



2017 ANNUAL REPORT

INDUSTRIAL
BANK



A community is democratic only when the humblest and weakest person can enjoy the highest civil, economic, and social rights that the biggest and most powerful possess.

A. Philip Randolph



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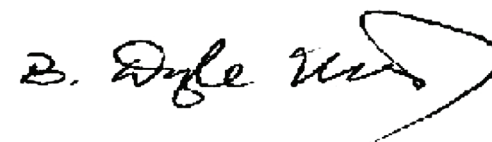
LETTER FROM THE PRESIDENT

Getting Things Done. It's more than a motto. It's our way of establishing our customers as our primary focus and assuring their full banking experience. Our service is to you—our customers and our community.

Industrial Bank (IB) wants to help you achieve your dreams, but a community that isn't financially educated often yields victims instead of victors. To bridge the gap between our customers and their financial goals, IB hosts workshops on financial literacy, supports summer camps, partners with other organizations, and empowers young adults facing the giants of economic injustice. As a community bank, we actively reinvest local dollars back into the community, provide access to capital to expand your business, and help create local jobs. We help small businesses grow and families build financial security.

Trust is what we do. For decades our family has been a trusted partner in the community, but Industrial Bank doesn't always promote our impact in the community. Our reputation has been the basis for relationship with our customers. This year we took an aggressive step in marketing and telling our story. The work we do is more than processing your financial instruments. We build dreams, with business owners and individuals pursuing the American Dream. Our goal is to help everyone in the community realize their dream of home ownership, investing, and entrepreneurship. We are more than a bank. We want to be your financial partner in life.

We owe this to our customers.



B. Doyle Mitchell, Jr.
President and CEO

OUR TEAM



B. Doyle Mitchell Jr.
President & CEO

Mr. Mitchell is a third-generation Washingtonian who spent many of his formative years at Industrial

Bank, which was founded by his grandfather in 1934. During his time growing up and working at the local branches, he learned all aspects of the community bank. In 1984, he graduated from Rutgers University with a degree in Economics and an interest in entering the family business.

For more than 30 years, Mr. Mitchell has led, fostered, and expanded Industrial Bank. In 1990, he was elected to the Board of Directors and succeeded his father as President in 1993. Under his leadership, the bank formed the IBW Financial Corporation (Holding Company) in 1994 to facilitate expansion into Prince George's County, Maryland.

As president of one of the first banks to utilize the new interstate banking laws, he was recognized by the Secretary of the Treasury, Lloyd Bentsen, as a pioneer in the banking industry at the signing of the Interstate Banking Bill enacted in September 1994.

"Sometimes people want to be more than a number. They want to have relationships with their banker, and for more than 80 years, Industrial Bank has filled that void here in the Washington, D.C., area that I call home."



Patricia A. Mitchell
Executive Vice President

Ms. Mitchell is the granddaughter of the founder of the oldest and largest African

American bank in Washington, D.C.: Industrial Bank. The community bank increasingly became an influential part of her career. Although she briefly spent time in the design and merchandising industry, much of her 30-plus-year career has been with Industrial Bank. Ms. Mitchell is currently responsible for overseeing Industrial Bank's strategic programs and legal counsel, as well as managing special projects, including the recent renovation of the historic 11th & U Streets banking center. She has also advocated for the creation of a standardized Industrial Bank-branded financial literacy curriculum, due to her vested interest in educating the community on financial empowerment.

"I love seeing people live within their means and still have and do things they want. We don't have to have so much and such expensive things in order to enjoy a full life."



Thomas McLaurin Jr.
Executive President & COO

Mr. McLaurin began his corporate financial career in 1992 and within three

years took his first position with Industrial Bank as Assistant Vice President/Commercial Lending. Now, with over 25 years of experience and a rich understanding of the Industrial Bank culture, Mr. McLaurin manages various corporate departments. He is highly skilled in identifying and protecting Industrial Bank from all aspects of risk, ensuring compliance with laws and regulations, ensuring that the bank achieves its annual profit targets, and providing high-quality service to depositors and borrowers.

Mr. McLaurin is a graduate of Hampton University and during his tenure with Industrial Bank has served in the capacities of Assistant Vice President, Group Head Commercial Lending; Vice President, Corporate Affairs; and Senior Vice President, Compliance and Risk Management.

"This bank has a strong legacy within the D.C. community and is invested in the success of the local economy. There is a story attached to each of our clients, and through these relationships, we are able to provide insights and services that you just won't find at a large bank"

OUR TEAM



Our Board of Directors

Top row, left to right: Patricia A. Mitchell, EVP, Strategic Programs, Industrial Bank; Alphonso Maldon Jr., President, Partnership Strategies; Pamela King, Partner, King, King & Associates; S. Kathryn Allen, Esq., Co-President, Answer Title Company. Bottom row, left to right: Reverend, Dr. Jonathan L. Weaver, Chairman of the Board, Pastor, Greater Mt. Nebo AME Church; Clinton W. Chapman, Esq., Senior Partner, Chapman and Chapman, Attorneys; B. Doyle Mitchell, Jr., President and CEO, Industrial Bank



Our Executive Team

Top row, left to right: Thomas McLaurin, Jr. EVP & Chief Operating Officer; Patricia A. Mitchell, EVP, Strategic Programs; Rodney Epps, SVP, Chief Information Officer; Lisa Porter, SVP, Chief Financial Officer; Linwood White, SVP, Chief Credit Officer; Doug Dillon, SVP, Chief Lending Officer. Bottom row, left to right: Jacqueline Boles, SVP, Director of Retail Banking; B. Doyle Mitchell Jr., President and CEO; Lynne Rowe, SVP, Director of Human Resources

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Out of all the other banking and financial institutions that we work with, clearly Industrial Bank is committed to the small community-based organization such as ours. As a small nonprofit, our resources were not significant, but they saw promise in what we were doing. And because of that, they'll be our partner as long as we're in business."

—Timothy Walker, Co-Founder and COO, Elaine Ellis Center of Health

STAPLE IN THE COMMUNITY



The roots of the Industrial Bank lie in the black movement in the 1880's. Washington, DC business owners in minority communities found the established banks were happy to accept their deposits but unwilling to fund their loans. So, in 1934, Mr. Jesse H. Mitchell, a graduate of Howard University in Washington, DC, opened the Industrial Bank of Washington.

Since its inception in the 1930s, Industrial Bank (IB) has remained a vital economic force and an inspiration to a national community. IB has continuously empowered individuals and businesses of various sizes and types with the skills and services needed to effect change. Our mission and core values are built around enhancing the lives and experiences of the people around us. As a Community Development Financial Institution (CDFI), we help individuals meet their goals, and help local businesses prosper, grow, and create jobs. Under the CDFI title, IB reinvests 60% of its assets in low- to moderate-income communities. Additionally, in 2017, our employees served their neighbors more than 1,000 volunteer hours as they read to children, beautified the community through painting and planting, helped to feed the homeless and taught people of all ages about financial literacy. Classes included basic banking, determining need, credit, retirement planning, home ownership, and more.

To create a vibrant local economy, Industrial Bank focuses on reciprocal business relationships throughout the community by encouraging public/private partnerships, using the services of its own customers, sponsoring local networking events, and awarding grants to local for-profit businesses to enhance their success and growth.

Currently, Industrial Bank has seven banking centers in the Washington, DC area: three in Northwest DC, one each in Northeast and Southeast, DC, and two in Prince George's County, Maryland. Each location includes onsite, online, and remote financial services, including telebank, ATM, direct deposit, and mobile banking. Further, IB takes pride in keeping its finger on the pulse of each community surrounding its banking centers by including links to community newspapers and blogs on local web pages.

Bank customers and neighbors fondly remember seeing IB locations as children growing up in DC and they now take comfort in its continuing role in their lives as adults, workers, parents, and grandparents. As a testament to our continuing role in the community, customers and employees voted Industrial Bank as 2017 Winner of Best Bank/Credit Union in the Washington City Paper's Best of DC annual competition.

STAYING IN THE KNOW

With a desire to inform our customers of activities that promote, impede, or direct the social and economic status of the community, Industrial Bank had an exciting year in the age of information technology.

Industrial Bank presented our first Digital Town Hall, "A World Without Black Banks," to discuss the Wall Street Journal article, "As Black-Owned Banks Struggle, Community Sounds Alarm," that was published on August 6, 2017. Presented on Facebook Live, the Q&A featured Industrial Bank SVP of Strategic Program, Patricia Mitchell, SVP Director of Retail, Jacqueline Boles, and Washington Informer CEO and Publisher Denise Rolark-Barnes.

At Industrial Bank, we cannot separate our values from our actions.

During Q4, our Business Money Management [BMM] campaign highlighted some of our business customers, such as Goodie's Frozen Custard and Treats, The Wealthy Factory, and Capital National Management Corporation. A weekly series from Small Business Saturday through the end of the year, these video profiles featured business owners talking about the challenges and

success of starting their business, along with their goals for the future. Visit our Industrial Bank YouTube Channel to hear their stories and be inspired.

We share our expertise and information to build and ignite our communities. At this year's end, we continue to take pride in being a bank that operates with integrity and respect throughout our community.

DIGITAL TOWN HALL 17

A WORLD WITHOUT BLACK BANKS

A Conversation and Q&A with Industrial Bank President B. Doyle Mitchell Jr. and "Washington Informer" CEO and Publisher Denise Rolark-Barnes.

Join us on Industrial Bank's Facebook Live and We Act Radio's YouTube Live.

Friday, September 29, 2017 12:30pm-1:30pm

Use #IBTownHall to join the conversation.



WHAT'S UP FOR DISCUSSION:

- "Financial deserts" - the impact of minority communities with few or no banking institutions
- The existing redlining of Black and Hispanic communities and discriminatory practices
- The consequences of payday lenders and check-cashing institutions and the exorbitant rates and fees
- The challenges of access to capital and traditional financial services for minority businesses and why

Presented by
INDUSTRIAL BANK

Got a question for Industrial Bank? Send it by September 28, 2017, to MWoodard@industrial-bank.com.

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Behind the Scenes of our 2017 Digital Townhall at We Act Radio Station in Historic Anacostia

MONEY MADE HERE STAYS HERE

Industrial Bank honors its commitment to the vibrant growth and sustainability of our local economies by remaining abreast of community needs, being a part of important conversations, and striving to provide better banking programs and services. On October 2, 2017, Industrial Bank was proud to introduce our new campaign, Money Made Here Stays Here. The campaign demonstrates the benefits of banking locally and how that investment impacts businesses, the community and its families. For 2017, Industrial Bank reported 82% of Home Mortgage Loans (approximately \$30.7 million) and 86.7% of Small Business Loans (approximately \$10.9 million) within Industrial Bank's CRA Assessment area for 2017.

2017 Industrial Bank Impact

Home Mortgage Loans

\$10.4 Million to Low Income Communities (Census Tracts)

Small Business Loans

\$9.6 Million made to Small Businesses with revenues of less than \$1 Million

Informed people make better financial decisions, so Industrial Bank hosted financial literacy workshops to help our neighbors navigate the financial system and manage money long-term. We are proud to extend to families and individuals of all ages, the opportunity to build a better financial foundation for their personal and business money management.

Residential Loans

8 homebuyer workshops
20 new first time home buyers

One of our most popular workshops teaches prospective homeowners about the process of buying a home, including budgeting, understanding credit, shopping for a home, and protecting your investment. We want to prepare and guide residents through the process of making such a large investment in themselves, their community for generations to come.

That is what Industrial Bank's 84-year legacy was built on—a commitment to serve the community.



Industrial Bank has been working with the Delta Organization for 3 years.

BUSINESS MONEY MANAGEMENT

Our mission is to empower our community with the financial means to initiate and develop business. To accomplish this, we endeavor to educate and advise small business owners and those who dream of owning a business on how to manage money to sustain and grow their ventures.

We are proud to offer our Business Money Management (BMM) campaign, a series of learning events, social media-posted tips, and outreach opportunities for our current and future business customers. Launched on Entrepreneur's Day, November 21, 2017, and running periodically, the BMM supplements the Money Made Here Stays Here, Banking & Beyond, and Footprints to Your Financial Future campaigns, which target small-business owners of all ages in the DC Metropolitan Area. Aimed at African Americans and Hispanics, the largest demographic of business owners who struggle to secure financing, the BMM campaign was designed to educate our current business customers and encourage them to invite fellow business owners to come see the great things happening at Industrial Bank.

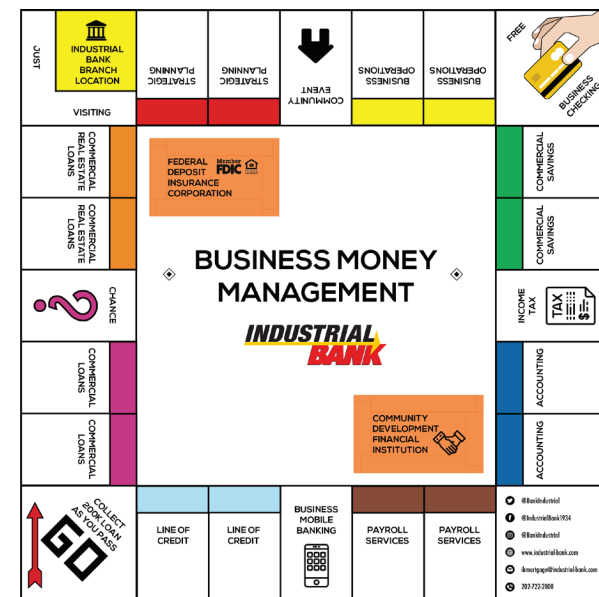
On social media, we unveiled #TipTuesday, a series of posts by Industrial Bank financial experts and successful small business owners providing information and ideas on monetary growth, scaling up, saving, tax break incentives, and small business investment.

At banking events throughout the year, Business Money Management is made fun and interactive through the Industrial Bank Game. Modeled after Monopoly, we use financial trivia on Community Chest and Chance cards to engage and enforce what gamers learn.

On Small Business Saturday, we unveiled video profiles on social media highlighting lessons learned in business money management. Viewers were able to comment and share the videos with others.

Our Power Hour with *Urban One*, celebrated business owners for their efforts, offering, and successes. Featuring these small businesses helped publicize them, as well as entice them to keep up their good work and pass the torch on to others who can learn from their stories.

We are also thrilled about our partnership with the U.S. Black Chamber of Commerce, designed to connect with African American small businesses, offer cash management services and provide resources that will assist them in gaining greater access to credit and capital.



2017 Business Money Management Campaign

Our mission is to empower our community with the financial means to initiate and develop business.



Thanks for your incredible efforts on behalf of the Clemons Family home after the passing of our mother. IBW was the only bank that really, really worked with us to get the deal closed. Thank you IBW, you are the best!

**Ricky and Gail Clemons,
Industrial Bank Customer**

LOOKING AHEAD: A VISION OF ONE BENEFITS MANY

Industrial Bank is unique, innovative and wholly committed to its customers, employees, small businesses, and community. As we look to the year ahead, we are dedicated to remaining a financial institution that is positioned to thrive within a dynamic marketplace.

Industrial Bank was established in the Great Depression as a solution to small business financing for the African American residents of our area. Once the only minority-owned bank in the nation's capital, Industrial Bank is now the largest African-American family owned community bank in the Washington Metropolitan Area and the sixth largest African-American-owned financial institution in the country. We are one of the oldest minority-owned banks in the United States and we plan to stay strong and grow stronger.

We partnered with community leaders to bring special programs or activities to low- and moderate-income individuals and families. In conjunction with Operation HOPE, we offered the *Homeowner Readiness Workshop*, and provided a session entitled Homebuying In Today's Market with Keller Williams Capital Properties. Topics included the home buying and financing process, credit scores and reports, and down payment assistance programs.

Industrial Bank awarded sponsorships to over 35 organizations that provide resources to underserved and underserved communities. These sponsorships benefitted youth programs, homeless centers, health care facilities, and battered women's centers..

Our sponsorship to the New Endeavors by Women helped to ensure that 200 women have a place to sleep at night and a warm home where they can heal.

Industrial Bank participated in special events, like sponsoring Ward 7 Day in September 2017 and opening its branches as drop-off centers for donations to the Change 4 Good Annual School and Blessing Bag Drive.

Creating a Legacy Conference

The *Creating a Legacy Conference*, presented in partnership with the Griffin Firm, PLLC, discussed financial wealth creation, insurance as a wealth generation tool, real estate for wealth creation, and estate planning for asset protection and transfer.

Industrial Bank Mortgage Day

At *Industrial Bank Mortgage Day*, bank representatives at each branch answered questions about buying or refinancing a home or qualifying for a reverse mortgage.



Footprints To Your Financial Future Campaign

INCREASING ACCESS TO CAPITAL

Based on its total assets, Industrial Bank was rated #6 in the Black Enterprise Magazine BE100s in 2017, which recognized the largest black businesses in the financial services industry. Industrial Bank uses this deep asset base to make capital available to a wide range of individual, commercial, and non-profit customers throughout the Washington, DC area.

Industrial Bank is also an approved lender in the state of Maryland's innovative SmartBuy program. This program makes selected state-owned homes available for sale and allows eligible homebuyers to use special financing to pay off outstanding student debt as part of the home purchase. The program also offers grants, no-interest loans, and federal tax credits to eligible participants.

Based on its total assets, Industrial Bank was rated #6 in the Black Enterprise Magazine BE100s in 2017

Industrial Bank offers a wide range of services to help local businesses manage and access finances, revenues, and expenditures. We provide loans and lines of credit for seasonal cash needs, receivables, inventory financing, equipment or facilities purchases, business acquisitions, and debt refinancing. For some, IB offers conventional loans that do not include the typical types of credit enhancement, but only direct Bank financing. To our new clients with a business that has been operating for five years or less, we offer free business checking accounts with no minimum balance requirements and no monthly maintenance fees.

To further increase access to business capital, Industrial Bank participates in three innovative government programs. The U.S. Small Business Administration program, SBA7a, makes capital available for borrowers who do not have a strong secondary source of repayment typically required for a loan. The U.S. Department of Transportation Short Term Lending Program guarantees bank loans to contractors for transportation projects. And Industrial Bank made the first loans under the District of Columbia Collateral Support Program, which provides cash collateral to banks to guarantee that a portion of loans are made to qualifying businesses in DC.



2017 Small Business Loans

\$1.8 Million made to Small Businesses in Low Income Communities (Census Tracts)

\$3.2 Million made to Small Businesses in Moderate Income Communities (Census Tracts)



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2017 FINANCIALS

ASSETS	2017	2016
Cash and due from banks	5,636	3,791
Interest-bearing deposits with banks	13,079	14,324
Total cash and cash equivalents	18,715	18,115
Short-term Investments	3,408	1,912
Investment securities available-for-sale, at fair value	66,814	57,266
Restricted stock, at cost	2,257	775
Loans held for sale	1,566	1,136
Loans receivable, net of unearned income and deferred fees	309,559	289,096
Less: Allowance for loan losses	(3,037)	(4,288)
Net loans	306,522	284,808
Premises and equipment, net	9,035	5,076
Real estate owned (REO)	-	155
Bank owned life insurance (BOLI)	9,136	8,957
Other assets	5,912	5,075
Total assets	423,365	383,275

dollars in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	2017	2016
LIABILITIES		
Non-interest bearing deposits	93,237	92,130
Interest bearing deposits	241,678	238,698
Total deposits	334,915	330,828
Short-term borrowings	51,760	15,903
Accounts payable and accrued expenses	1,433	1,570
Total liabilities	388,108	348,301
SHAREHOLDERS' EQUITY		
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, stated liquidation value	500	500
Common stock, \$1 par value; 1,000,000 shares authorized,		
598,312 issued and outstanding for 2017 and 600,302 for 2016	598	600
Additional paid-in-capital	3,213	3,285
Retained earnings	30,645	30,062
Accumulated other comprehensive income	301	527
Total shareholders' equity	35,257	34,974
Total liabilities and shareholders' equity	423,365	383,275

See Notes to Consolidated Financial Statements.






CONTACT US

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