impact on the availability of credit and other financial resources in underserved communities. City First:

- had aggregate new commercial loan production of \$33.3 million to small businesses and nonprofit organizations,
- financed businesses that created 44 new jobs and retained 99 existing jobs,
- made loans to affordable housing developers to preserve or construct 435 units of affordable housing,
- originated 10 loans for community facilities – churches, day care centers and charter schools – totaling \$4 million, and
- continued to focus on underserved markets; 67% of the loans originated were in Washington, DC and 84% were in low to moderate income census tracts.



lending

Top to bottom: Stephanie Meyer, Rena Harris, Milton Franklin, Jeff Stout, Godwin Agba, Minta Branham



TRANSFORMING NEIGHBORHOODS

affordable housing

Chris Van Arsdale is a new City First customer. Over the years, he has developed affordable housing for sale and rental to low to moderate income families in many parts of Washington and some suburban neighborhoods. Chris is typical of the housing developers financed by City First—they are committed to providing affordable and safe housing by renovating existing properties that have been neglected by previous owners. Since housing helps to drive demand for commercial and retail development, affordable housing developers play an essential role in revitalizing and transforming neighborhoods.



MEET CITY FIRST

executive management



L—R: Marie Bibbs, Ed Furash, Kimberly Levine and Bill Lindlaw

The City First executive management team brings a wealth of banking experience to the institution. Pictured is the team responsible for day to day operations at City First Bank of DC. Normally, we would not use the annual report as a forum to spotlight the talents of our team, but because this group has transformed the bank over the past year, we thought you, as our stakeholders, might want to learn more about your dynamic leadership team.

Edward E. Furash, President and Chief Executive Officer of City First Bank of DC, assumed the role in December 2005, having been a Director since 2003. He retired in 2003 as Chairman of Treasury Bank, N.A. Ed serves on various charitable, bank, financial service and technology company boards. His financial industry experience spans 50 years.

Marie M. Bibbs, Executive Vice President, Director, New Markets Tax Credit Program and Community Development Finance, joined City First Bank in September 2006 with 30 years of experience in the community development industry. Most recently she managed community development for NCB, FSB. Marie previously worked for 11 years at SunTrust Bank and later was a regional manager for the community development group at Wachovia Bank. She is on the Advisory Board of Washington DC Local Initiatives Support Corporation.

Kimberly J. Levine, Executive Vice President and Chief Financial Officer, joined the bank in early 2006. She has 30 years of banking and consulting experience. Most recently, she was a Principal Consultant with Watkins Consulting, Inc. Formerly, Kim served for ten years as Senior Vice President and Chief Financial Officer of The Adams National Bank/Abigail Adams National Bancorp, Inc. in Washington, D.C., as well as in other financial positions with local area banks. She is the Treasurer of the Levine School of Music.

William Lindlaw, Executive Vice President and Chief Lending Officer, joined City First Bank in March 2007. He is responsible for the management of all lending functions at City First Bank, including consumer, commercial and real estate lending. Prior to joining City First, Bill managed large commercial portfolios for Mercantile Potomac Bank, Capital Bank and Chevy Chase Bank. His experience also includes investment banking, capital market sales, cash management and trust products.

TEAM *members*



L—R: Marcella Mendoza and Khadija Adams

retail



L—R: Sean Mitchell, Lender; Jose Ygoa, Branch Manager, Rhonda Dixon, credit analyst

lending



L—R: Arnetta Parrish—Shaw, Carol Clarke, Mary Nabinett, Annette Fountain, Theresa Wilson, Brenda Ceasar, Elaine Rial

credit

SOCIALLY

responsible investments

City First is fully committed to its mission of building assets and wealth in low income communities. We are an effective catalyst for community change and play a key role in amassing and deploying capital in our target market. One of the most useful strategies we employ is to leverage deposits from socially conscious investors who value the “double bottom line”. Such investors want their deposits to bring a return, but also make a positive impact on our society overall.

Through our cash collateral program, investors can support loans to disadvantaged borrowers. Investors may choose from several deposit products that provide full FDIC insurance, including CDARS, which is insured up to \$30 million. These deposit relationships are very flexible and are tailored to meet the needs of investors. With these deposits, City First then makes loans on more generous terms to small businesses that, because of their own mission related work and/or lack of financial strength, need more patient capital and underwriting flexibility.

community relations



Clockwise: Justin Chen, Ann Scoffier, Ed Furash, Phyllis Henderson



PRODUCTS *and services*

City First Bank is a full service commercial bank. We make loans up to \$2 million and participate in even larger loans to commercial customers; primarily real estate investors, small business owners and nonprofit organizations. We operate a full service branch at 1432 U Street, NW in Washington. City First is also available 24/7 via computer and telephone. Visit us in person or the internet at www.cityfirstbank.com.

DEPOSIT ACCOUNTS

Checking

- Regular Checking
- Analyzed Checking
- Interest Checking
- First Deposit—coming soon
- IOLTA

Savings

- Money Market Accounts
- Certificates of Deposit
- CDARs

LOANS

- Lines of Credit
- Term Loans
- SBA Guaranteed Loans
- Commercial Real Estate Loans
- Consumer Loans

OTHER SERVICES

- Internet Banking
- Direct Deposit
- Money Orders
- Cashiers Checks
- Certified Checks
- Travelers Checks
- 24 Hour Telephone Banking
- ATM

finance



L—R: Mel Nathan, Swapan Chaudhuri, April Brown

operations



Clockwise: Neil Copeland, Monica Grant, Maria Glenn, Andre Brown, Tykia Bailey, Joe Turney

2006

Baptist Award

In honor of Debbi Hurd Baptist, our founding President and CEO, City First Bank created the Baptist Community Development Award. This award recognizes customers and community development practitioners who exemplify Debbi's innovation, energy and dedication.



Debbi Hurd Baptist
1949—2000



PREVIOUS BAPTIST AWARD WINNERS

2005

SOME, Inc.
EL Haynes Public Charter School
Atlantic Street Baptist Church

2004

Brightwood Manor Tenants Association
Booker T. Washington Public Charter School
for Technical Arts
Hemingway Memorial African Methodist
Episcopal Church
Andre's Brushless Car Wash
Career Technical Institute, Inc.

2003

Nextgen Construction and Renovation
Washington Math Science Technology Public
Charter High School
Floyd Myers, Marshall Heights Community
Development Organization

2002

Adrian Washington, Neighborhood Development
Corporation
North Capitol Neighborhood Development, Inc.
Washington Area Community Investment Fund, WACIF
One Economy and Columbia Heights/Shaw Family
Support Collaborative
Warren Brown, CakeLove

2001

Gregory Maison
Visions Cinema / Cafe / Lounge
Capital City Public Charter School
Hercules Pitts, HOP and Associates

2000

Bethel Christian Fellowship Church
Venus Peterson/SkilledCare, Inc.

2006 WINNERS

Latin American Youth Center and the Latin American YouthBuild Public Charter School

Founded in the late 1960s and incorporated as a nonprofit organization in 1974, the Latin American Youth Center serves multi-cultural youth with a comprehensive set of social services and educational, work skills, advocacy and residential programs. LAYC's YouthBuild program prepared students for their GEDs, teaching job-readiness skills, providing support services, and engaging youth in community service from 1995 to 2005, when the program transitioned to become a public charter school. During those eleven years, LAYC's YouthBuild program had a strong track record of success. In the final three years of operation, for example, 98 percent of YouthBuild graduates either secured employment or went on to college or further training.

The mission of the Latin American Youth Center's YouthBuild Public Charter School (YouthBuild PCS) is to transform the lives of high school dropouts in the District of Columbia through an educational curriculum that combines academics with vocational training, employability skill-building, and community service to prepare students for college or the workplace while they work to create housing for the city's low-income residents. YouthBuild PCS targets hard to reach youth, i.e., those who have dropped out, aged out or been expelled from public schools.

Desa Sealy Ruffin

Desa has been involved in the community development industry for almost 20 years. With an undergraduate degree from Brown University and masters in real estate development from Columbia University, she began her career as the project manager for the Nehemiah development at the Development Corporation of Columbia Heights under the tutelage of Robert Moore. She then served as Senior Vice President for William C. Smith Company where she led the development of the highly successful Townhomes of Oxon Creek in Southeast Washington, DC. The project is a 210 unit affordable townhouse development where she directed the land acquisition, pre-development, project financing, marketing and sales.

In 2003 Desa launched her real estate firm Gotham Development, specializing in innovative developments with high community revitalization impact. Gotham, as managing member of the development team, AB Gotham Banks, acquired and recently converted a formerly city owned historic school house into 24 condominiums in the Fells Point community in Baltimore. The City of Baltimore recently selected Gotham, as a member of a development team, to redevelop a historic, gothic style brew house and bottling plant in East Baltimore. In September 2006, Gotham, as a member of the Hoffman-Struever Waterfront Development team, was selected to redevelop the 44-acre Southwest Waterfront.

Desa has significant expertise in historic renovation and has served for 10 years as a mayoral appointee to the District of Columbia Historic Preservation Review Board. She is a founder of City First and is serving her second term as Chairman of the Board.



2006
financials



CFBANC CORPORATION & SUBSIDIARIES

COMPARATIVE CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND OTHER KEY DATA

INCOME STATEMENT DATA

Years ended December 31,
2006 **2005**
 (\$ in thousands, except per share data)

Interest income	\$ 7,909	\$ 7,312
Interest expense	2,826	2,118
Net interest income	5,083	5,194
Provision for credit losses	735	540
Net interest income after provision for credit losses	4,348	4,654
Noninterest income	1,504	1,070
Noninterest expense	6,443	4,752
Income (loss) before income taxes	(591)	972
Income taxes benefit (expense)	226	(331)
Net income (loss)	\$ (365)	\$ 641

COMMON SHARE DATA:

Net income	\$ (0.22)	\$ 0.40
Book value at end of period	9.54	9.67
Common stock outstanding at end of period	1,796,113	1,596,113
Weighted average Common shares outstanding during period	1,636,662	1,596,113

BANK PERFORMANCE DATA:

Return on average total assets	-0.31%	0.56%
Return on average total equity	-2.38%	4.20%
Net interest margin	4.55%	4.75%
Loans to deposits	84%	73%

BANK CAPITAL RATIOS AT YEAR-END:

Tier 1 risk-based capital	17.14%	16.50%
Total risk-based capital	18.39%	17.77%
Tier 1 leverage	13.25%	11.82%



CFBANC CORPORATION & SUBSIDIARIES

COMPARATIVE CONSOLIDATED BALANCE SHEETS

BALANCE SHEET DATA

Years ended December 31,

2006

2005

(\$ in thousands)

Assets:

Cash & due from banks	\$	3,834	\$	14,183
Short-term Investments		7,646		10,921
Investment Securities		22,608		25,120
Loans, net		68,659		68,693
Other Assets		9,035		8,008
Total Assets	\$	111,781	\$	126,925

Liabilities:

Deposits:

Non-interest bearing demand NOW	\$	16,100	\$	15,109
Money Market & Savings		6,670		6,530
Time, \$100,000 or more		18,424		24,231
Other time		13,927		16,026
Total Deposits		29,671		36,023
Borrowings		84,792		97,919
Other Liabilities		8,406		12,016
Total Liabilities		1,450		1,562
Stockholder's Equity		94,648		111,497
Total Liabilities & Stockholder's Equity	\$	111,781	\$	126,925

LOAN PORTFOLIO COMPOSITION

December 31,

2006

2005

(\$ in thousands)

Commercial business	\$	27,551	\$	12,454
Real Estate:				
Commercial mortgage		31,063		43,050
Construction and land development		14,900		16,041
Installment loans to individuals		112		120
Total loans		71,846		71,665
Less: net deferred loan fees		(431)		(435)
Less: Allowance for credit losses		71,415		71,230
Loans, net		(2,756)		(2,537)
	\$	68,659	\$	68,693

BOARD OF *Directors*



Cantwell Muckenfuss; Desa Sealy Ruffin, Chairman of the Board; Ed Furash, President and CEO; David McGrady, Vice Chairman

Desa Sealy Ruffin, Chairman of the Board, President, Gotham Development
Edward F. Furash, President and CEO, City First Bank of DC
David McGrady, Vice Chairman of the Board, Consultant
John M. Hamilton, President, City First Enterprises, Inc.
Joseph F. Horning, Jr., President, Horning Brothers
Nicole Mandeville, Senior Vice President Finance and Treasurer, The Freedom Forum
Cantwell F. Muckenfuss, III, Partner, Gibson, Dunn & Crutcher, LLP
Robert Peck, Senior Vice President, The Staubach Company
Marshall E. Purnell, Principal, Devroux & Purnell
Carmen Ramos-Watson, President and CEO, QMRI, Inc
W. Christopher Smith, Chairman and CEO, William C. Smith & Company
Leonade D. Jones*, Director, American Funds Mutual Funds
Thomas F. Kelley*, Consultant
Anthony A. Lewis*, President, Verizon Washington, DC
Hassan Minor, Jr. *, Senior Vice President, Howard University

Advisory Board

William L. Robertson, Consultant
Andrew Tomback, Partner, Milbank Tweed Hadley

* Subject to OCC approval

INVESTORS:

shareholders & depositors

SHAREHOLDERS

Amerquest Capital Corporation
Bank of America
Calvert Social Investment Fund Balanced Portfolio
Capital One, FSB
CDFI Fund
CitiCorp
City First Enterprises
Community Foundation of the National Capital Region
Cooperative Assistance Fund
Fannie Mae

Ferris Baker Watts
Georgetown University
J.P. Morgan Chase CDC
M & T Bank
National Community Investment Fund
SunTrust Community Development Corporation
SunTrust Bank, NA
Treasury Bank, NA
Wachovia Bank
Wachovia Affordable Housing CDC

MAJOR DEPOSITORS

Capital City Public Charter School
Centronia
Charter School Development Corporation
Community Foundation of the National Capital Region
Cooperative Assistance Fund
Cornerstone, Inc.
East River Park/Marshall Heights CDC
Enterprise Community Partners
Government of the District of Columbia
HOK/Devroux & Purnell
Horning Brothers
House of Ruth
Leviticus 25/23 Fund
Meridian Public Charter School
Metropolitan Washington Airport Authority
National Cooperative Bank, FSB
Paul Junior High Public Charter School
Teaching for Change
Two Rivers Public Charter School
Thurgood Marshall Academy Public Charter School
Washington Area Community Investment Fund
Washington Latin Public Charter School
WC Smith and Company



Future customers—students from the E.L. Haynes Public Charter School



CITY FIRST BANK OF DC

Our mission is to strengthen and promote investment in underserved communities in Washington, DC by providing credit, banking services and access to financial education for individuals, organizations and businesses.

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Photography by Marvin T Jones & Associates

