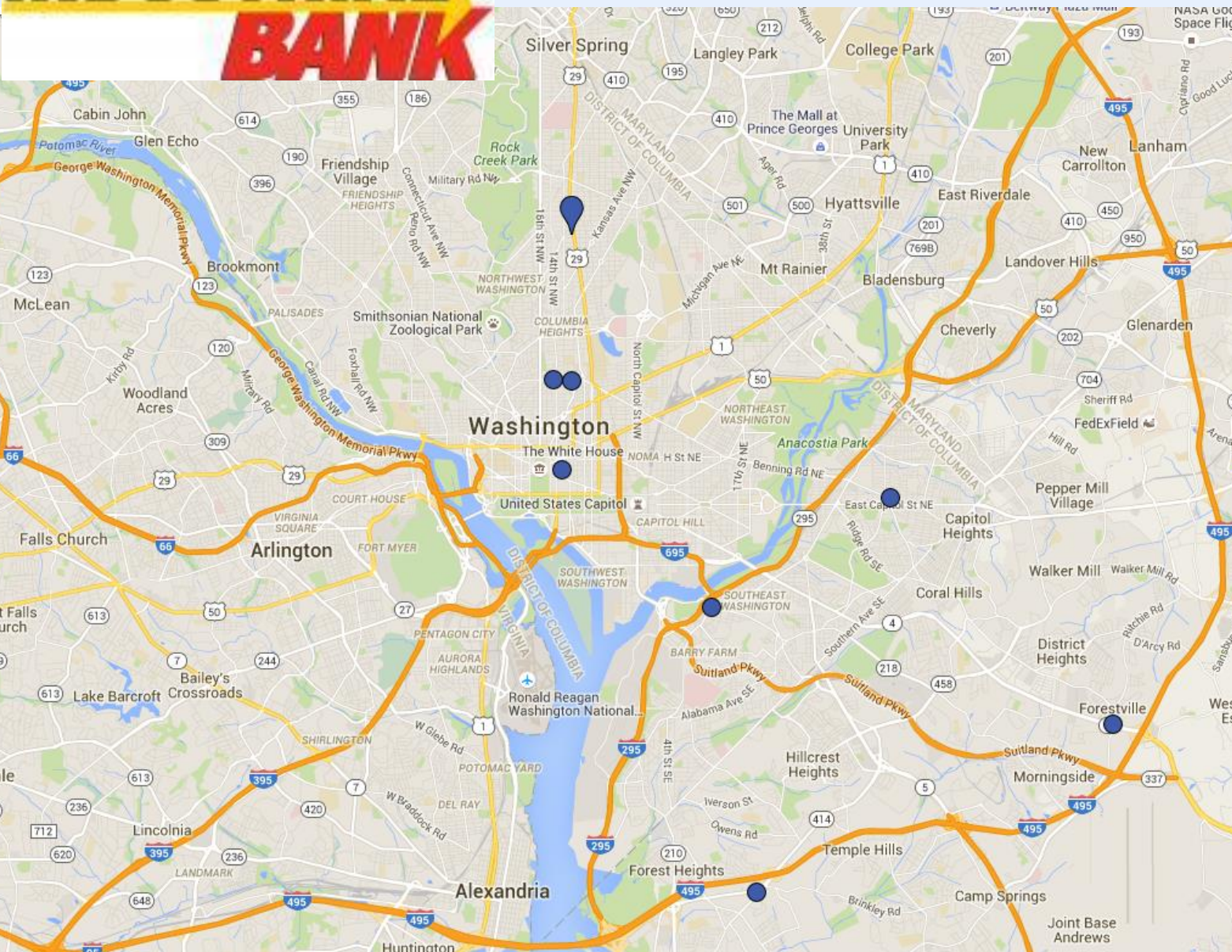


Strategies for Expanding Small Business Lending

INDUSTRIAL BANK

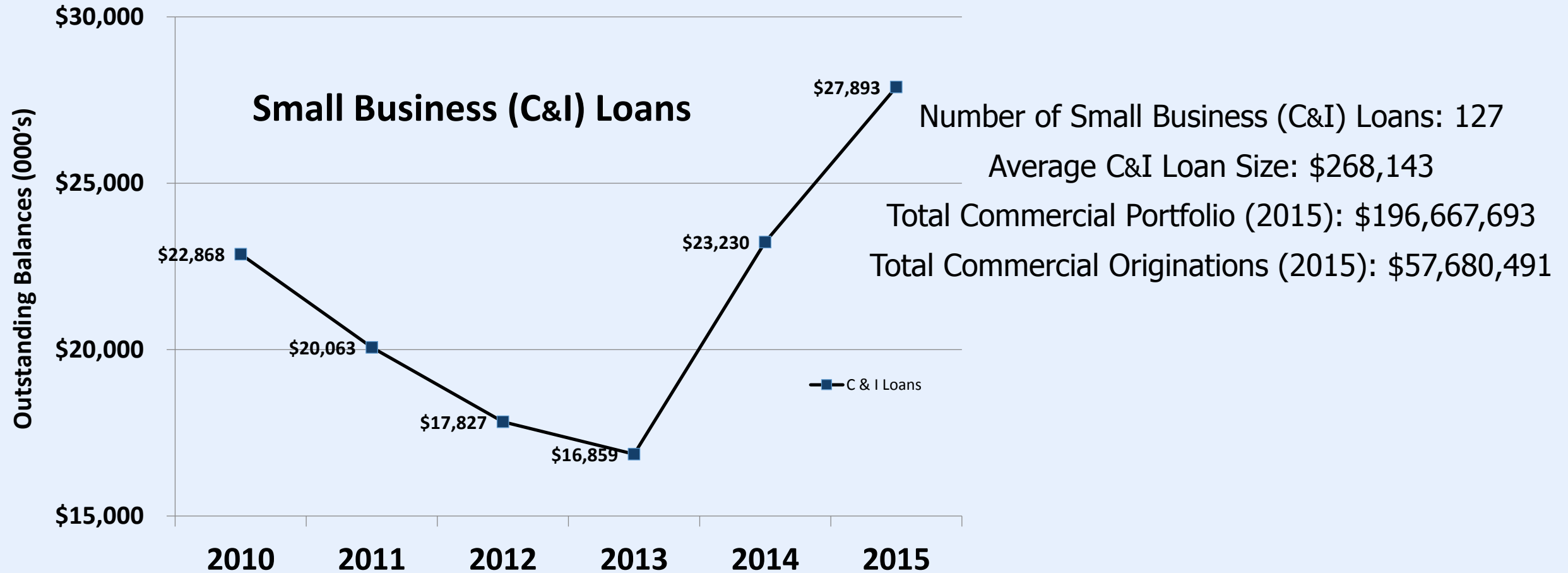


Industrial Bank Background

- Since 1934, Industrial Bank has delivered banking and financial services that greatly contributed to the growth / development of communities in Washington, DC and its immediately surrounding counties.
- Industrial Bank is an MDI that specializes in lending to African American communities in the DC metro area.
- Industrial has grown to 116 employees and over \$390 million in assets.
- In addition to providing a full range of banking services, Industrial Bank works to create a vibrant local economy through public/private partnerships, banking education seminars and sponsorships.

Industrial Bank

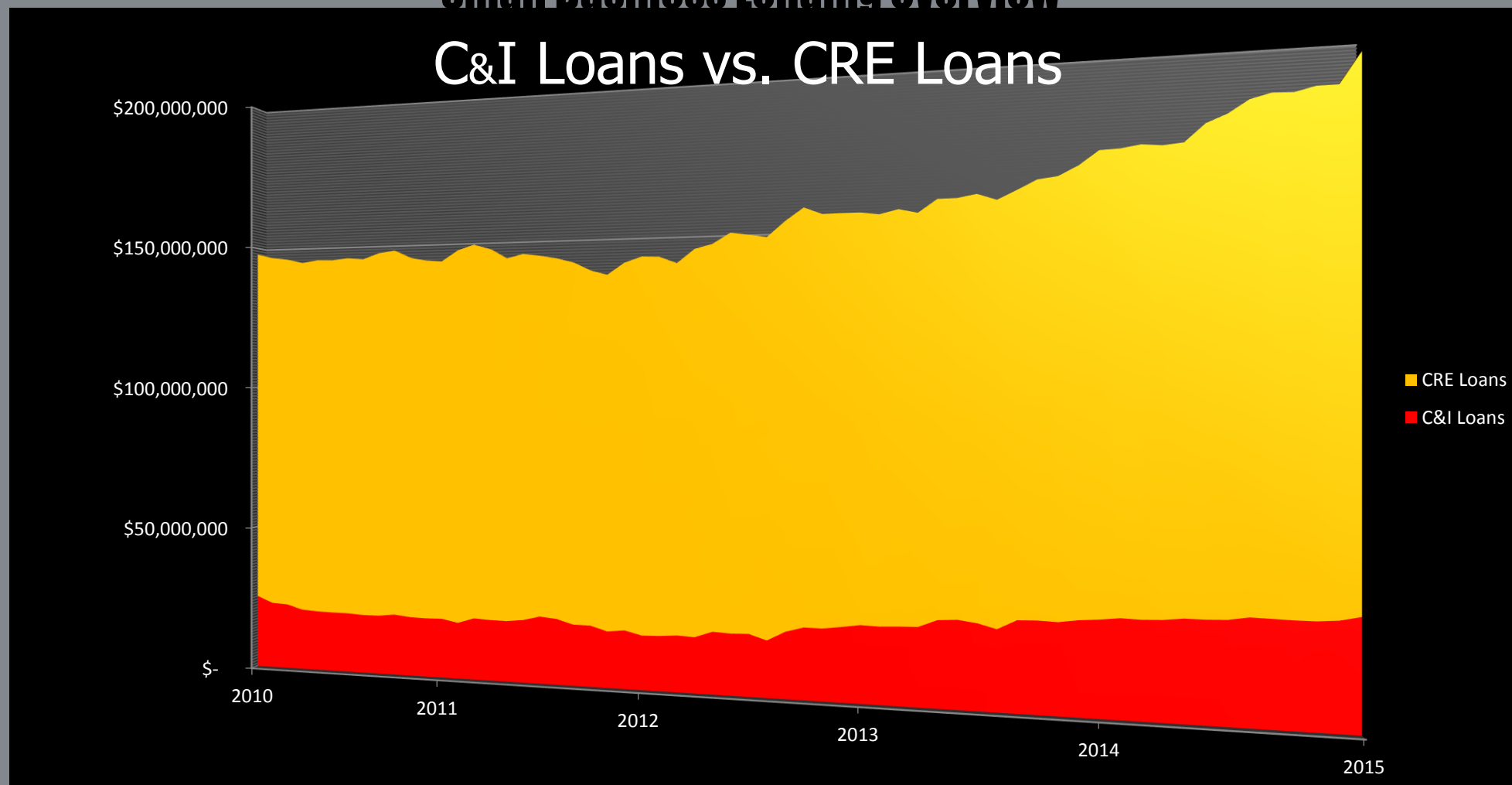
Small Business Lending Overview



Industrial Bank

Small Business Lending Overview

C&I Loans vs. CRE Loans



Industrial Bank

Small Business Lending Overview (Part II)

Small Business Loans on the Books vs Sold off:

	2010	2011	2012	2013	2014	2015
\$ S/B Loans Outstanding (000's)	\$22,868	\$20,063	\$17,827	\$16,859	\$23,230	\$27,893
\$ S/B Loans Sold*	\$ -	\$ -	\$ -	\$ -	\$ 1,251	\$ 1,168

*includes loan participations sold

Industrial Bank

Small Business Loan Products

- **Commercial Term Loans**
 - Business acquisition and/or expansion loans
 - Equipment loans
- **Commercial real estate loans**
 - Acquisition and renovation of offices, multifamily apartment buildings, 1-4 family investment properties
 - Construction loans
 - Land acquisition and development loans
- **Lines of Credit**
 - Revolving working capital lines, generally secured by A/R borrowing bases
- **Business Visa Check Card**
 - Rewards card with points redeemable for merchandise, gift cards, travel experiences, and other activities
- **Government Contract Financing**
- **Letters of Credit**
 - Generally secured by cash or cash equivalents

Industrial Bank

Credit Enhancements Utilized

- Industrial Bank participates in the following SBA Programs:
 - **SBA 7(a) Loans:** The SBA provides small business loan guarantees of up to 75%
 - **SBA Express Loans:** a version of the SBA 7(a) loan with a lower guaranty percentage (usually 50%), but a quicker turnaround time due to the fact that the Bank is able to use its normal loan documents and procedures.
 - **SBA 504 Loans:** This program provides funding for the purchase or construction of real estate and/or the purchase of business equipment. The lender generally provides 50% of the total project cost, a Certified Development Company ultimately finances 40% through a 100% SBA-guaranteed debenture, and the applicant's equity injection accounts for approximately 10% of the financing.
- Industrial Bank participates in the following other government-sponsored loan programs:
 - **U.S. Department of Transportation Short Term Lending Program ("STLP"):** A line of credit for short-term working capital to help small businesses participate in transportation-related contracts
 - **District of Columbia Collateral Support Program:** Through Treasury's State Small Business Credit Initiative ("SSBCI"), the city of Washington, DC provides cash collateral to banks to guarantee a portion of loans made to qualifying businesses in the District.

Unique Small Business Marketing Niches

Our special niches in the DC market are:

- Minority-owned operating businesses, with sales between \$1 - \$20 million.
- Residential developers operating in low- to moderate-income areas of DC.
- Minority church congregations in DC and Prince George's County, MD.
- Experienced government contractors, including SBA 8a firms.
- Service-oriented not-for-profit organizations (local and national in scope).

Top Lessons Learned

- **S/B Loan Growth Can Be Hard; Find and Retain Good Lenders!**
 - Loan amounts are smaller, with more monitoring required than CRE loans.
 - Credit enhancement programs very useful; find people who know them well.
 - Poor staffing in this regard can lead to runoff, lack of productivity, or both.
- **You Simply Can't Be All Things to All People!**
 - Find, develop special niches in the marketplace; become excellent at them.
 - Adds value, differentiates bank, maximizes efficiency, allows premium pricing.
- **Keep Your Eyes on Equity---Cash is still King!**
 - Imputed equity may add some value, but does not ensure “skin in the game”.
 - Be careful to accurately account for cash equity contributed by borrowers.