

2009



MANAGEMENT LETTER



CITY FIRST BANK OF DC

We see the possibilities

TO OUR CITY FIRST FAMILY:

2009 was a great year for City First Bank. We celebrated our 10th Anniversary, met President Barack Obama and reported net income of \$1.3 million as of December 31, 2009. We owe a huge part of our success to our customers who – even in the face of daunting economic challenges – have forged ahead with their plans to build more affordable housing, expand their businesses and increase the capacity of their community facilities. Our customers, like George Jones of Bread for the City; Bryan Irving with Blue Sky Development; and Jeffrey Knight, President of KVA Electrical Contractors, demonstrate the very best of the entrepreneurial spirit and commitment to the community that help low income neighborhoods reach their full potential.

Also contributing to our success are strong and effective alliances with depositors and socially responsible investors, strategic public and private sector partners, and our fully committed staff and Board of Directors. As we look forward to 2011 and improvements in the economy, we hope to leverage our resources even more effectively to serve our communities. Thank you for your contributions to our success.

Sincerely,

Dorothy J. Bridges
President and CEO

Chuck Muckenfuss
Chairman, Board of Directors



WE ARE THRILLED TO SHARE SOME OF THE HIGHLIGHTS WITH YOU:

- City First originated \$25.5 million in loans, which contributed to loan assets totaling \$106 million. Our loans, 100% of which were in low or moderate income communities and benefited low wealth families and individuals, resulted in financing that produced 245 units of affordable housing, the creation or retention of 54 jobs, and the expansion of charter schools to accommodate 350 children.
- We closed a record 5 New Markets Tax Credit transactions totaling \$54 million in new loans to customers located in low income communities that were considered highly distressed. Among the deals we financed was the renovation and expansion of the Bread for the City clinic and facility in Shaw, and the construction of new homes for six Habitat for Humanity affiliates in the region, including DC Habitat.
- The bank applied for and was successful in winning a \$1 million award from the CDFI Fund to increase our lending to small businesses.
- Through our partnerships with local CDFIs, the bank originated four loans totaling \$6 million. The loans were at concessionary terms and pricing to allow the CDFIs to make micro loans to small businesses and not for profit borrowers.

HIGHLIGHTS

THE BANK APPLIED FOR AND
WAS SUCCESSFUL IN WINNING
A \$1 MILLION AWARD FROM THE
CDFI FUND TO INCREASE OUR
LENDING TO SMALL BUSINESSES.

WE OWE OUR SUCCESS
TO OUR CUSTOMERS
WHO HAVE FORGED
AHEAD WITH THEIR
PLANS TO BUILD MORE
AFFORDABLE HOUSING,
EXPAND THEIR
BUSINESSES AND
INCREASE THE
CAPACITY OF THEIR
COMMUNITY FACILITIES.



2009

CITY FIRST NMTC FINANCING

- HELPED TO CREATE 2,610 JOBS
- BUILT 1.7 MILLION SQUARE FEET OF COMMERCIAL SPACE
- DEVELOPED 274 UNITS OF AFFORDABLE HOUSING



New Markets Tax Credit (NMTC) is a critical tool for City First in meeting its mission to help build and sustain healthy low income communities. The NMTC program was created by Congress in 2000 to stimulate economic development in low wealth and economically challenged neighborhoods across the country. Our NMTC product allows City First to finance large scale commercial projects that, because of their size, have the potential to transform their community by encouraging investment and providing vital community goods and services.

NEW MARKETS TAX CREDIT

City First has become a leader in the NMTC industry and now has over \$174 million in assets under management. Our NMTC authority allows us to finance large scale commercial projects in a five state area – Washington DC, Maryland, Virginia, Pennsylvania and Delaware. Most of our deals are in Washington, including THEARC, Atlas Performing Arts Center, Tivoli Square, E.L. Haynes Public Charter School and the Bread for the City facility. Through our NMTC loans, we have helped to create 2,610 jobs, build 1.7 million square feet of commercial space and develop 274 units of affordable housing in low income communities. 2009 was a great year on the NMTC front – we closed a record five transactions totaling \$54 million in financing including the largest loan to date - \$22 million to support six Habitat for Humanity affiliates in the Mid Atlantic region, including Habitat of Washington, DC.



BREAD FOR THE CITY SERVES OVER 6,500 VERY LOW INCOME CLIENTS ANNUALLY THROUGH ITS NW AND SE CENTERS.

BREAD FOR THE CITY

Since 1976, Bread for the City has served homeless, indigent and impoverished families in Washington. Bread for the City serves more than 2,500 clients each month providing an array of supportive services including food, clothing, medical and dental care, legal services and case management. The main office is located in a small building, a former warehouse, on 7th Street in the Shaw community. The facility houses the food pantry, dental and medical laboratory and offices, offices for social workers and other service providers. With its large caseload and broad program offerings, the small building of 9,608 square feet was literally bursting at the seams, and Bread was forced to incur the expense of renting nearby space for its administrative staff.

In 2009, with a grant from the DC Primary Care Association and financing through the City First New Markets Tax Credit program, City First originated a loan of \$6.4 million using proceeds of the equity investment by U.S. Bancorp Community Development Corporation. In October, Bread for the City began construction on improvements to its 7th Street clinic. Once completed, the Bread for the City clinic will include an expanded facility totaling over 18,000 square feet including the construction of the new wing and the complete renovation of the existing space. The new facility will allow Bread for the City to serve an additional 2,000 clients per year, double its food storage and distribution capacity and offer a wider array of services for the homeless individuals it serves.



OUR 10TH ANNIVERSARY

In a reception attended by over 200 City First supporters, City First Bank celebrated its 10th Anniversary in October. CDFI Director Donna Gambrell and Martin J. Gruenberg, Vice Chairman of the Federal Deposit Insurance Corporation (FDIC) were the key speakers. The celebration gave us an opportunity to acknowledge our wide ranging City First family – including current, past and founding board members, our intrepid customers, public and private sector partners, socially responsible investors and depositors, the CDFI Fund and our amazing and talented staff. Two of our customers provided some of the refreshments, CakeLove and Pete’s Apizza! Both are amazing success stories, examples of the impact of small businesses in job creation and helping to build neighborhood economies.

In another highlight of the year, City First was honored by a tribute to its work by President Barack Obama. When the President announced a new initiative to support small businesses by providing affordable capital to community development financial institutions, he commended City First on its efforts to finance small businesses in underserved urban communities.

AN EXCITING YEAR FOR CITY FIRST BANK, WE CELEBRATED OUR 10TH ANNIVERSARY AND PRESIDENT BARACK OBAMA MENTIONED CITY FIRST, BY NAME, IN HIS SPEECH ON SMALL BUSINESS INITIATIVES.





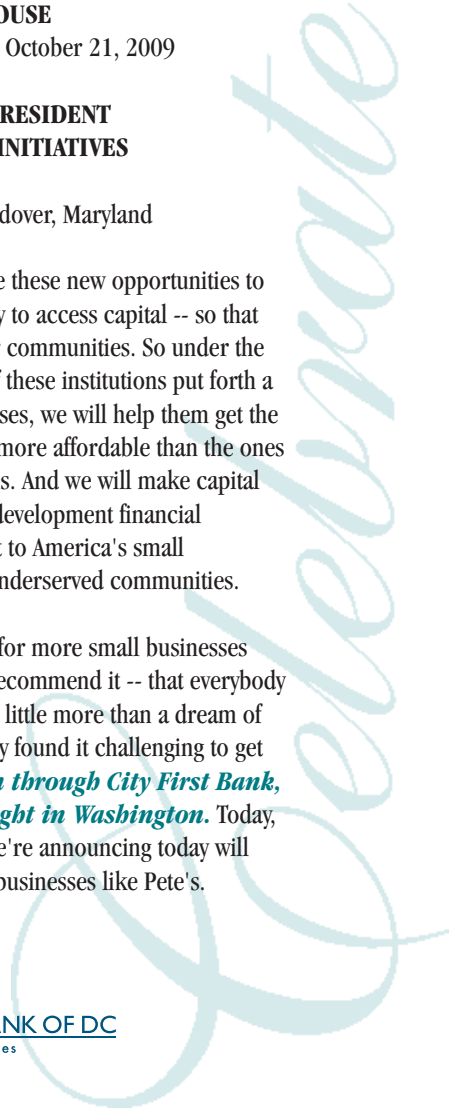
THE WHITE HOUSE
Office of the Press Secretary | October 21, 2009

**REMARKS BY THE PRESIDENT
ON SMALL BUSINESS INITIATIVES**

Metropolitan Archives: Landover, Maryland

...And that's why we must do more to give these new opportunities to smaller banks so that they have the ability to access capital -- so that they can lend to small businesses in their communities. So under the new steps that we're announcing today, if these institutions put forth a plan to increase lending to small businesses, we will help them get the credit they need to do it at rates that are more affordable than the ones offered to our largest financial institutions. And we will make capital even more affordable to the community development financial institutions that focus on providing credit to America's small businesses in our hardest hit rural and underserved communities.

...And these steps will make a difference for more small businesses like Pete's APizza in Washington, D.C. I recommend it -- that everybody go out there. When the three owners had little more than a dream of opening up a casual pizza restaurant, they found it challenging to get financing. ***Ultimately they got a loan through City First Bank, a community development bank right in Washington.*** Today, business is booming. And the initiative we're announcing today will help more banks provide more loans to businesses like Pete's.





COMMERCIAL LENDING

City First, in spite of a very challenging economic environment, originated 28 commercial loans in 2009, for a total of \$25.5 million in new originations. Consistent with recent production trends, about half of the loans were to finance affordable housing, with the balance financing community facilities, small businesses and community development loan funds, or CDFIs. In 2009, our loans helped to finance 245 units of affordable and 33 units of market rate housing; 350 new student slots in DC public charter schools; and over 35,000 square feet of commercial space.

The value of the bold entrepreneur is well recognized, but never so much as in difficult economic times when we rely upon small businesses to fuel the growth of jobs and local economies. These entrepreneurs comprise a large portion of our customer base – visionary developers and small business owners who see opportunities in underserved communities and underutilized real estate. Sofonias Astatke, Jeffrey Knight and Bryan Irving are such bold business people.

EQUILIBRIUM REAL ESTATE

Sofonias Astatke is an experienced real estate developer and City First customer since 2001. Over the past 10 years he has established a portfolio of 139 units of rental real estate in DC and other cities. In 2009, we provided him with a line of credit of \$1.5 million to allow him to acquire and renovate properties, most in low income communities, for development as rental housing. He is targeting vacant and deteriorated properties, some lost in foreclosures, that have been blighting communities such as Trinidad in NE Washington. By renovating these properties and returning them to productive use, Mr. Astatke is helping to stabilize at risk neighborhoods.

**ENTREPRENEURS COMPRISE
A LARGE PORTION OF OUR
CUSTOMER BASE – VISIONARY
DEVELOPERS AND SMALL
BUSINESS OWNERS WHO
SEE OPPORTUNITIES IN
UNDERSERVED COMMUNITIES
AND UNDERUTILIZED
REAL ESTATE.**





BLUE SKYE DEVELOPMENT

Majority owner Bryan Irving and his partners, George Mavrikes and Scott Whittier, run an innovative real estate development company, Blue Skye Development. Based in DC, Blue Skye was established with the mission of expanding affordable housing opportunities to low and moderate income families, including workforce housing. Mr. Irving and his partners have a deep commitment to restoring disinvested urban communities. He is a fifth generation Washingtonian and a former public school teacher. The City First loan of \$1.8 million financed the acquisition and renovation of a deteriorated apartment building on Hayes Street in Ward 7.

The project is located at the site of a former public housing complex to be redeveloped as a mixed income, mixed use community. Blue Skye will combine City First financing with other DC government sources to convert the building into 26 units of quality, affordable family housing. Nine of the units will be set aside for families earning 30% or less of the area median income. It is hoped that some families displaced by the redevelopment will return to the community, a move that will be possible because of the project being developed by Blue Skye.



THE CITY FIRST LOAN OF \$1.8 MILLION FINANCED THE ACQUISITION AND RENOVATION OF A DETERIORATED APARTMENT BUILDING ON HAYES STREET IN WARD 7.

KVA ELECTRICAL

Jeffrey Knight is the second generation owner of KVA Electrical Contractors, a small minority owned, comprehensive electrical services company. KVA provides commercial and residential services to government and corporate clients. When KVA decided to acquire space in Washington, Mr. Knight faced a daunting challenge: finding a small commercial loan in an economic downturn. Many small companies note that their biggest challenge is finding debt to help support their operations, and small loans of less than \$500,000 are even more difficult – this is exactly the market niche City First was created to address. Although our 5 year term loan of \$122,000 was small, it provided the critical and hard to get financing to allow KVA to expand to Minnesota Avenue, N.E., where they transformed a blighted property into their business and administrative offices.



THIS YEAR, WE ORIGINATED 4 LOANS TO CDFIs, PROVIDING BELOW MARKET FINANCING WHICH ALLOWS THEM TO MAKE SMALL LOANS EFFICIENTLY AND IN A COST EFFECTIVE MANNER. IN TOTAL, CITY FIRST CDFI LOANS TOTALED \$6 MILLION IN 2009.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS (CDFIs)

As we undertake our mission to improve and provide capital in low wealth communities, we leverage our resources where possible with unconventional lenders or other community development financial institutions (CDFIs). This year, we originated 4 loans to such CDFIs, providing below market financing which allows them to make small loans efficiently and in a cost effective manner. In total, City First CDFI loans totaled \$6 million in 2009.

PARTNERS FOR THE COMMON GOOD

Partners for the Common Good or PCG was established in 1989 to support the development and empowerment of low income persons and communities. In 2000, it won certification as a Community Development Financial Institution, CDFI. PCG makes loans nationwide primarily for the production or preservation of affordable housing, nonprofit working capital and mission focused enterprise. PCG generally works with other lenders through loan participations to better leverage its resources.

The \$1.5 million loan originated by City First allowed PCG to invest in a number of projects that targeted low wealth communities. These are some typical deals: PCG made a loan of \$460,000 to People's Community Health Center in Baltimore, Maryland. People's started serving the Baltimore community in 1960, and has a patient roster of over 12,000. PCG made the loan to fund the renovation of the flagship health center facility. Another PCG loan to the 1106 Columbia Road Cooperative in NW Washington helped 20 low income families to become homeowners as the former tenants converted their building to a cooperative. PCG partnered with OpenDoor Housing to make a loan of \$1.17 million to the cooperative for pre-development.

A PARTNERS FOR THE COMMON GOOD LOAN OF \$1.7 MILLION
HELPED THE FAMILIES AT 1106 COLUMBIA ROAD
COOPERATIVE TO BECOME HOMEOWNERS.



THE BAPTIST AWARD

The Baptist Award was established in memory of our founding President and CEO, Debbi Hurd Baptist. Each year, City First honors partners who exemplify Debbi's commitment to improving the economic health of low and moderate income communities in Washington. This year, the Baptist Award celebrates the work of Bread for the City; Oramenta Newsome, Director, DC Local Initiatives Support Corporation; and Jobs for Homeless People.



Debbi Hurd Baptist
1949—2000

BREAD FOR THE CITY

Bread for the City, founded in 1976, is a comprehensive human service agency with a mission to provide free services, including food, clothing, medical care, legal and social services to low income Washington, DC residents in an atmosphere of dignity and respect. Each year, Bread for the City serves over 6,500 very low income clients through its NW and SE centers. The food pantry provides three-day supplies of groceries to needy families and individuals, serving an average of 4,985 households each month. The primary care medical clinic serves uninsured and underinsured low income children and adults through a medical staff including two full time physicians, a physician assistant, a family nurse practitioner, a clinic nurse, and over 50 volunteer physicians, nurses, nurse practitioners, residents, students and others. Medical services offered to clients at Bread for the City include adult general medicine, pediatrics, OB/GYN care and job physicals. The clinic provides examinations, medications, lab tests, and referrals at no charge. Bread has partnered with Unity Health Care, a nonprofit healthcare provider, to operate the medical clinic at the SE Center.

The social services department provides comprehensive case management to work with clients on an individual basis to address such issues as unemployment, substance abuse, a housing crisis, mental or physical health challenges, and applying for public benefits. Finally, the legal clinic represents clients in landlord-tenant disputes, claimants who have been denied Social Security disability benefits, advocates in fair hearings for other public benefits and represents clients in family law matters including child custody, civil protection orders, child support and divorce. Bread for the City also represents tenant associations and other individuals preserving low income housing.

JOBS FOR HOMELESS PEOPLE

Jobs for Homeless People, or JHP, Inc. is a long standing City First customer, having banked with us since 2004. By addressing the barriers that keep people unemployed (whether it be poor education, lack of work experience, behavioral or substance abuse issues, housing problems, etc) JHP has developed a very effective program that is vital to the health of the communities in which it works. JHP is typical of the mission driven, community based service organizations that constitute a key customer segment for City First. JHP, which has a staff of 32, provides an array of life skills and substance abuse counseling, employment assistance, job training, computer and internet access and training, education and financial literacy. It also provides housing placements and assistance, support services and emergency financial aid to families and individuals who are struggling to overcome homelessness.

JHP works directly in 5 homeless and/or domestic violence shelters in DC, Prince George's and Montgomery Counties and it operates two of its own shelters. JHP has helped over 9,000 homeless families and individuals since it was established in 1988. It has earned a tremendous success rate – nearly 60% of JHP's clients find and maintain employment, with an average wage of \$8-12 per hour. Last year JHP provided shelter for 180 people for a total of over 12,000 bed-nights, placed 230 people in jobs, and helped 240 homeless people move into permanent housing.

ORAMENTA NEWSOME, DIRECTOR, DC LOCAL INITIATIVES SUPPORT CORPORATION

For 27 years, Washington, DC LISC has been helping community based nonprofits create healthy and sustainable neighborhoods that are good places to live, work and do business. Part of the national LISC network of sites, DC LISC provides financing, funding and technical support to a diverse group of community based partners e.g. housing developers, childcare, healthcare, senior, youth and cultural service providers. Working with these nonprofit partners, LISC has been able to increase the availability of housing and bring educational services, goods, human services and jobs into neighborhoods of Washington, DC.

DC LISC is led by Executive Director Oramenta F. Newsome. She has been working in the community development industry for over 25 years. Before joining LISC she was a Program Director for the Enterprise Foundation, City Planner and Homeless Services Coordinator for the City of Fort Worth, Texas and Planner for Cobb County, Georgia. Oramenta was a Fannie Mae Fellow at The Kennedy School of Government Program for Senior Executives at Harvard University. She is a graduate of Leadership Washington and previously served on the District of Columbia's Comprehensive Housing Strategy Task Force.

Oramenta serves on the board of directors of the National Center for Healthy Housing, the Advisory Committee of the DC Fiscal Policy Institute, the Advisory Committee for United Way of the National Capital Area and the Advisory Committee of the DC Promise Neighborhood Initiative.

2008

Building Hope
Metropolitan Washington Bankers Group
Kelly Sweeney McShane

2007

The Cooperative Assistance Fund
Edward E. Furash
Sue Marshall

2006

Latin American Youth Center and the Latin American
YouthBuild Public Charter School
Desa Sealy Ruffin

2005

SOME, Inc.
E. L. 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.

2009 FINANCIALS

CF BANC CORPORATION & SUBSIDIARIES

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

	<u>Years ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
INCOME STATEMENT DATA:		
<i>(\$ in thousands, except per share data)</i>		
Interest income	\$ 7,214	\$ 8,436
Interest expense	1,328	2,802
Net interest income	5,886	5,634
Provision for credit losses	1,112	75
Net interest income after provision for credit losses	4,774	5,559
Noninterest income	3,831	1,694
Noninterest expense	6,814	6,787
Income (loss) before income taxes	1,791	466
Income taxes benefit (expense)	(455)	(141)
Net income (loss)	\$ 1,336	\$ 325
COMMON SHARE DATA:		
Net income	\$ 0.72	\$ 0.17
Book value	10.98	10.11
Common stock outstanding at end of period	1,863,713	1,896,113
Weighted average Common shares outstanding during period	1,867,277	1,896,113
BANK PERFORMANCE DATA:		
Return on average total assets	0.96%	0.23%
Return on average total equity	6.93%	1.73%
Net interest income as a % of average assets	4.23%	3.94%
Loans to deposits	83%	93%
BANK CAPITAL RATIOS:		
Tier 1 risk-based capital	16.96%	16.86%
Total risk-based capital	18.23%	18.13%
Tier 1 leverage	14.51%	12.84%



**IN 2009 CITY FIRST
ORIGINATED \$25.5 MILLION IN
LOANS, WHICH CONTRIBUTED
TO LOAN ASSETS TOTALING
\$106 MILLION.**

COMPARATIVE CONSOLIDATED BALANCE SHEETS

BALANCE SHEET DATA:

(\$ in thousands, except per share data)

Assets:

	Years ended December 31,	
	2009	2008
Cash & due from banks	\$ 1,597	\$ 1,535
Short-term Investments	21,977	11,908
Investment Securities	19,009	24,348
Loans, net	101,625	95,557
Other Assets	12,692	8,300
Total Assets	\$ 156,900	\$ 141,648

Liabilities:

Deposits:		
Non-interest bearing demand	\$ 13,751	\$ 10,430
NOW	20,681	6,802
Money Market & Savings	22,872	29,047
Time, \$100,000 or more	10,044	12,067
Other time	58,328	46,952
Total Deposits	125,676	105,298
Borrowings	7,986	15,424
Other Liabilities	2,774	1,765
Total Liabilities	136,436	122,487
Stockholder's Equity	20,464	19,161
Total Liabilities & Stockholder's Equity	\$ 156,900	\$ 141,648

Loan Portfolio Composition

	At December 31,	
	2009	2008
	(In thousands)	
Commercial business	\$ 24,176	\$ 24,065
Real Estate:		
Commercial mortgage	72,955	59,560
Construction and land development	7,926	15,127
Installment loans to individuals	11	13
Total Gross Loans	105,068	98,765
Less: net deferred loan fees	(474)	(471)
Total Loans, net of deferred fees	104,594	98,294
Less: Allowance for credit losses	(2,969)	(2,737)
Loans, net	\$ 101,625	\$ 95,557





MANAGEMENT

BOARD OF DIRECTORS

Cantwell (Chuck) F. Muckenfuss, III, Chairman of the Board, Partner, Gibson, Dunn & Crutcher, LLP

David McGrady, Vice Chairman of the Board, Consultant

Dorothy J. Bridges, President and CEO, City First Bank of DC

John M. Hamilton, President, City First Enterprises, Inc.

Joseph F. Horning, Jr., President, Horning Brothers

Leonade D. Jones, Director, American Funds Mutual Funds

Thomas F. Kelley, Manager Real Estate, SunTrust Bank

Nicole Mandeville, Senior Vice President Finance and Treasurer, The Freedom Forum

Kathy J. McKinless, CPA

Hassan Minor, Jr., Senior Vice President, Howard University

Ellen Seidman, Executive Vice President, Senior Fellow, ShoreBank

W. Christopher Smith, Chairman and CEO, W.C. Smith + Company

EXECUTIVE OFFICERS

Dorothy J. Bridges, President and CEO

Marie Mann Bibbs, Executive Vice President, Director, New Markets Tax Credit Program

Kimberly J. Levine, Executive Vice President, Chief Financial Officer, Chief Operating Officer

William F. Lindlaw, Executive Vice President, Chief Lending Officer

ADVISORY BOARD

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Carmen Ramos-Watson, President and CEO, QMRI, Inc

NMTC ADVISORY BOARD

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Lessie Powell Evans, Real Estate Development and Finance Consultant

Karen Kollias, Loan Fund Director, NCALL Research

Kevin McQueen, Partner, Brody Weiser and Burns

Henry Posko, President and CEO, Humanim

Michael Tierney, Executive Vice President and Chief Operating Officer, LISC



SHAREHOLDERS

Amerquest Capital Corporation

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

JPMorgan Chase Community Development Corporation

M&T Bank

National Community Investment Fund

PNC

SunTrust Bank, NA

SunTrust Community Development Corporation

Wells Fargo/Wachovia Affordable Housing Community Development Corporation

Wells Fargo/Wachovia Bank



CITY FIRST BANK OF DC

We see the possibilities

Photography by Harold J. Becton



For more information, visit
www.cityfirstbank.com

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