

A Catalyst for Positive Change

CITY FIRST BANK OF DC

2002 ANNUAL REPORT



New photo of Grigsby



CITY FIRST
BANK OF DC

A Bank for a Better Community

Our Mission

To promote investment in and strengthen under-served communities in Washington, D.C. by providing credit, financial services and access to information for individuals, organizations and businesses.

City First Bank of DC is the first and only community development bank in the region. A full-service commercial bank with a national bank charter, City First is FDIC-insured and recognized by the D.C. Office of Local Business Development as a local small business in an Enterprise Zone.

Our Vision

To be the premier financier of community development projects throughout the Washington, DC region – as lender, advisor, intermediary or facilitator.



A Message from the Chairman and the President

In 2003, City First completes its fifth anniversary as a recognized and respected player in the revitalization of Washington, D.C.'s communities. The vision of the bank's founders has laid the foundation for City First's emergence as "A Catalyst for Positive Change" – the theme of our Annual Report. In 2002, City First –

- loaned over \$31 million into under-served neighborhoods, almost 2 times more new lending than ever before;
- financed 254 units of affordable housing and created or retained 512 jobs;
- served 871 deposit accounts, many from customers with small balances who have never before had a bank account;
- earned approximately \$655,000, for a 1.2% return on average assets, a significant financial achievement for any bank.

Three new Directors joined the Board, expanding the organization's breadth of experience: Robert Peck, President of the Greater Washington Board of Trade; Marshall Purnell of Devroux & Purnell; and Carmen Ramos-Watson of Quality Management Resources, Inc.

Our second common stock offering neared its completion, with commitments for \$5.8 million in new stock purchases from (in chronological order) Cooperative Assistance Fund; Wachovia, Ameritrust Capital Corporation; Calvert Social Investment Fund; Ferris, Baker Watts; J.P. Morgan Chase; Fannie Mae; and Capital One. These private investments will match a major investment from the U.S. Treasury's CDFI Fund.

We are blessed with many continuing opportunities to contribute our expertise and financial strength to local neighborhoods. City First is one ingredient in the resurgence of DC's neighborhoods. Whether as lender, advisor, or financial resource – we will use our assets to help those who are catalyzing positive community change in Washington, D.C.

Desa Sealy Ruffin
Chairman

Clifton G. Kellogg
President & CEO

"I see a little bit of me in y'all." — Dean Smothers, speaking about his relationship with City First

Lending where it's needed most

Like its customers, **City First Bank** is agile, experienced and market-savvy. Because we know what works, we lend to customers with great ideas who often don't fit the conventional bank profile:

■ Renovators of small apartment buildings

– critical to neighborhood housing, but too small and varied to justify most banks' interest

■ Community organizations purchasing their facilities

– often essential to their future financial stability, and those of their communities, too

■ Small businesses seeking capital to grow

– always a risky venture for a bank, but so important for a vibrant community



Dean Smothers
Terry Satterfield
Michael Isley

4010 Livingston Road, SE
Washington, DC

Putting out fires, putting up affordable housing

Firefighters Dean, Terry and Michael spend their "on" days in the DC Fire Department putting out fires in neighborhoods where they grew up. On their "off" days, they renovate affordable housing — bringing buildings back to life for DC families. Each of these firefighters/renovators handles his own projects; in total, they've rehabbed 13 buildings with 92 affordable housing units in the Southeast and Northeast sections of town — 60 of these apartments were financed by loans from **City First**.

Housing renovation is a perfect fit for these firefighters and for **City First** — providing quality, affordable housing that appreciates over time. **City First** works as a small, flexible bank where many others won't. Which is why Dean Smothers and **City First** see the world the same way.



Louis Henderson
Executive Director

**The National Association
of Former Foster Care
Children of America, Inc.**

680 Rhode Island Avenue, NE
Washington, DC

Louis Henderson knows first-hand the importance of good housing to young adults without families. As a former foster child himself, Louis founded NAFFCCA in 1994 to provide transitional housing and employment training for former foster children between the ages of 18 and 21, who might otherwise live on the streets without family support.

In less than 10 years, NAFFCCA has expanded from a one-person staff based in an apartment, to a dynamic organization of 65 employees with housing located around the city and administrative and training offices on Rhode Island Avenue. *City First* financed NAFFCCA's purchase of 42 units of housing in seven buildings, significantly reducing their operating costs. *City First* also financed the purchase of the group's new headquarters at 5505 Fifth Street, NW.

City First Bank

"It's been a real win-win situation: our kids get better housing, and our organization is financially stronger. City First has made me a devoted customer." — Louis Henderson, NAFFCCA

Strengthening the fabric of our neighborhoods . . .

Churches, shelters, schools, day care centers, and specialized housing and counseling agencies — they strengthen and nourish our communities every day. These groups need high-quality offices, classrooms and sacred spaces, but because they don't buy and renovate properties every day, they often require additional real estate expertise. That's where *City First* know-how comes in.



Our team knows the ins and outs of real estate renovation, and we take the time to understand complex organizational finances. When it's time to make this kind of major purchase, many local groups rely on *City First* not only for financial services, but for strategic advice, too.

"City First has helped me turn my dream into reality. In fact, they've been with me from before the beginning." — Warren Brown, Cakelove

Banking on neighborhood entrepreneurs

City First sees the market through the eyes of our customers. In Washington's neighborhoods, what do consumers want that they can't find? Who has the right combination of inspired idea and street smarts?

Small business banking is both art and science. City First helps entrepreneurs understand what it takes to succeed financially. Our relationship doesn't end with a loan — it begins with one. We play the role of advisor, critic and cheerleader, so that every customer can reach his or her true potential.



Warren Errol Brown
President, WEB's Cakes, LLC

Cakelove
1506 U Street, NW
Washington, DC

Love Café
1501 U Street, NW
Washington, DC

Pursuing sweet success

After attending a prestigious law school and working as a federal government lawyer, Warren Brown decided to change course and pursue his true passion: baking fabulous cakes from scratch.

Warren first met City First's Chief Lending Officer Kim Saunders as a business instructor in the Development Corporation of Columbia Heights' Fast Track Training Program. As he worked to understand the baking business and fine-tune his business plan, Warren turned to City First for other key ingredients, including expert advice on financing and the SBA – guaranteed loan process.

Cakelove opened in March 2002 to rave reviews – on television, in magazines and in daily papers. Warren hasn't looked back since. In fact, City First recently helped him secure a second SBA loan for his new dream, the Love Café, opening across the street in early 2004.



The Difference Is Our People

When it comes to borrowing from banks, "Everyone's money is green." So how does a bank like *City First* distinguish itself from much larger financial institutions?

To thrive in a competitive banking environment, *City First's* secret is simple: our team of highly effective, experienced staff. In fact, we pride ourselves on having a dedicated, skillful and market savvy staff, who are always accessible to our customers. *City First* will always be based in the community, where you'll have a personal relationship with our staff – never to be swallowed up in a bank merger. And needless to say, our money is green, too.



Senior Management

Clifton G. Kellogg, *President & CEO*
Kim Saunders, *Executive Vice President & Chief Lending Officer*
Sam Srinagesh, *Chief Financial Officer*
Ann Wallace Scoffier, *Vice President, Business Development*
Thomas A. Nida, *Senior Vice President*
Milton Franklin, Jr., *Senior Vice President*

Loan Department

Thomas A. Nida, *Senior Vice President*
Milton Franklin, Jr., *Senior Vice President*
Douglas F. Dillon, *Vice President*
Godwin E. Agba, *Vice President* (picture not shown)
Christie Washington, *Assistant Vice President*
Brenda M. Walls-Booth, *Assistant Vice President*
Arnetta Parrish-Shaw, *Executive Assistant/Credit Files Manager* (picture not shown)

Finance & Operations Department

Sam Srinagesh, *Chief Financial Officer*
Swapan K. Chaudhuri, *Controller*
Jeannette Greenhill Mensah, *Operations Officer*
Edra Dove, *Operations Specialist*
Brenda Walls-Booth, *Assistant Vice President*
Veronica Fortune, *Executive Assistant*

Retail Branch

Maria R. Mojica, *Branch Manager*
Tanoa Akou, *Assistant Branch Manager*
Khadija Adams, *Head Teller*
Vance Warren, *Customer Associate*
Salma Haddad, *Customer Associate*



City First Bank

City First Depositors See a Double Bottom Line

At *City First*, we offer depositors FDIC-insured accounts at competitive market rates. But just as importantly, we offer the added satisfaction of knowing that while your deposits are earning interest, they're also working hard to improve the community.

- \$50,000 can fund an equipment loan for a small business in Columbia Heights;
- \$100,000 can fund housing renovation in Anacostia;
- \$250,000 can fund the acquisition and renovation of a new community church in Brentwood Park; and
- \$500,000 can fund a line of credit for a nonprofit organization revitalizing housing along North Capitol Street.

CITY FIRST PLATINUM DEPOSITORS (Organizations that have deposited \$500,000 or more)

Annie E. Casey Foundation
Arts and Technology Academy Public Charter School
Capital City Public Charter School
Charter School Development Corporation
Community Partnership for the Prevention of Homelessness
Cornerstone, Inc.
D.C. Chamber of Commerce
D.C. Department of Housing and Community Development
D.C. Sports & Entertainment Commission
The Enterprise Foundation
Freddie Mac
Horning Brothers

House of Ruth
Howard University
Industrial Bank
Meridian Public Charter School
National Congress for Community Economic Development
New School for Enterprise & Development Public Charter School
Paul Junior High Public Charter School
Petromore, Inc.
Teaching for Change
Thurgood Marshall Academy
Washington Area Community Investment Fund
William C. Smith Co.

“The digital divide didn’t happen overnight, and solving it won’t be easy. But City First is helping us to make real progress through an innovative partnership.” — Ben Hecht, One Economy, Inc.

D.C. Capital — Deposits that work

Some **City First** depositors explicitly direct us to use their funds to leverage loans to certain target customers, such as:

- computer loans for lower-income families;
- under-collateralized small business loans; or
- loans for disabled customers.

These depositors pledge some of their deposit to make these loans possible by sharing the financial exposure with **City First**.

For example, the Cooperative Assistance Fund (CAF) maintains a large deposit to support loans for businesses and organizations that provide economic opportunity in the District of Columbia. Judicious use of this deposit allows **City First** to lend to some up-and-coming customers who are short on collateral. In the process, CAF and **City First** have helped launch several successful entrepreneurs in business and real estate renovation projects.

This innovative arrangement generates tremendous impact. CAF’s money is leveraged from three to ten times its value with the addition of **City First** capital. At the same time, the arrangement allows **City First** to take greater initiative to spur economic development.



**One Economy, Inc. and
Columbia Heights/Shaw
Family Support Collaborative**

1012 14th Street, NW
Washington, DC



Bridging the divide

Many people talk about the “digital divide” between technology and non-English speakers and low-income families. The people behind One Economy bridge the gap by partnering with community groups such as Columbia Heights/Shaw Family Support Collaborative. **City First** helps them succeed by lending to families for low-cost computers and Internet training.

The families put up one-sixth of the \$500 purchase price, which One Economy matches dollar-for-dollar. **City First** then loans each family the balance, secured with a deposit from the Digital Access Fund. Now these families can access www.beehive.org, with information in their first language on health, jobs, money, education and family.

New photo of Grigsby

Leveraging financial strength on behalf of the community

Donna Grigsby
Executive Director

**Washington Area
Community Investment Fund**

3624 12th Street, NE
Washington, DC 20017

For nearly 15 years, WACIF has been a strong force for economic opportunity in the District, meeting the needs of a broad cross-section of the community. The organization has funded \$9.7 million to over 133 nonprofits, leveraging \$60.2 million in public and private resources, for such projects as:

- critical “gap” financing to create affordable housing for first-time homebuyers, seniors and mentally challenged individuals;
- transitional housing for the homeless;
- tenant group purchases of buildings; and
- community-based facilities that provide critical social services.

WACIF financing helped Deborah Payton afford her home, which WACIF had purchased and renovated.

As one of WACIF’s lead banks, City First provides loans, revolving credit lines and a full range of deposit services. In 2002, the City First credit line funded WACIF’s financing to a non-profit housing group.

City First Bank

“City First Bank has helped us with loans, credit lines, and other services that support our organization’s funding needs for the community.” — Donna Grigsby, WACIF

Facilitating change for good



Deborah Payton, homeowner, thanks to WACIF’s support

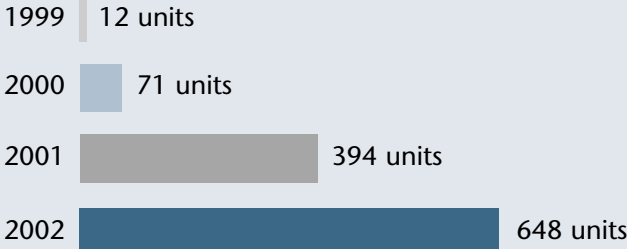
City First financing supports several other innovative lenders in Washington, D.C., too. These specialized organizations — such as Washington Area Community Investment Fund and Cornerstone, Inc. — access many sources of public and private funding to take on the most challenging development projects.

WACIF is a leader in financing affordable housing and community facilities (see photo). City First is a part of their financial management.

Cornerstone, Inc. specializes in financing housing for mental health consumers in the District of Columbia. Since first being funded by DC’s Department of Mental Health in 1994, Cornerstone has provided grants and low-cost loans for over 1,100 special-needs housing units throughout DC. City First provides a line of credit to supplement their existing grant funding sources, as well as cash management services.

Keeping Score

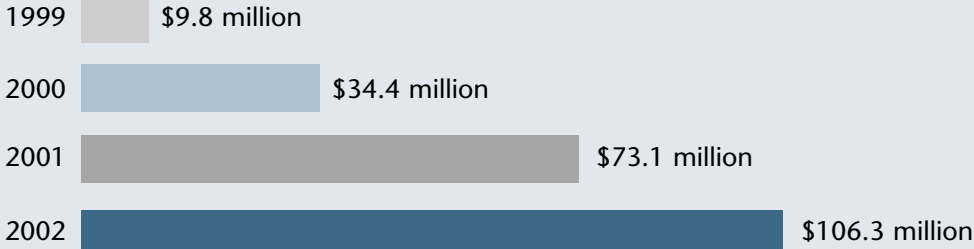
Affordable Housing Units Financed (cumulative)



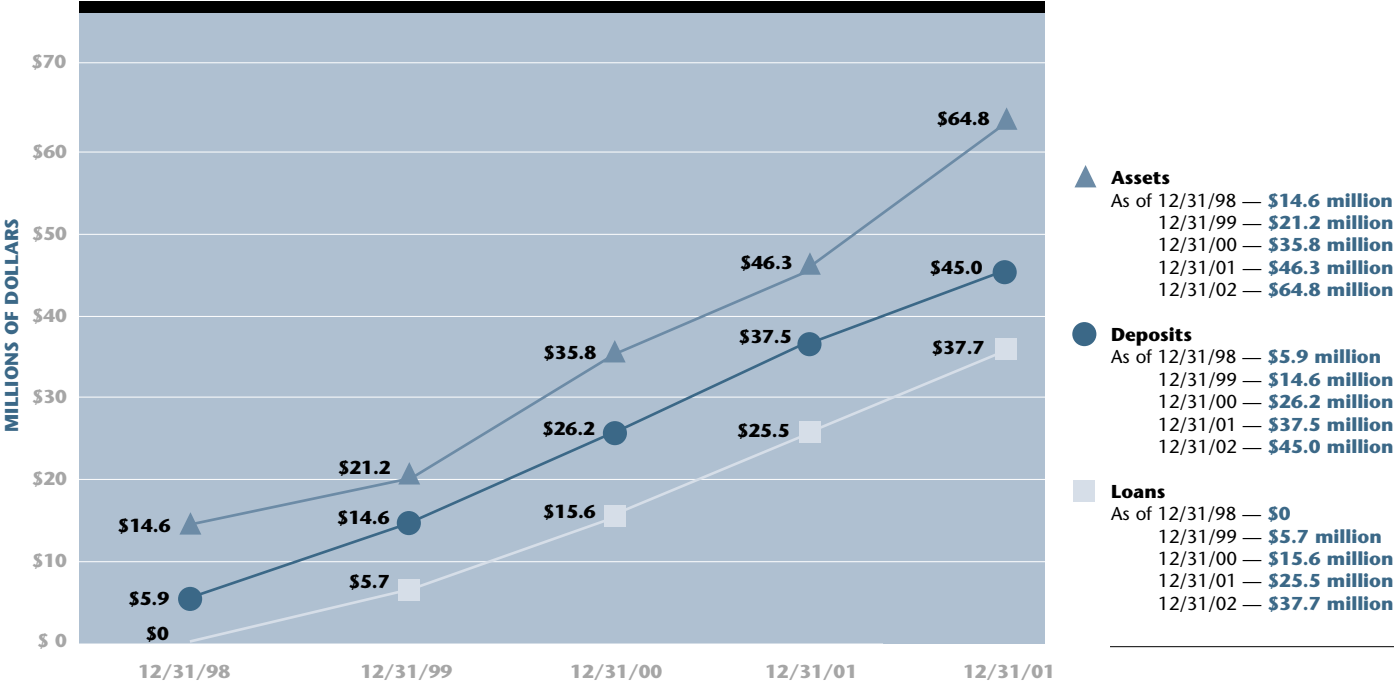
Jobs Created or Retained (cumulative)



Capital Investment Leverage (cumulative)



Financial Results



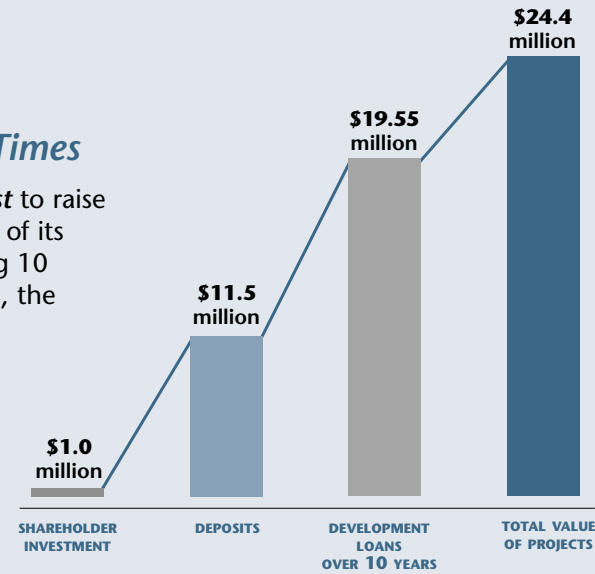
IN THE NEXT 5 YEARS, CITY FIRST PLANS TO:

- Lend more than \$100 million for affordable housing, nonprofit community organizations, and small business growth.
- Finance more than 1,000 additional units of affordable housing.
- Create or retain more than 1,000 additional jobs in Washington, DC.
- Provide low-cost basic banking services to more than 2,000 residents of Columbia Heights – for many, their first bank account.

Shareholder Leverage

Leveraging Shareholder Investment 24 Times

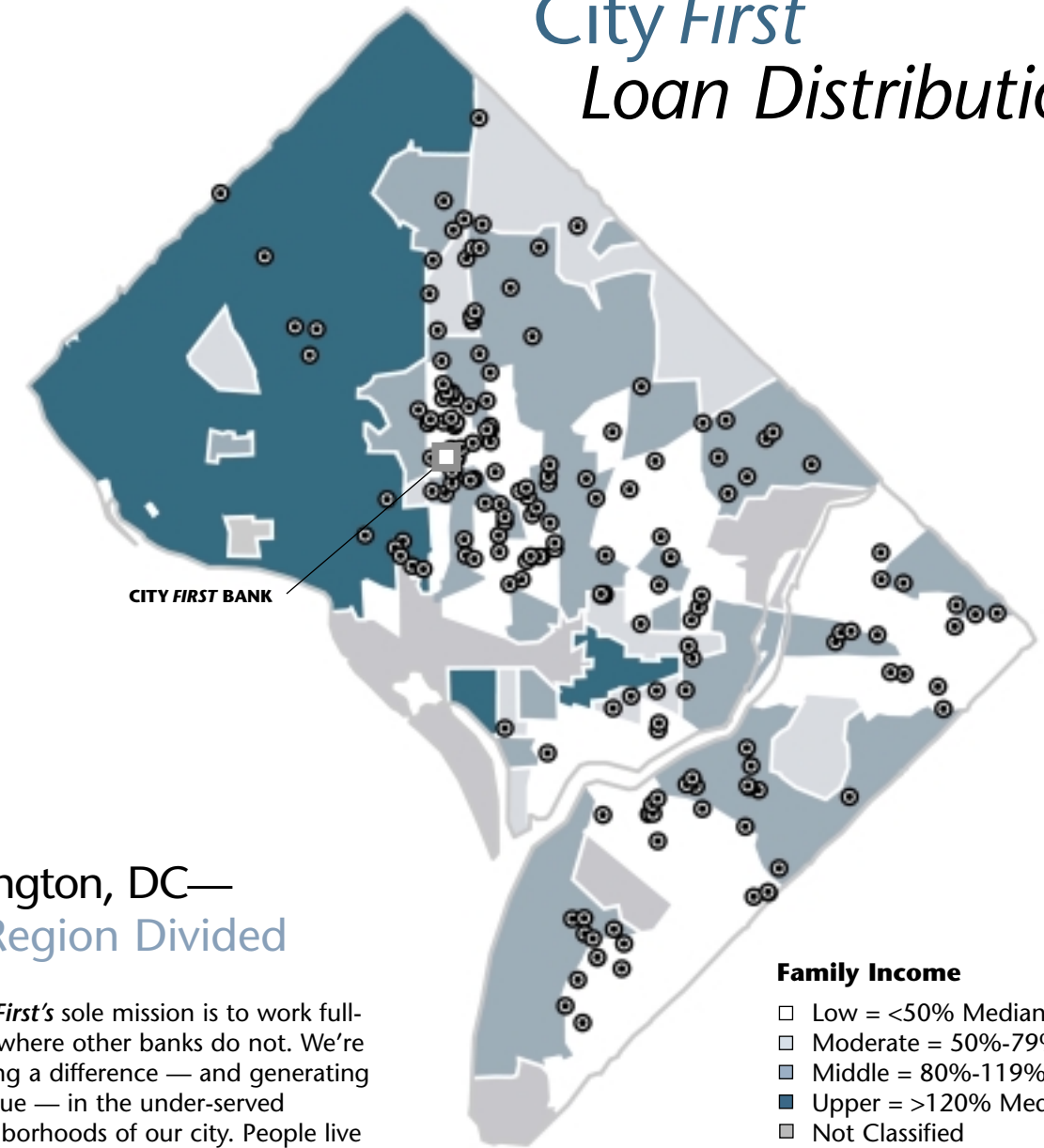
Each \$1 of shareholder investment allows *City First* to raise \$11.50 of deposits. Typically, *City First* lends 80% of its deposits and will circulate those loans twice during 10 years. When customers' downpayment is included, the total value of the projects is 24 times the original shareholder investment.



CORPORATE SHAREHOLDERS

- Allfirst Bank
- Amerquest Capital Corporation
- Bank of America Corporation
- Calvert Social Investment Fund Balance Portfolio
- CFBanc Holdings, Inc.
- Citicorp North America, Inc.
- Community Foundation for the National Capital Region
- Cooperative Assistance Fund, Inc.
- Fannie Mae
- Ferris, Baker Watts, Inc.
- First Union Corporation
- Georgetown University
- The National Community Investment Fund (NCIF)
- SunTrust Bank
- Wachovia Affordable Housing Community Development Corporation

City First Loan Distribution



Washington, DC— A Region Divided

City First's sole mission is to work full-time where other banks do not. We're making a difference — and generating revenue — in the under-served neighborhoods of our city. People live and work here, and *City First* works right along side them.

Family Income

- Low = <50% Median
- Moderate = 50%-79% Median
- Middle = 80%-119% Median
- Upper = >120% Median
- Not Classified
- City First Loan Customer

BOARD AND STAFF

Board of Directors

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Chairman, City First Bank of DC
President, Gotham Development

Edward E. Furash*
Consultant, Treasury Bank, N.A.

Janice B. Griffin
President, Griffin & Associates

John M. Hamilton
Chairman, Community First, Inc. and
Secretary, Indiana Family and Social Services
Administration

Joseph F. Horning, Jr.
President, Horning Brothers

Clifton G. Kellogg
President & CEO, City First Bank of DC

Nicholas R. Lambrow
President, Chesapeake Market, Allfirst Bank

Nicole F. Mandeville
Senior Vice President/Finance and Treasurer
The Freedom Forum

David J. McGrady
Consultant

Cantwell F. Muckenfuss, III
Partner, Gibson, Dunn & Crutcher, LLP

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President, Gemco

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President, Greater Washington Board of Trade

Marshall E. Purnell
President, Devroux & Purnell Architects, Inc.

Carmen Ramos-Watson
President & CEO, QMRI

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Chairman Emeritus

W. Christopher Smith*
Chairman & CEO, W.C. Smith Co.

Advisory Board

Lloyd D. Smith
Chairman Emeritus

William L. Robertson
Consultant

Andrew Tomback
Partner, Milbank, Tweed, Hadley & McCloy

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President & CEO

Kim Saunders
EVP Chief Lending Officer

Sam Srinagesh
Chief Financial Officer

Ann Wallace Scoffier
Vice President, Business Development

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Senior Vice President

Milton Franklin, Jr.
Senior Vice President

Douglas F. Dillon
Vice President

Godwin E. Agba
Vice President

Swapan K. Chaudhuri
Controller

Maria R. Mojica
Branch Manager

**Expected June 2003*



**CITY FIRST
BANK OF DC**
Member FDIC