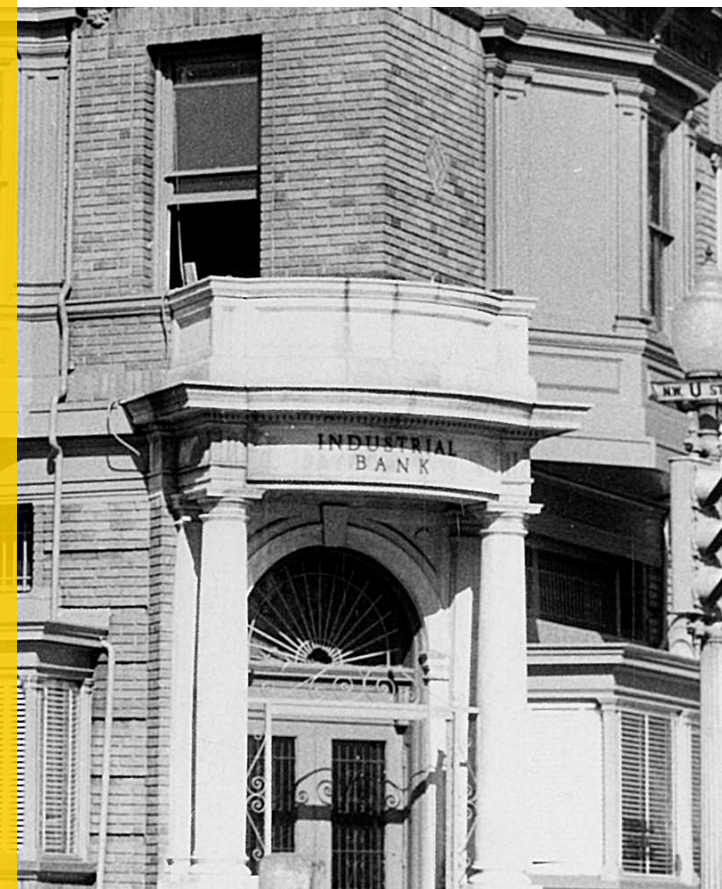




# RISING IN THE MIDST OF CHALLENGES

# 2021

ANNUAL REPORT



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**B. DOYLE MITCHELL, JR.**  
*President and CEO of Industrial Bank*

## PRESIDENT’S MESSAGE

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, Citi, Bank of America, Wells Fargo and JP Morgan Chase. The Company closed on a combined total of \$16.5 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 \$82 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.

# 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.*

“

*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.*

### 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.





**New Markets Tax Credit (NMTC) Program**

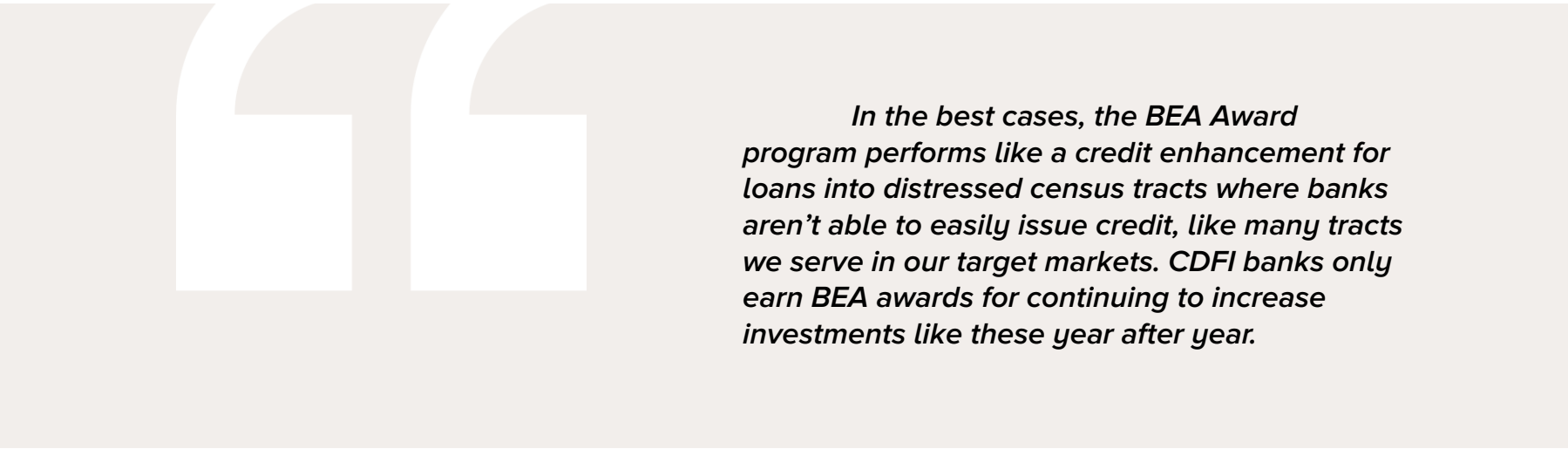
The NMTC Program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs). 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.**

**\$20,000 each to 20 small businesses and \$25,000 each to seven non-profits to enable both types of entities to continue providing services in their communities.**

Payroll Protection Program (PPP)

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.



CHRISTINA D. EAGLIN  
President  
MVP Agency



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 10<sup>th</sup> year of business because of them.

Thank You Letters...



April 28, 2021

RE: LETTER OF APPRECIATION TO INDUSTRIAL BANK

Mrs. Karen Highsmith  
Human Resource Specialist &  
PPP Loan Forgiveness Program  
[khighsmith@Industrial-Bank.com](mailto:khighsmith@Industrial-Bank.com)

Dear Mrs. Highsmith,

On behalf of the members of Zion Baptist Church please accept our utmost appreciation for your exemplary advice and guidance with the successful completion and approval of our Paycheck Protection Program (PPP) Loan Forgiveness Application for the GNJ Senior Day Care Center.

Throughout the entire review process, your professionalism and patience with our assembling a myriad of financial and personnel documentation was definitely appreciated. While we found navigating the PPP Portal to be quite a challenge with uploading the various types of information requested your assistance with troubleshooting these challenges was most welcomed.

The PPP stimulus funding was truly a blessing as it allowed us to retain our personnel staffing at 100% which greatly enhanced the morale and productivity of everyone involved. We also benefited from gaining a better perspective on how to prioritize our financial resources in order to overcome financial stress during possible uncertain economic conditions in the future.

In closing, we were extremely pleased with the level of support that was provided by Industrial Bank and eagerly look forward to further opportunities to partner on other financial stimulus programs in the future.

Very Respectfully,

*Raith W. Byrd, Sr.*  
Pastor, Zion Baptist Church

Zion Baptist Church | 4850 Blagden Avenue, N.W., | Washington, D.C. 20011



November 5, 2021

Dear Industrial Bank,

Thank you for your consistent attention to high quality, customer-centered service. Over its 31-year history, Ivy Planning Group has worked with several banks and other financial institutions. Industrial Bank has distinguished itself in multiple ways.

Most recently, your support during the Payroll Protection Program (PPP) loan process was superb. As people and organizations struggled to restructure and adapt to a new workplace and marketplace environment, we depended upon service providers, including our bankers, for assistance. Industrial Bank demonstrated that it is a subject matter expert on PPP. But that's not all. You also went beyond the call of duty with customer care, prompt responses, and patience.

We know that it is important to do business with other Black-owned businesses. Industrial Bank makes that so easy. You are fabulous! Thank you for being you.

Sincerely,

Janet Crenshaw Smith  
President



6701 Democracy Blvd. | Suite 300 | Bethesda, MD 20817 | 301.963.1669

## 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 continuously 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 will look forward to continued efficiency enhancements, including digital support for operations and processes.

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET	(dollars in thousands)	2021	2020
ASSETS			
Cash and due from banks		\$ 3,797	\$ 5,055
Interest-bearing deposits with banks		63,658	84,659
Total cash and cash equivalents		\$ 67,455	\$ 89,714
Short-term investments		2,583	2,559
Investment securities available-for-sale, at fair value		221,108	88,877
Equity investments		936	945
Restricted stock, at cost		365	563
Loans held for sale		635	2,431
Loans receivable, net of unearned income and deferred fees		303,369	352,412
Less: allowance for loan losses		(5,879)	(5,179)
Net loans		\$ 297,490	\$ 347,233
Premises and equipment, net		14,473	9,166
Bank-owned life insurance (BOLI)		9,982	9,754
Other assets		10,416	8,124
Total assets		\$ 625,443	\$ 559,626

LIABILITIES AND SHAREHOLDERS' EQUITY	2021	2020
LIABILITIES		
Non-interest-bearing deposits	\$ 168,510	\$ 156,805
Interest-bearing deposits	378,553	345,228
Total deposits	\$ 547,063	\$ 502,033
Short-term borrowings	7,183	4,626
Accounts payable, accrued expenses, and other liabilities	7,641	5,012
Total liabilities	\$ 561,887	\$ 511,671
SHAREHOLDERS' EQUITY		
Preferred stock \$1 par value pershare; (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	13,040	500
Common stock, \$1 par value; 1,000,000 shares authorized, 645,785 issued and outstanding for 2021 and 597,058 for 2020	646	597
Additional paid-in-capital	6,974	3,169
Retained earnings	43,386	40,988
Accumulated other comprehensive (loss) income	(490)	2,701
Total shareholders' equity	\$ 63,556	\$ 47,955
Total liabilities and shareholders' equity	\$ 625,443	\$ 559,626

CONSOLIDATED STATEMENT OF INCOME	(dollars in thousands)	2021	2020
INTEREST INCOME			
Interest and fees on loans		\$ 17,774	\$ 18,310
Interest on investment securities		2,584	2,173
Interest on interest-bearing deposits and short-term investments		214	557
Total interest income		\$ 20,572	\$ 21,040
INTEREST EXPENSE			
Interest on deposits		505	1,773
Interest on short-term borrowings		4	41
Total interest expense		\$ 509	\$ 1,814
Net interest income		\$ 20,063	\$ 19,226
Provision for loan losses		806	1,869
Net interest income after provision for loan losses		\$ 19,257	\$ 17,357
NONINTEREST INCOME			
Gain on sale of loans		461	313
Service charges and other fees on deposits		1,548	1,920
Other fee income 48 241		48	241
Gain on sale of real estate 4,718 7,553		4,718	7,553
Other income		3,328	6,645
Total interest expense		\$ 10,103	\$ 16,672

	2021	2020
NONINTEREST EXPENSE		
Salaries and benefits	\$ 13,578	\$ 13,787
Occupancy	2,588	2,921
Furniture and equipment	633	544
Data processing and information technology	3,355	3,275
Office expense	771	978
Professional fees	1,880	1,378
Security	464	390
FDIC insurance assessment	177	531
Lending expense	476	311
Other	1,936	2,153
Total non-interest expense	\$ 25,858	\$ 26,268
Income before income taxes	3,502	7,761
Income tax expense	981	2,087
Net income	\$ 2,521	\$ 5,674
Preferred stock dividends	(25)	(25)
Net income available to common shareholders	\$ 2,496	\$ 5,649
Basic and diluted net income per common share	\$ 4.04	\$ 9.46
Dividend per common share	\$ 0.16	\$ 0.25
Weighted average number of common shares outstanding	\$ 618,530	\$ 597,058



[www.industrial-bank.com](http://www.industrial-bank.com)



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