2021 was another eventful and successful year for IBW Financial Corporation and Industrial Bank (“the Company” or “the Bank”). The COVID-19 challenge continued to require our vigilance in customer and staff safety. The Bank assisted in solving problems for many individuals and businesses, as PPP loan forgiveness materialized for many. Management and the Board of Directors were pleased with how our dedicated and talented staff handled both the COVID threat and customers’ and communities’ financial needs.

COVID Lingered

Early in the year, the Company continued to limit in-person exposure in our banking centers in the Washington and Newark/New York area. Later, the Bank reopened branches utilizing temperature checks, social distancing and online registration for appointments with Bank staff to minimize lobby traffic.

When millions of employees across multiple sectors and industries in the United States left their jobs during the 2021 “great resignation,” the Bank was fortunate to retain its core management team.

Financial Highlights in 2021

Financially, the Company saw a 12% growth in assets in 2021, driven primarily by a 9% growth in deposits and an unprecedented 33% growth in shareholders’ equity. That was due to the Company’s participation in several equity offerings by the Country’s four largest financial institutions, namely, Citibank of America, Wells Fargo and JP Morgan Chase. The Company closed on a combined total of $30.5 million in equity investments from those institutions as they continued to fund capital programs for minority owned banks. New capital from these various sources is allowing the Company to further its growth, increase its impact in the communities we serve and further solidify our financial soundness.

The Bank continued its pursuit and success as a Community Development Financial Institution (CDFI), participating in the CDFI Fund’s various programs designed to incent noticeable impact in low and moderate-income communities. As a result, the Bank received a $1.8 million grant from the CDFI Fund’s Rapid Recovery Program to provide capital for CDFIs to respond to economic challenges created by the COVID-19 Pandemic, particularly in underserved communities. The Company also submitted its application to the U.S. Treasury Department under its Emergency Capital Investment Program, and is eligible for up to $62 million in new capital under that program.

Finally, the Company continued its annual dividend to shareholders amidst a continuing pandemic, opened new office space in Largo, Maryland, and administered a District of Columbia government pass-through grant for qualifying entities and businesses. All these activities placed the Company in a good position for continued growth and improvement for years to come.

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WORKING WITH U.S. TREASURY DEPARTMENT FUNDS TO SOFTEN COVID-19’S ECONOMIC IMPACTS

In 2021 Industrial Bank initiated participation in two U.S. Treasury Department programs funded under the 2021 Consolidated Appropriations Act, to soften the economic impacts of the COVID-19 pandemic. A brief summary of each program and the Bank’s participation follows.

Rapid Response Program (RRP)

The 2021 Consolidated Appropriations Act provided $1.25 billion to Community Development Financial Institutions (CDFIs), through the Rapid Response Program (RRP), with streamlined processes to submit and review applications. The quick deployment of capital to CDFIs, who are the Treasury’s best channel to reach distressed and underserved communities and people, helped CDFIs get capital flowing again to where it was most needed.

In June 2021 Industrial Bank received $1.8 million in RRP funds targeted for immediate relief to individuals and businesses suffering from the economic impacts of COVID-19. After the pandemic shuttered our small business economies, Industrial Bank’s RRP funding stimulated a return to lending and investing at normal, and in some cases, above normal levels. This stimulus helped the Bank’s borrowers protect jobs and access to affordable housing units despite the challenges of lower sales and employment, supply chain disruptions, and other pandemic-related issues.

Without RRP, there was a lot of inertia preventing banks from resuming lending and investment activity, especially in distressed communities. This funding stimulated the lending that led to re-opening small businesses and returning to work for many communities, and kept our most vulnerable economies growing versus collapsing.
Emergency Capital Investment Program (ECIP)

ECIP was established to encourage low- and moderate-income community financial institutions to augment their support of small businesses and consumers in their communities. Treasury provided up to $6 billion to certified CDFIs and up to $3 billion to certified minority depository institutions (MDIs).

In 2021 Industrial Bank secured $82 million of low-cost (2%) ECIP capital. In accordance with ECIP’s intent, Industrial Bank will use the capital to make additional loans, and to help absorb the impact of providing forbearances for the Bank’s small business, minority-owned business, and consumer borrowers, especially in low-income and underserved communities disproportionately impacted by the pandemic. In addition, the capital will allow the Bank to grow safely by offering new products and services, investing in more robust technology solutions, and expanding our lending and community investment capacity.

Traditionally, MDIs and mission-driven banks are significantly undercapitalized, considering the daunting mission they knowingly accept to serve the underserved and distressed communities. Being undercapitalized limits the support we can provide to the deserving and needy communities we serve. With ECIP, for the first time ever, many MDIs and mission-driven banks have the critical capital they need to safely and sustainably grow their institutions and reverse the economic decay left behind by the COVID pandemic in our most distressed communities. The increased capacity will ultimately serve our target markets’ small businesses, employees, and residents well, making stronger communities which in turn will make a stronger nation. This is in the interest of all taxpayers.
New Markets Tax Credit (NMTC) Program

The NMTC Program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs). The credit totals 39% of the original investment amount. It is claimed over a seven-year period.

Industrial Bank applied to receive NMTC dollars to continue providing key resources to low- to moderate-income communities to help individuals and businesses thrive. In the NMTC the Bank was a first-time allocatee. The Bank received $3 million in fees, and the program added $45 million into the capital stack for costs of projects in communities, though only 20-30% of the project costs.

The Bank Enterprise Award (BEA) Program

The CDFI Fund provides monetary awards to FDIC-insured depository institutions (e.g., banks and thrifts) that demonstrate their increase in investments in CDFIs or in their own lending, investing, or service activities in the most distressed communities.

Industrial Bank received $171,000 from the BEA Program while successfully closing out our $246,000 FY2019 BEA Award. Not surprisingly, given 2021’s economic conditions, the number of BEA Program applicants grew, and thus the amount for each distribution decreased. The BEA Program requires awardees to invest the grant in severely distressed communities and persistent poverty counties within your approved service area, or target market. For the Bank, that meant Baltimore City County in Maryland, and several counties in Northern New Jersey. A key BEA Program challenge is keeping distributions sustainable. The Bank overcame that in 2021, and we will look forward to doing so in subsequent years.

In the best cases, the BEA Award program performs like a credit enhancement for loans into distressed census tracts where banks aren’t able to easily issue credit, like many tracts we serve in our target markets. CDFI banks only earn BEA awards for continuing to increase investments like these year after year.

The Government of Washington, D.C.

In 2020 the D.C. government initiated a grant program for local individuals, small businesses, and non-profit service-based organizations. The program had local financial institutions distribute the grants. Following Industrial Bank’s participation in the program in 2020, in 2021, we awarded 59 grants totaling $875,000, as follows:

- $10,000 each to 30 individuals, primarily aimed to help avoid housing payment delinquency.
- $15,000 each to 20 small businesses.
- $25,000 each to seven non-profits to enable both types of entities to continue providing services in their communities.
The U.S. Small Business Administration (SBA) Payroll Protection Program backed loans that helped U.S. small businesses keep their workforce employed during the COVID-19 crisis. Industrial Bank was an early participant in PPP. Though the program ended on May 31, 2021, Industrial Bank made 225 PPP loans for a total of $23,364,790.

MVP Agency, LLC is a small minority and woman-owned advertising agency specializing in marketing, video production and public relations. When COVID struck, we were virtually shut down and many of our clients were unable to keep their commitments with us due to their loss of revenue. Industrial Bank literally kept us afloat via the Payroll Protection Plan (PPP), not once, but twice at the beginning of the pandemic in 2021. This money allowed us to meet our financial obligations and tread water until the market improved. They were available for questions, and helped with filling out the many forms that were required. After each payment, they also assisted us with filing our documents which showed how we used the PPP funds. We owe a debt of gratitude to Industrial Bank and are proud to say that we are in our 10th year of business because of them.

CHRISTINA D. EAGLIN
President
MVP Agency

CHRISTINA D. EAGLIN
President
MVP Agency

THANK YOU LETTERS...

THANK YOU LETTERS...

THANK YOU LETTERS...

THANK YOU LETTERS...
FINANCIAL LITERACY

Despite the challenges of providing in person services and attending community events because of COVID-19, Industrial Bank maintained its commitment to educating our communities by continuing to provide financial literacy virtually. This allowed us to continue reaching one of the most vulnerable populations we serve, which is those who are currently incarcerated. Our team of resolute employees conducted 14 hours of virtual financial literacy over a 3-month period with various organizations including those who are justice involved.

REAL ESTATE

New Office Space and Digitization

Industrial Bank has always been proud of our efficient and productive workplace operations, but we continually look for improvements. In 2021 we opened new office space for our administrative staff to improve efficiency overall, and specifically our in-house and external communications and collaboration. Our new space includes an open-office floor plan with Human Resources the only function conducted in private offices.

To some, our new space looks more like a technology company than a financial institution, based on our efforts to digitize operations. We take kindly to such a comparison. We are looking forward to continued efforts towards digitization and other state-of-the-art bank systems and processes in future years.

Branching Out

In 2021 Industrial Bank acquired property in Newark, New Jersey that we will build into a new branch in 2022. Also in 2021 the Bank sold two parcels of land: the location of our Northeast D.C. branch at 125 45th Street, and the parking lot formerly used for our U Street, NW Banking Center at 2000 Eleventh Street. We will continue to evaluate land purchases, repurposing, renovations, and sales that will benefit our customers and communities throughout 2022.

CREDIT CARDS

Industrial Bank knows credit cards can make life easier for our business and residential customers, but fraud and identity theft can seriously harm customers. In 2021 we made two improvements to our credit card programs in response to needs, threats, and community input. First, we introduced a business credit card, and second, we added features to our existing credit cards, especially enhanced security. The Bank will continue to monitor how our credit card programs meet customers’ needs, including protection from fraud and identity theft.

2022 AND BEYOND

While 2021 saw improvements in the COVID-19 situation, that issue plus ongoing financial challenges overall and in our service communities continued. Industrial Bank is looking forward to ongoing and new initiatives, services, and relationships in 2022 to help our residential and business customers sustain and thrive.

We are excited about closing ECIP loans, sustaining BEA distributions, additional financial highlights, and other enhanced services. We are looking forward to building and opening our new branch in New Jersey, while we continue to review how our real estate portfolio meets customers' needs. We are also looking forward to continued enhanced efficiencies, including digital support for operations and processes.
## CONSOLIDATED BALANCE SHEET

<table>
<thead>
<tr>
<th>(dollars in thousands)</th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and due from banks</td>
<td>$3,797</td>
<td>$5,055</td>
</tr>
<tr>
<td>Interest-bearing deposits with banks</td>
<td>63,658</td>
<td>84,659</td>
</tr>
<tr>
<td><strong>Total cash and cash equivalents</strong></td>
<td><strong>$67,455</strong></td>
<td><strong>$89,714</strong></td>
</tr>
<tr>
<td>Short-term investments</td>
<td>2,583</td>
<td>2,559</td>
</tr>
<tr>
<td>Investment securities available-for-sale, at fair value</td>
<td>221,108</td>
<td>88,877</td>
</tr>
<tr>
<td>Equity investments</td>
<td>936</td>
<td>945</td>
</tr>
<tr>
<td>Restricted stock, at cost</td>
<td>365</td>
<td>563</td>
</tr>
<tr>
<td>Loans held for sale</td>
<td>635</td>
<td>2,431</td>
</tr>
<tr>
<td>Loans receivable, net of unearned income and deferred fees</td>
<td>303,369</td>
<td>352,412</td>
</tr>
<tr>
<td>Less: allowance for loan losses</td>
<td>(5,879)</td>
<td>(5,179)</td>
</tr>
<tr>
<td><strong>Net loans</strong></td>
<td><strong>$297,490</strong></td>
<td><strong>$347,233</strong></td>
</tr>
<tr>
<td>Premises and equipment, net</td>
<td>14,473</td>
<td>9,366</td>
</tr>
<tr>
<td>Bank-owned life insurance (BOLI)</td>
<td>9,982</td>
<td>9,754</td>
</tr>
<tr>
<td>Other assets</td>
<td>10,416</td>
<td>8,124</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$625,443</strong></td>
<td><strong>$559,626</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>LIABILITIES AND SHAREHOLDERS' EQUITY</strong></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-interest-bearing deposits</td>
<td>$168,510</td>
<td>$155,805</td>
</tr>
<tr>
<td>Interest-bearing deposits</td>
<td>378,553</td>
<td>345,228</td>
</tr>
<tr>
<td><strong>Total deposits</strong></td>
<td><strong>$547,063</strong></td>
<td><strong>$502,033</strong></td>
</tr>
<tr>
<td>Short-term borrowings</td>
<td>7,183</td>
<td>4,626</td>
</tr>
<tr>
<td>Accounts payable, accrued expenses, and other liabilities</td>
<td>7,641</td>
<td>5,012</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$561,887</strong></td>
<td><strong>$511,671</strong></td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred stock $1 par value per share; (500,000 voting and 480,000 nonvoting) authorized; $25 par value, 20,000 Series A nonvoting issued and outstanding; $1 par value, 8,540 Series D nonvoting issued and outstanding, stated liquidation value; $1 par value, 4,000 Series E nonvoting issued and outstanding, stated liquidation value</td>
<td>13,040</td>
<td>500</td>
</tr>
<tr>
<td>Common stock, $1 par value; 1,000,000 shares authorized, 645,785 issued and outstanding for 2021 and 597,058 for 2020</td>
<td>646</td>
<td>597</td>
</tr>
<tr>
<td>Additional paid-in-capital</td>
<td>6,974</td>
<td>3,169</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>43,386</td>
<td>40,988</td>
</tr>
<tr>
<td>Accumulated other comprehensive (loss) income</td>
<td>(490)</td>
<td>2,701</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td><strong>$63,556</strong></td>
<td><strong>$47,955</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and shareholders’ equity</strong></td>
<td><strong>$625,443</strong></td>
<td><strong>$559,626</strong></td>
</tr>
</tbody>
</table>
### CONSOLIDATED STATEMENT OF INCOME  
(dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INTEREST INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and fees on loans</td>
<td>$17,774</td>
<td>$18,310</td>
</tr>
<tr>
<td>Interest on investment securities</td>
<td>2,584</td>
<td>2,173</td>
</tr>
<tr>
<td>Interest on interest-bearing deposits and short-term investments</td>
<td>214</td>
<td>557</td>
</tr>
<tr>
<td><strong>Total interest income</strong></td>
<td>$20,572</td>
<td>$21,040</td>
</tr>
<tr>
<td><strong>INTEREST EXPENSE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest on deposits</td>
<td>505</td>
<td>1,773</td>
</tr>
<tr>
<td>Interest on short-term borrowings</td>
<td>4</td>
<td>41</td>
</tr>
<tr>
<td><strong>Total interest expense</strong></td>
<td>$509</td>
<td>$1,814</td>
</tr>
</tbody>
</table>

**Net interest income**  
- **2021**: $20,063  
- **2020**: $19,226

**Provision for loan losses**  
- **2021**: 806  
- **2020**: 1,869

**Noninterest income**  
- **Gain on sale of loans**: 461  
- **Service charges and other fees on deposits**: 1,548  
- **Other fee income 48 241**: 48  
- **Gain on sale of real estate 4,718 7,553**: 4,718  
- **Other income**: 3,328  

**Total interest expense**  
- **2021**: $10,103  
- **2020**: $16,672

**Noninterest expense**  
- **Salaries and benefits**:  
  - **2021**: $13,578  
  - **2020**: $13,787

- **Occupancy**:  
  - **2021**: 2,588  
  - **2020**: 2,921

- **Furniture and equipment**:  
  - **2021**: 633  
  - **2020**: 644

- **Data processing and information technology**:  
  - **2021**: 3,355  
  - **2020**: 3,275

- **Office expense**:  
  - **2021**: 771  
  - **2020**: 978

- **Professional fees**:  
  - **2021**: 1,880  
  - **2020**: 1,378

- **Security**:  
  - **2021**: 464  
  - **2020**: 390

- **FDIC insurance assessment**:  
  - **2021**: 177  
  - **2020**: 531

- **Lending expense**:  
  - **2021**: 476  
  - **2020**: 311

- **Other**:  
  - **2021**: 1,936  
  - **2020**: 2,153

**Total non-interest expense**  
- **2021**: $25,858  
- **2020**: $26,268

**Income before income taxes**  
- **2021**: 3,502  
- **2020**: 7,761

**Income tax expense**  
- **2021**: 981  
- **2020**: 2,087

**Net income**  
- **2021**: $2,521  
- **2020**: $5,674

**Preferred stock dividends**  
- **2021**: (25)  
- **2020**: (25)

**Net income available to common shareholders**  
- **2021**: $2,496  
- **2020**: $5,649

**Basic and diluted net income per common share**  
- **2021**: $4.04  
- **2020**: $9.46

**Dividend per common share**  
- **2021**: 0.16  
- **2020**: 0.25

**Weighted average number of common shares outstanding**  
- **2021**: 618,530  
- **2020**: 597,058