Washington, D.C. Branches

Georgia Avenue Office
ATM-Drive-Thru

4812 Georgia Avenue, N.W.
Washington, D.C. 20011

Lobby Office Hours:
M-TH 9:00am-5:00pm; F 9:00am-6:00pm;
Sat 9:00am-1:00pm

Drive Thru:
M-F 8:30am-6:00pm
Sat 9:00am-1:00pm

Frank D. Reeves Municipal Center Office
ATM-Metro (Green Line)

2000 Fourteenth Street, N.W.
Washington, D.C. 20004

Lobby Office Hours:
M-TH 9:00am-5:00pm; F 9:00am-6:00pm;
Sat closed

U Street Office
ATM-Metro (Green Line)

2000 Eleventh Street, N.W.
Washington, D.C. 20001

Lobby Office Hours:
M-TH 9:00am-5:00pm; F 9:00am-6:00pm;
Sat 9:00am-1:00pm

F Street Office
ATM-Metro (Red/Orange/Blue/Silver Lines)

1317 F Street, N.W.
Washington, D.C. 20004

Lobby Office Hours:
M-TH 9:00am-5:00pm; F 9:00am-6:00pm
Sat - Closed

J.H. Mitchell Office
ATM-Drive-Thru Metro (Blue line)

125 45th Street, N.E.
Washington, D.C. 20019

Lobby Office Hours:
M-TH 9:00am-5:00pm; F 9:00am-6:00pm;
Sat 9:00am-1:00pm

Drive Thru:
M-F 8:30am-6:00pm
Sat 9:00am-1:00pm

Anacostia Gateway Office
ATM

1800 Martin Luther King Jr. Avenue S.E.
Washington, DC 20020

Lobby Office Hours:
M-TH 9:00am-5:00pm; F 9:00am-6:00pm
Sat closed

Maryland Branches

Oxon Hill Office
ATM-Drive-Thru

1900 John Hanson Lane
Oxon Hill, MD 20745

Lobby Office Hours:
M-TH 9:00am-5:00pm; F 9:00am-6:00pm;
Sat 9:00am-1:00pm

Drive Thru:
M-F 8:30am-6:00pm
Sat 9:00am-1:00pm

Forestville Office
ATM-Drive-Thru

7610 Pennsylvania Avenue
Forestville, MD 20747

Lobby Office Hours:
M-TH 9:00am-5:00pm; F 9:00am-6:00pm;
Sat 9:00am-1:00pm

Drive Thru:
M-F 8:30am-6:00pm
Sat 9:00am-1:00pm

Consumer and Mortgage Loan Operations

1900 John Hanson Lane 2nd Floor
Oxon Hill, MD 20745

Office Hours: M-F 9:00am-5:00pm

Commercial & Commercial Real Estate Loans

4812 Georgia Avenue N.W
Washington, D.C. 20011

Office Hours: M-F 9:00am-5:00pm

Connect with Industrial

Call us at (202) 722-2000
after hours: (800) 461-5056
telebanc: (800) 205-0840

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INDUSTRIAL BANK

W W W . I N D U S T R I A L - B A N K . C O M

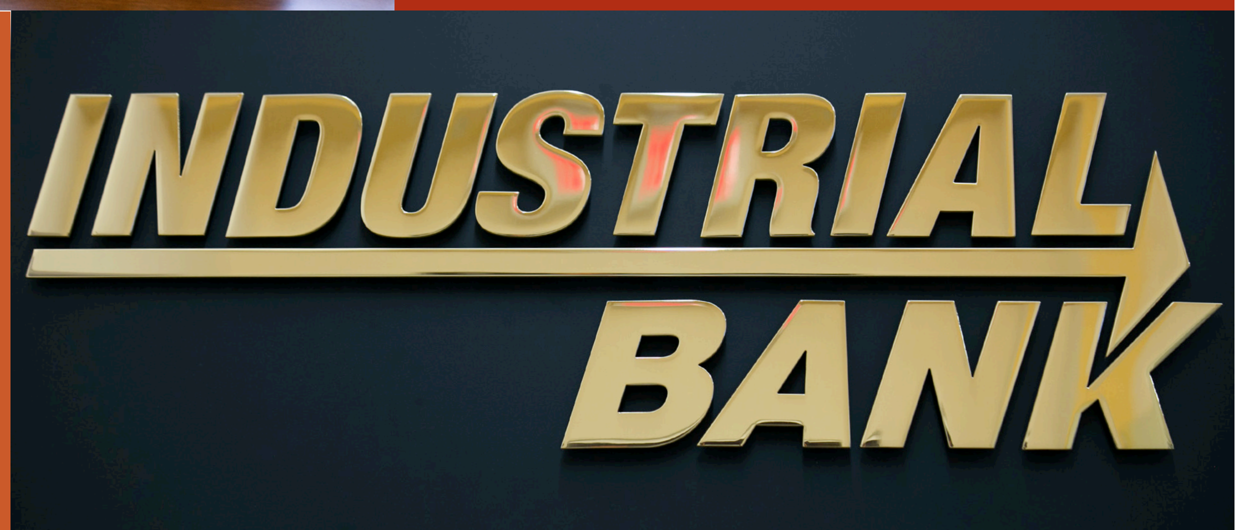
2014 Annual Report

INDUSTRIAL BANK
80 YEARS
CELEBRATING A LEGACY OF SERVICE

80 years & getting younger.

2014 was a memorable and significant year for us. Take a look inside for more on the exciting things happening at Industrial Bank.

"Funding dreams since 1934."



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Annual Message to Shareholders

2014 was a wonderfully momentous year for Industrial Bank ("the Bank") and IBW Financial Corporation (the "Company") as it celebrated its **80th** year of providing quality financial services to the Washington Metropolitan community. In doing so, the Industrial Bank family reflected on the legions of people, employees and directors, that worked so hard, to build and grow the Bank from humble beginnings in **1934** to $368 million in assets and eight branches in Washington, D.C. and Prince George's County, Maryland. The Bank celebrated generations of people who were and remain committed not only to the Bank, but to a community that deserves high quality financial services. The Bank also celebrates today's generation and recognizes that they matter and are more than just a number. Management and Directors took the opportunity to say "thank you" to customers that have supported the Bank for many, many years. We said thank you to a generation that built the Bank with their loyalty and remembered how they taught their children the value of saving money; many opened accounts for them at young ages. The Bank also gave praise to thousands of its customers for their trust in our dependable products and services. Then, the celebration culminated on November 10 2014, when the Bank hosted 800 customers and friends at the Arena Stage in Washington, D.C., for wonderful music, delicious food and a lot of good fun.

All celebrations aside, **2014** was an extremely productive year from a variety of perspectives. While our Facilities group completed numerous projects to repair and install new systems bank-wide, our proudest moment was the restoration of the exterior of the Company's main headquarters building on Georgia Avenue in Northwest Washington. New bright red canopies and a digital message board topped off the other improvements that made the building standout and serve as a marketing tool to the thousands of cars that pass by each day. The Bank rolled out its mobile banking application at mid-year, and signed up nearly 500 users before year end. That was followed by the reconstruction of our website which is now more user-friendly and allows individuals to open accounts on-line, as well as the ability to apply for a mortgage.

Our lending efforts in the community were in full force last year, as indicated by commercial and commercial real estate loans increasing by 8.5% to $256 million, our highest level ever. The Bank was awarded SBA Preferred Lender status and held an informative government contractor's lending breakfast, bringing great value to many of our small business clients. Meanwhile, the residential mortgage group again topped $30 million in originations and participated in many different home buying expos such as those held by Prince George's County, Operation Hope, Rep. Donna Edwards, and **six** DC Housing Expos. The Bank still remains a trusted lender for residential mortgages in the region, making certain our customers have no financial regrets after choosing Industrial Bank as a financial resource partner. The Retail division of the Bank held the Bank's first ever estate planning seminar and hosted about 40 attendees. The two hour discussion echoed the growing need for inter-generational planning advice and services among many families, including those that may not fully appreciate the powerful benefits of advanced planning. The Bank's new partnership with NY Life, which commenced during the year, is designed to play a critical role in estate planning for the Bank's customers. It signifies the Bank's entrance into insurance in the areas of life, long term care and annuities. Also, this partnership strategically provides the Bank new fee income and a new, long term line of business.

Finally, the sale of 2002 11th Street resulted in a $1.1 million after tax gain which brought net income to $2.2 million for the year. This resulted in capital levels that are the highest levels in the Bank's history and positioned the Company solidly for the upcoming BASEL III capital standards and the Company's other strategic initiatives.

The Company wants to thank its shareholders for all their support and business over its **80** year history and encourage you to kindly make referrals when and wherever possible to continue the growth and mission of your company.

Thank you,

B. Doyle Mitchell, Jr.

President & CEO

Industrial Bank Board of Directors

(Front row from left to right): Patricia A. Mitchell, EVP/Strategic Programs, Industrial Bank; Clinton W. Chapman, Esq., Chairman of the Board, Senior Partner, Chapman and Chapman, Attorneys; B. Doyle Mitchell, Jr. President and Chief Executive Officer, Industrial Bank

(Top row from left to right): Robert R. Hagans, Jr., Chief Financial Officer, AARP; S. Kathryn Allen, Esq., Co-President, Answer Title Company; Rev. Jonathan L. Weaver, Pastor, Greater Mt. Nebo African Methodist Episcopal Church; Pamela King, Partner, King, King & Associates; Alphonso Maldon, Jr., President, Partnership Strategies, LLC

Mission Statement:

Fostering the financial health of a diverse community.

Vision:

To always surpass customer expectations as a recognized financial resource partner.

Core Values:

We continue to be governed by our core values of: Integrity, Customer Service, Teamwork, and Respect.

The Senior Executive Team

(Left to right) Rodney D. Epps, SVP, Chief Information Officer; Thomas A. Wilson, Jr., SVP, Chief Financial Officer; Patricia A. Mitchell, EVP, Strategic Programs; B. Doyle Mitchell, Jr., President & CEO; Thomas E. McLaurin, Jr., EVP, Chief Operating Officer; Linwood White, SVP, Chief Credit Officer

Dr. Glenda Hodges

Founder, Still I Rise & The Women's Wellness Center

Dr. Glenda Hodges is a doer. Over an illustrious career more than 30 years in the making, she has risen to become one of the most connected influencers in Prince George's County. She holds degrees in law, business, and divinity. She's even completed 17 Marine Corp Marathons. But of all Dr. Hodges has done, she is most passionate about empowering the women of Prince George's County. In 2006 she founded Still I Rise, a full-service organization dedicated to serving victims of domestic violence and just last year she successfully opened The Women's Wellness Center to provide medical services to area women. The past 15 years have been transformative for Dr. Hodges and her organizations, and Industrial Bank has been an invaluable partner along the way.

"I have nothing but good things to say about Industrial Bank," Dr. Hodges said. "With the help of Doyle Mitchell and Industrial, I was able to secure more than half the funds needed to purchase and renovate the building used for The Women's Wellness Center."

In 2014, Industrial helped Dr. Hodges purchase a building to house The Women's Wellness Center. Formerly a bank, the building sits only half a block from the Still I Rise offices and now is providing essential medical care to women across Clinton, Maryland and surrounding areas.

"I'm excited about what Industrial has allowed us to do," Dr. Hodges said. "They get it and are committed to helping the types of small businesses that often get overlooked but need the most help."

Independent Auditors' Report

The Board of Directors and Shareholders
of IBW Financial Corporation and Subsidiary

We have audited the accompanying consolidated balance sheets of IBW Financial Corporation and Subsidiary (the "Company") as of December 31, 2014 and 2013 and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Management's Responsibility for the Financial Statements

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Auditors' Responsibility

Our responbility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, that financial position of IBW Financial Corporation and Subsidiary at December 31, 2014 and 2013, and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Stegman & Company

Baltimore, Maryland
March 19, 2015

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014 AND 2013
(Dollars in Thousands)

ASSETS	**2014**	**2013**
Cash and due from banks	$ 4,790	$ 4,811
Federal funds sold	-	50
Total cash and cash equivalents	4,790	4,861
Interest-bearing deposits in other banks	19,760	26,613
Securities availabe-for-sale, at fair value	68,917	78,231
Loans Held for Sale	1,478	1,469
Loans receivable - net of allowance for loan losses of $4,732 (2014) and $4,447 (2013)	255,606	235,206
Other real estate owned	-	279
Bank premises and equipment - net	4,028	3,536
Accrued interest receivable	1,235	1,408
Bank Owned Life Insurance	8,482	8,242
Deferred income taxes	1,190	2,275
Other assets	2,925	1,293
TOTAL ASSETS	$ 368,411	$ 363,413
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES:		
Noninterest bearing deposits	$ 76,042	$ 70,431
Interest bearing deposits	227,913	226,251
Total deposits	303,955	296,682
Short-term borrowing	23,374	29,629
Accrued expenses and other liabilities	1,887	1,301
TOTAL LIABILITIES	329,216	327,612
SHAREHOLDERS' EQUITY:		
Preferred stock - $1 par value; 1,000,000 (500,000 voting and 500,000 nonvoting) authorized; 20,000 Series A nonvoting issued and outstanding, stated liquidation value	500	500
Preferred stock - $1 par value; 1,000,000 isssued and outstanding, stated liquidation value	5,971	5,971
Common stock - $1 par value; 1,000,000 shares authorized; 601,371 issued and outstanding for 2014 and 602,886 for 2013	601	603
Additional paid in capital	3,023	3,073
Retained earnings	27,063	25,072
Accumulated other comprehensive income	2,037	582
TOTAL SHAREHOLDERS' EQUITY	39,195	35,801
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 368,411	$ 363,413

Independent Auditors' Report


CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Dollars in Thousands, Except Per Share Data)

	2014	2013
INTEREST INCOME:		
Interest and fees on loans	$ 13,906	$ 13,871
Obligations of U.S. Government agencies and corporations	254	266
Collatoralized mortgage obligations	1,172	1,146
Obligations of states and political subdivisions	959	1,037
Bank balances and other securities	51	68
Total interest income	16,342	16,388
INTEREST EXPENSE:		
Interest -bearing deposits	326	351
Time certificates over $100,000	549	669
Short term borrowings	19	49
Total interest expense	894	1,069
NET INTEREST INCOME	15,448	15,319
PROVISIONS FOR LOAN LOSSES	350	550
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	15,098	14,769
NONINTEREST INCOME:		
Service charges on deposit and checking accounts	1,685	1,856
Other fee income	574	724
Gain on sale of securities	88	148
Gain on sale of loans	286	454
Gain on sale of building	1,884	-
Other operating income	1,352	1,612
Total noninterest income	5,869	4,794
NONINTEREST EXPENSE:		
Salaries and employee benefits	9,870	10,123
Occupancy	1,593	1,737
Furniture and equipment	831	833
Data Processing	873	718
Office expense	653	820
Professional fees	1,022	877
FDIC assessment	402	505
Other	2,359	2,306
Total noninterest expense	$ 17,603	$ 17,919

IBW FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Dollars in Thousands, Except Per Share Data)

	2014	2013
Income Before Provision For Income Taxes	$ 3,364	$ 1,644
Income Tax Provision	1,150	442
Net Income	2,214	1,202
Preferred Stock Dividends	(145)	(145)
Net Income Available To Common Shareholders	$ 2,069	$ 1,057
Basic And Diluted Net Income Per Common Share	$ 3.43	$ 1.75
Weighted Average Common Shares Outstanding	602,863	604,280
Per Share Common Stock Dividends	$ 0.13	$ 0.13

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Dollars in Thousands)

	2014	2013
Net Income	$ 2,214	$ 1,202
Other comprehensive income, before tax:		
Securities available for sale:		
Unrealized holding gains (losses) arising during the period	2,206	(3,550)
Reclassification adjustment for gains (losses) included in net income	87	148
Other comprehensive income (loss), before tax	2,293	(3,402)
Income tax (expense) benefit effect	(837)	1,007
Other comprehensive income (loss), net of tax	1,456	(2,395)
Total comprehensive income (loss)	$ 3,670	$ (1,193)

See notes to consolidated financial statements

Independent Auditors' Report

IBW FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Dollars in Thousands, Except per Share Data)

	Preferred Sock	Common Stock	Additional Paid-in-capital	Retained Earnings	Accumulated Other Comprehensive (Loss)	Total
BALANCE, JANUARY 1, 2013	$ 6,471	$ 604	$ 3,118	$ 24,094	$ 2,977	$ 37,264
Net income	-	-	-	1,202	-	1,202
Unrealized gain on securities available-for-sale	-	-	-	-	(2,395)	(2,395)
Retirement of common stock	-	(1)	(45)	-	-	(46)
Cash dividends paid:						
Preferred stock - Series A - $1.25 per share	-	-	-	(25)	-	(25)
Preferred stock - Series D - $.20 per share	-	-	-	(120)	-	(120)
Common stock $.13 per share	-	-	-	(79)	-	(79)
BALANCE, DECEMBER 31, 2013	6,471	603	3,073	25,072	582	35,801
Net income	-	-	-	2,214	-	2,214
Unrealized gain on securities available-for-sale	-	-	-	-	1,455	1,455
Retirement of common stock	-	(2)	(50)	-	-	(52)
Cash dividends paid:						
Preferred stock - Series A - $1.25 per share	-	-	-	(25)	-	(25)
Preferred stock - Series D - $.20 per share	-	-	-	(120)	-	(120)
Common stock $.13 per share	-	-	-	(78)	-	-78
BALANCE, DECEMBER 31, 2014	$ 6,471	$ 601	$ 3,023	$ 27,063	$ 2,037	$ 39,195

See notes to consolidated financial statements

IBW FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Dollars in Thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,214	$ 1,202
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	493	476
Net amortization on investments	(704)	-
Bank Owned Life Insurance	(240)	(156)
Provision for loan losses	350	550
Deferred income taxes	(362)	(171)
Gain on sale of loans	(286)	(454)
Gain on sale of building	(1,884)	-
Originations of loans held for sale	(10,790)	(10,859)
Proceeds from sales of loans held for sale	11,067	10,705
Gain on sale of investment securities	(88)	(148)
Loss on sale of oreo	12	-
Decrease in accrued interest receivable	173	68
Decrease (increase) in other assets	825	(6)
Increase (decrease) in accrued expenses and other liabilities	587	282
Net cash provided by operating activities	1,367	1,489
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from principal payments on securities available-for-sale	13,325	16,056
Proceeds from sale of securities available-for-sale	18,499	11,086
Purchase of securities available-for-sale	(19,179)	(24,354)
Proceeds from sale of oreo	267	-
Net decrease in interest-bearing deposits in banks	6,853	6,322
Net increase in loans	(20,750)	(8,106)
Purchase of bank premises and equipment	(1,196)	(533)
Net cash (used in) provided byinvesting activities	(2,181)	471

Independent Auditors' Report


IBW FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Dollars in Thousands)

	2014	2013
CASH FLOWS FROM FINANCES ACTIVITIES:		
Net increase in deposits	$ 7,273	$ 16,955
Net decrease in short term borrowing	(6,255)	(16,527)
Dividends paid	(223)	(224)
Retirement of common stock	(52)	(46)
Net cash provided by financing activities	743	158
Net (Decrease) Increase In Cash And Cash Equivalents	(71)	2,118
Cash And Cash Equivalents At Beginning Of Year	4,861	2,743
	$ 4,790	$ 4,861
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Income tax payments	$ 60	$ 197
Interest payments	$ 895	$ 1,081
Transfer from loans to other real estate owned	$0	$279

See notes to consolidated financial statements

IBW Financial Corporation and Subsidiary

Notes To Consolidated Statements
Years Ended December 31, 2014 and 2013 (Dollars in Thousands)

1. Summary Of Significant Accounting Policies

IBW Financial Corporation (the "Corporation") is a one bank holding company for its wholly owned subsidiary, Industrial Bank, (the "Bank"). The accounting and reporting policies of IBW Financial Corporation and subsidiary (the "Company") conform to accounting principles generally accepted in the United States of America and prevailing practices within the banking industry. The following summarizes the significant accounting policies. We have evaluated subsequent events for possible disclosure through the date of the audit report date.

Consolidation - The consolidated financial statements include the accounts of the Corporation and the Bank. All significant inter-company transactions and balances have eliminated.

Nature of Business - The principal business of the Company is to make loans and other investments and to accept time and demand deposits. The Company's primary market areas are in the District of Columbia and surrounding areas, although the Company's business development efforts generate business outside of these areas. The Company offers a broad range of banking products, including a full line of business and personal savings and certificates of deposit, and other banking services. The Company funds a variety of loan types including commercial term loans and residential real estate loans, and lines of credit, consumer loans, and letters of credit. The Company's customers are primarily individuals and small businesses.

Use of Estimates – The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. In addition, there are inherent risks and uncertainties related to the operation of a financial institution, such as credit and interest rate risk. The possibility exists that because of changing economic conditions; unforeseen changes could occur and have an adverse effect on the Company's financial position.

Material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the allowance for loan losses. Management believes that the allowance for loan losses is sufficient to address the risks in the current loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination processes, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examinations.

Other material estimates that are particularly susceptible to significant change in the near-term relate to the determination of the valuation of foreclosed real estate, intangible assets, deferred income taxes and other than temporary impairment of investment securities.

Investment Securities – The Company may segregate its investments securities into the following three categories: trading, held-to-maturity, and available-for-sale. Trading securities are purchased and held principally for the purpose of reselling them within a short period of time. Their unrealized gains and losses are included in earnings. Securities classified as held-to-maturity are accounted for at amortized cost, and require the Company to have both positive intent and ability to hold these securities to maturity. Securities not classified as either trading or held-to-maturity are considered to be available-for-sale. Unrealized gains and losses on available-for-sale securities are excluded from earnings and reported, net of deferred taxes, as accumulated other comprehensive income, a separate component of shareholders' equity. Realized gains or losses on the sale of investment securities are reported in earnings and determined using the adjusted cost of the specific security sold. Investment in Federal Reserve Bank and Federal Home Loan Bank stock are considered restricted as to marketability. Because no ready market exists for these stocks, the Bank's investment is carried at cost. Declines

Independent Auditors' Report

in the fair value of individual securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. Factors affecting the determination of whether other-than-temporary impairment has occurred include a downgrading of the security by a rating agency, a significant deterioration in the financial condition of the issuer or that management would not have the intent and ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value. The Company classifies all of its securities as available-for-sale.

Loans – Loans are reported at the principal amount outstanding net of deferred fees and costs and the allowance for possible loan losses. Interest on loans is accrued at the contractual rate based upon the principal amount outstanding. Loans fees and related direct loan origination costs are deferred and recognized a part of interest income over the life of the loan as an adjustment to the loan yield. Loans are placed on non-accrual status when management deems the collectability of interest is doubtful. Interest ultimately collected is recorded in the period received as a reduction of the principal loan balance. Accruals are resumed on loans only when they are brought fully current with respect to interest and principal and when, in the judgment of management, the loan is estimated to be fully collectible as to both principal and interest.

Loans are considered impaired when, based on current information, it is probable that the Company will not collect all principal and interest payments according to contractual terms. Generally, loans are considered impaired once principal and interest payments are past due more than 90 days and they are placed on non-accrual. Management also considers the financial condition of the borrower, cash flows of the loan and the value of the related collateral. Impaired loans do not include large groups of smaller balance homogenous credits such as residential real estate, consumer installment loans, and commercial leases, which are evaluated collectively for impairment. Loans specifically reviewed for impairment are not considered impaired during periods of "minimal delay" in payment (usually ninety days or less) provided eventual collection of all amounts due is expected. The impairment of a loan is measured based upon the present value of future cash flows discounted at the loan's effective interest rate, except that as a practical alternative, the Company may measure impairment based on a loan's observable market price or the fair value of the collateral, if the loan is collateral dependent. The Company recognizes interest income on impaired loans on a cash basis if the borrower demonstrates the ability to meet the contractual obligation and collateral is sufficient. If there is doubt regarding the borrower's ability to make payments or the collateral is not sufficient, payments received are accounted for as reduction in principal.

Loans Held for Sale – Loans originated for sale are carried at the lower of aggregate cost or market. Market value is based on commitments from investors. Gains and losses on sales are determined using the specific identification method.

Allowance for Loan Losses – The allowance for loan losses is maintained at a level management believes to be adequate to absorb probable losses inherent in the loan portfolio. The calculation is based on the size and current risk characteristics of the loan portfolio, an assessment of individual problem loans and actual loss experience, current economic events in specific industries or geographical areas, these events would include unemployment levels, and other pertinent factors, including regulatory guidance and general economic conditions. Determination of the allowance is inherently subjective as it requires significant estimates, including the amounts and timing of expected future cash flows on impaired loans, estimated losses on pools of homogenous loans based on historical loss experience, and consideration of current economic trends, all of which may be susceptible to significant change. Loan losses are charged off against the allowance, while recoveries of amounts previously charged off are credited to the allowance. A provision for loan losses is charged to operations based on management's periodic evaluation of the factors previously mentioned, as well as other pertinent factors. Evaluations are conducted at least quarterly or more often if deemed necessary.

The allowance for loan losses consists of a specific component and a nonspecific component. The components of the allowance for loan losses represent an estimation done pursuant to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 450 Contingencies and ASC Topic 310 Receivables. The specific component of the allowance for loan losses reflects expected losses resulting from analysis developed through credit allocations for individual loans and historical loss experience for each loan category. The specific credit allocations are based on a regular analysis of all loans over a fixed-dollar amount where the internal credit rating is at or below a predetermined classification. The historical loan loss element is determined statistically using a loss migration analysis that examines loss experience and the related internal grading of loans charged-off. The loss migration analysis is performed quarterly and loss factors are updated regularly based on actual experience. The specific component of the allowance for loan losses also includes management's determination of the amounts necessary for concentrations and changes in portfolio mix and volume.

The nonspecific portion of the allowance reflects management's estimate of probable inherent but undetected losses within the portfolio due to uncertainties in economic conditions, delays in obtaining information, including unfavorable information about a borrower's financial condition, the difficulty in identifying triggering events that correlate perfectly to subsequent loss rates, and risk factors that have not yet manifested themselves in loss allocation factors. In addition, the nonspecific allowance includes a component that explicitly accounts for the inherent imprecision in loan loss migration models. Historical loss experience data used to establish estimates may not precisely correspond to the current portfolio. The uncertainty surrounding the strength and timing of economic cycles, including management's concerns over the effects of the prolonged economic downturn and also losses used in the migration analysis may not be representative of actual losses inherent in the portfolio that have not yet been realized.

Bank Premises and Equipment – Properties and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the assets. Useful lives range from three to 10 years for furniture, fixtures, and equipment; three to five years for software, hardware, and data handling equipment; and 10 to 40 years for buildings and building improvements. Land improvements are amortized over a period of 15 years; and leasehold improvements amortized over the stated duration of the lease plus the optional renewal period, if applicable. Maintenance and repairs are charged to expense as incurred, while improvements which extend the useful life are capitalized and depreciated over the estimated remaining life of the asset.

Long-lived depreciable assets are evaluated periodically for impairment when events or changes in the circumstances indicate the carrying amount may not be recoverable. Impairment exists when the expected undiscounted future cash flows of a long-lived asset are less than its carrying value. In that event, the Company recognizes a loss for the estimated fair value of the asset based on a quoted market price, if applicable, or a discounted cash flow analysis.

Advertising Costs – Advertising costs are generally expensed as incurred. Advertising expenses totaled $274 and $218 for the years ended December 31, 2014 and 2013, respectively.

Other Real Estate Owned – Other real estate owned represents properties acquired through foreclosures or other proceedings in satisfaction of indebtedness. At the date of acquisition such property is recorded at the lower of cost or fair value less estimated costs to sell. Write-down to fair value, less estimated costs to sell, at the date of acquisition is charged to the allowance for loan losses. Subsequent declines in fair value, operating expenses, and gains or losses on the disposition of other real estate are reported in noninterest expense. The amounts the Company will ultimately realize on disposition of these properties could differ from management's current estimates.

Transfer of Financial Assets – Transfer of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Fair Value Measurements – The Company follows the guidance of ASC Topic 825, The Fair Value Option for Financial Assets and Liabilities and ASC Topic 820, Fair Value Measurements. ASC Topic 825 permits entities to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. ASC Topic 820 clarifies that fair value is an exit price, representing the amount that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants. Under ASC Topic 820, fair value measurements are not adjusted

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for transaction costs. ASC topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Foreclosed properties are adjusted to fair value upon transfer of the loans to foreclosed properties. Subsequently, foreclosed properties are carried at the lower of carrying value or fair value. The estimated fair value for foreclosed properties included in Level 3 is determined by independent market based appraisals and other available market information, less cost to sell, that may be reduced further based on market expectations or an executed sales agreement. If fair value of the collateral deteriorates subsequent to initial recognition, the Company records the foreclosed properties as a nonrecurring Level 3 adjustment. Valuation techniques are consistent with those techniques applied in prior periods.

Earnings Per Share ("EPS") – Net income (loss) available to common shareholders is adjusted to give effect to dividends on preferred stock. Net income available to common shareholders for basic and diluted EPS purposes is $2,069 and $1,057 for the years ended December 31, 2014 and 2013, respectively. EPS is computed based on the weighted average number of common shares outstanding during the year (for 2014 602,863 and 604,280 for 2013). Basic and diluted EPS are the same, as the Company had no dilutive common stock equivalents outstanding as of December 31, 2014 or 2013 and for the years then ended.

Income Taxes – The Company and its wholly owned subsidiary file a consolidated federal income tax return. Deferred income tax assets and liabilities are computed annually for differences between financial statement and tax bases of assets and liabilities that will results in taxable or deductible amounts in the future based on the enacted tax laws and rates applicable to periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. Income tax expense is based upon the results of operations, adjusted for permanent differences between items of income or expense reported in the financial statements and those reported for tax purposes. The Company does not have any uncertain tax positions and did not recognize any adjustments for unrecognized tax benefits. The Company remains subject to examination for income tax returns ending after December 31, 2010.

Cash and Cash Equivalents – For purposes of the consolidated statement of cash flows, cash equivalents are highly liquid investments with original maturities of three months or less. Included in cash and due from banks were required deposits at the Federal Reserve Bank of approximately $181 for 2014 and $147 for 2013.

Bank Owned Life Insurance - The Bank purchased single-premium life insurance on certain employees of the Bank. Appreciation in value of the insurance policies is classified as noninterest income.

Comprehensive income - Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income.

Valuation of long-lived assets - The Company accounts for the valuation of long-lived assets under ASC Topic 360 Property, Plant and Equipment. This guidance requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Compensating Balances - Compensating balance arrangements exist with various correspondent banks. These noninterest-bearing deposits are maintained in lieu of cash payments for standard bank services. The required balances amounted to $1,101 million and $1,052 million at December 31, 2014 and 2013, respectively.

2. Investment Securities

At December 31, 2014 and 2013, the amortized cost and estimated fair value of securities available-for-sale were as follows (in thousands):

	December 31, 2014			
	Amortised Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
US Government Agencies	$ 5,552	$ 622		$ 6,174
Mortgage-Backed Securities:				
Pass-through securities:				
Issued by FEMA and FHLMC	10,809	318		11,127
Collateralized Mortgage Obligations:				
Collateralized by FNMA, FHLMC and GNMA mortgage-backed securities	29,225	984	(36)	30,173
Private label mortgage-backed securities	2,000		(445)	1,555
Securities issued by states and political subdivisions:				
General Obligations:	15,930	1,596		17,526
Revenue Obligations:	1,049	90		1,139
Total Debt Securities	**64,565**	**3,610**	**(481)**	**67,694**
Federal Home Loan Bank stock	1,137			1,137
Marketable equity securities	126		(40)	86
Total equity securities	1,263		(40)	1,123
TOTAL	**$ 65,828**	**$ 3,610**	**$ (521)**	**68,917**

	December 31, 2013			
	Amortised Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
US Government Agencies	$ 5,558	$ 270		$ 5,828
Mortgage-Backed Securities:				
Pass-through securities:				
Issued by FEMA and FHLMC	9,062	206		9,268
Collateralized Mortgage Obligations:				
Collateralized by FNMA, FHLMC and GNMA mortgage-backed securities	33,167	727	(50)	33,844
Private label mortgage-backed securities	6,000		(1,106)	4,894
Securities issued by states and political subdivisions:				
General Obligations:	19,780	776	(91)	20,465
Revenue Obligations:	1,049	90	(65)	2,509
Total Debt Securities	**75,970**	**2,150**	**(1,312)**	**76,808**
Federal Home Loan Bank stock	1,137			1,137
Marketable equity securities	126		(40)	86
Total equity securities	1,463		(40)	1,423
TOTAL	**$ 77,433**	**$ 2,150**	**$ (1,352)**	**78,231**

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Gross unrealized losses and fair value by length of time that the individual available-for-sale securities have been in a continuous unrealized loss position at December 31, 2014 and 2013 are as follows (in thousands):

Continuous unrealized losses existing for:

December 31, 2014	**Fair Value**	**Less than 12 months**	**More than 12 months**	**Total Unrealized Losses**
Collateralized Mortgage Obligations:	$ 1,513	$ -	$ 36	$ 36
Private label mortgage-backed securities	1,555	-	445	445
Securities issued by states and political subdivisions:		-	-	-
Marketable equity securities	126	-	40	40
	$ 3,194	**$ -**	**$ 521**	**$ 521**

December 31, 2013	**Fair Value**	**Less than 12 months**	**More than 12 months**	**Total Unrealized Losses**
Collateralized Mortgage Obligations:	$ 3,220	$ -	$ 50	$ 50
Private label mortgage-backed securities	6,000	-	1,106	1,106
Securities issued by states and political subdivisions:	4,897	-	156	156
Marketable equity securities	126	-	40	40
	$ 14,243	**$ -**	**$ 1,352**	**$ (1,352)**

The available-for-sale investment portfolio has a fair value of approximately $69 million of which approximately $3 million of the securities have some unrealized losses from their purchase price.

The securities representing the unrealized losses in the available-for-sale portfolio all have modest duration risk, high credit risk, and represents 50% of the carrying value. The unrealized losses that exist are the result of market changes in interest rates since the original purchase and credit deterioration.

Management systematically evaluates investment securities for other-than-temporary declines in fair value on a quarterly basis. This analysis requires management to consider various factors, which include (1) duration and magnitude of the decline in value, (2) the financial condition of the issuer and (3) structure of the security. An impairment loss is recognized in earnings only when (1) the Company intends to sell the debt security; (2) it is more likely than not the Company will be required to sell the security before recovery of its amortized cost basis or (3) the Company does not expect to recover the entire amortized cost basis of the security. In situations where the Company intends to sell or when it is more likely than not that the Company will be required to sell the security, the entire impairment loss must be recognized in earnings. In all other situations, only the portion of the impairment loss representing the credit loss must be recognized in earnings, with the remaining loss recognized in shareholder's equity as a component of other comprehensive income, net of deferred taxes, losses in the available-for-sale portfolio are temporary.

The following is a summary of the amortized cost and estimated fair value of debt and equity securities available-for-sale by contractual maturity as of December 31, 2014. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortised Cost (in thousands)	**Estimated Fair Value** (in thousands)
Due in one year or less	$ -	$ -
Due after one year through five years	630	658
Due five through ten years	7,149	7,883
Due after ten years	14,752	15,298
Private label mortgage-back securities	2,000	1,555
Pass through	10,809	11,127
Mortgage-backed securities	29,225	31,173
Total Debt Securities	**64,565**	**67,694**
Federal Home Loan Bank stock	1,137	1,137
Marketable equity securities	126	86
Total Debt Securities	**1,263**	**1,223**
TOTAL	**$ 65,828**	**$ 68,917**

Proceeds from the sale of securities available-for-sale were $18,499 and $11,086 for the years ended December 31, 2014 and 2013, respectively, and resulted in realized gains of $88 for 2014 and realized gains of $148 for 2013.

Securities of $31,063 and $31,063 at December 31, 2014 and 2013 were pledged as collateral for public deposits and for other purposes required by law. At December 31, 2014 and 2013, carrying value of securities underlying repurchase agreements was $9,845 and $10,405, respectively.

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3. Loans Receivable

Loans receivable and allowance for loan losses consist of the following (in thousands) at December 31, 2014 and 2013:

	2014	2013
Real estate-construction and land development	$ 23,825	$ 25,200
Real estate-mortgage:		
Commercial properties	111,327	102,585
Residential properties	101,792	94,831
Total Debt Securities	**236,944**	**222,616**
Commercial and industrial	23,230	16,859
Consumer	1,441	1,355
Total Loans	**261,615**	**240,830**
Less allowance for loan losses	(4,732)	(4,447)
Less Deferred Fees and costs, net	(1,277)	(1,177)
Net loans	**$ 255,606**	**$ 235,206**

Major loan concentrations are as follows (in thousands:)

	2014	2013
Church loan collateralized by real estate	$ 50,598	$ 50,278
Commercial loans to churches	776	604
Total loans to churches	**$ 51,374**	**$ 50,882**

Substantially all of the Bank's loans have been made to borrowers within the Washington, DC metropolitan area. Accordingly, the ability of the Bank's borrowers to repay their loans is dependent upon the economy in the Washington, DC metropolitan area.

A summary of transactions in the allowance for loan losses is as follows (in thousands) for the years ended December 31, 2014 and 2013:

2014	Construction and Land Development	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer	Total
(dollars in thousands)						
Allowance for loan losses:						
Beginning balance	$ 435	$ 1,481	$ 728	$ 1,503	$ 300	$ 4,447
Charge-offs	-	$ (134)	$ (431)	$ (331)	$ (129)	$ (1,025)
Recoveries	682	$ 17	$ -	$ 163	$ 98	$ 960
Provisions	32	$ 147	$ 136	$ 31	$ 4	$ 350
Ending Balance	**$ 1,149**	**$ 1,511**	**$ 433**	**$ 1,366**	**$ 273**	**$ 4,732**
Ending Balance: individually evaluated for impairment	**$ -**	**$ -**	**$ 867**	**$ 504**	**$ 28**	**$ 1,399**
Ending Balance: collectively evaluated for impairment	**$ 1,149**	**$ 1,511**	**$ (434)**	**$ 862**	**$ 245**	**$ 3,333**
Loans:						
Ending Balance	**$ 23,825**	**$ 111,327**	**$ 101,792**	**$ 23,230**	**$ 1,442**	**$ 261,616**
Ending Balance: individually evaluated for impairment	**$ 834**	**$ 2,082**	**$ 9,754**	**$ 3,104**	**$ 216**	**$ 15,990**
Ending Balance: collectively evaluated for impairment	**$ 22,991**	**$ 109,245**	**$ 92,038**	**$ 20,126**	**$ 1,226**	**$ 245,626**

2013	Construction and Land Development	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer	Total
(dollars in thousands)						
Allowance for loan losses:						
Beginning balance	$ 1,042	$ 1,501	$ 717	$ 1,386	$ 374	$ 5,020
Charge-offs	(668)	$ (398)	$ (81)	$ -	$ (139)	$ (1,286)
Recoveries	-	$ 40	$ -	$ 73	$ 50	$ 163
Provisions	61	$ 338	$ 92	$ 44	$ 15	$ 550
Ending Balance	**$ 435**	**$ 1,481**	**$ 728**	**$ 1,503**	**$ 300**	**$ 4,447**
Ending Balance: individually evaluated for impairment	**$ -**	**$ -**	**$ 384**	**$ (24)**	**$ -**	**$ 360**
Ending Balance: collectively evaluated for impairment	**$ 435**	**$ 1,481**	**$ 344**	**$ 1,479**	**$ 300**	**$ 4,087**
Loans:						
Ending Balance	**$ 25,200**	**$ 102,585**	**$ 96,300**	**$ 15,390**	**$ 1,355**	**$ 240,830**
Ending Balance: individually evaluated for impairment	**$ 2,440**	**$ 2,603**	**$ 10,930**	**$ 583**	**$ 254**	**$ 16,810**
Ending Balance: collectively evaluated for impairment	**$ 22,760**	**$ 99,982**	**$ 85,370**	**$ 14,807**	**$ 1,101**	**$ 224,020**

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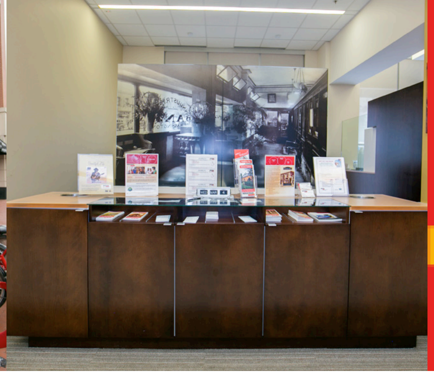

Credit quality indicators as of December 31, 2014 and 2013 are as follows:

Internally assigned grade:

Pass – loans in this category have strong asset quality and liquidity along with a multi-year track record of profitability.

Special mention – loans in this category are currently protected but are potentially weak. The credit risk may be relatively minor, yet constitute an increased risk in light of the circumstances surrounding a specific loan.

Substandard – loans in this category show signs of continuing negative financial trends and unprofitability and therefore, is inadequately protected by the current soundness and paying capacity of the obligor or of the collateral pledged, if any.

Doubtful – loans in this category are illiquid and highly leveraged, have negative net worth, cash flow, and continuing trend serious losses. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors which may work to the advantage and strengthening of the asset, its classification as loss is deferred until its more exact status may be determined.

Loss - loans in this category are considered uncollectible and of such little value that their continuance as bankable loans is not warranted. This classification does not mean that the loan has no recovery value, but that it is not practical to defer writing it off, even though partial recovery may be affected in the future. Such credits should be recommended for charge-off.

The information for each of the credit quality indicators is updated on a quarterly basis in conjunction with the determination of the adequacy of the allowance for loan losses.

Commercial credit exposure - Credit risk profile by internally assigned grade:

December 31, 2014	**Construction and Land Development**	**Commercial Real Estate**	**Commercial and Industrial**
(dollars in thousands)			
Pass	$ 22,695	$ 106,983	$ 19,444
Special mention	296	2,262	2,124
Substandard	834	2,082	1,662
Total	**$ 23,825**	**$ 111,327**	**$ 23,230**

December 31, 2013	**Construction and Land Development**	**Commercial Real Estate**	**Commercial and Industrial**
(dollars in thousands)			
Pass	$ 22,671	$ 94,499	$ 16,547
Special mention	89.00	5,646.00	45.00
Substandard	2,440.00	2,444.00	267.00
Total	**$ 25,200**	**$ 102,589**	**$ 16,859**

Information on impaired loans for the years ended December 31, 2014 and 2013 is as follows:

2014	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
(dollars in thousands)					
With no related allowance recorded:					
Contruction and land development	$ 834	$ 834	$ -	$ 921	$ 65
Commercial real estate	2,084	2,084	-	2,288	57
Residential real estate	-	-	-	-	-
Commercial and industrial	1,164	1,164	-	582	71
Consumer	216	216	28	225	1
Total	**$ 4,298**	**$ 4,298**	**$ 28**	**$ 4,016**	**$ 194**
With an allowance recorded:					
Contruction and land development	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-
Residential real estate	9,754	9,754	867	10,496	168
Commercial and industrial	1,940	1,940	504	697	82
Consumer	-	-	-	-	-
Total	**$ 11,694**	**$ 11,694**	**$ 1,371**	**$ 11,193**	**$ 250**
Total					
Contruction and land development	$ 834	$ 834	$ -	$ 921	$ 65
Commercial real estate	2,084	2,084	-	2,288	57
Residential real estate	9,754	9,754	867	10,496	168
Commercial and industrial	3,104	3,104	504	1,279	153
Consumer	216	216	28	225	1
Grand Total	**$ 15,992**	**$ 15,992**	**$ 1,399**	**$ 15,209**	**$ 444**

2013	**Recorded Investment**	**Unpaid Principal Balance**	**Related Allowance**	**Average Recorded Investment**	**Interest Income Recognized**
(dollars in thousands)					
With no related allowance recorded:					
Contruction and land development	$ 2,440	$ 2,440	$ -	$ 610	$ 86
Commercial real estate	2,603	2,603	-	6,660	80
Residential real estate	5,597	5,597	-	5,245	74
Commercial and industrial	433	433	-	380	10
Consumer	254	254	-	296	-
Total	**$ 11,327**	**$ 11,327**	**$ -**	**$ 13,191**	**$ 250**
With an allowance recorded:					
Contruction and land development	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-
Residential real estate	5,333	5,333	879	5,486	132
Commercial and industrial	150	150	24	50	10
Consumer	-	-	-	-	-
Total	**$ 5,483**	**$ 5,483**	**$ 903**	**$ 5,536**	**$ 142**
Total					
Contruction and land development	$ 2,440	$ 2,440	$ -	$ 610	$ 86
Commercial real estate	2,603	2,603	-	6,660	80
Residential real estate	10,930	10,930	879	10,731	206
Commercial and industrial	583	583	24	430	20
Consumer	254	254	-	296	-
Grand Total	**$ 16,810**	**$ 16,810**	**$ 903**	**$ 18,727**	**$ 392**

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Age analysis tables of past due loans as of December 31, 2014 and 2013 are as follows:

December 31, 2014	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Current	Total	Greater than 90 Days and Still Accruing
(dollars in thousands)						
With no related allowance recorded:						
Contruction and land development	$ -	$ -	$ -	$ 23,825	$ 23,825	$ -
Commercial real estate	$ 1,191	$ 402	$ 4,393	$ 105,340	$ 111,327	$ 2,548
Residential real estate	$ 3,896	$ 867	$ 5,675	$ 91,355	$ 101,792	$ -
Commercial and industrial	$ 1,295	$ 299	$ 342	$ 21,294	$ 23,230	$ -
Consumer	46	4	348	1,044	1,442	216
Total	**$ 6,428**	**$ 1,572**	**$ 10,758**	**$ 242,858**	**$ 261,616**	**$ 2,764**

December 31, 2013	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Current	Total	Greater than 90 Days and Still Accruing
(dollars in thousands)						
With no related allowance recorded:						
Contruction and land development	$ -	$ -	$ 1,440	$ 23,760	$ 25,200	$ -
Commercial real estate	759	144	5,002	69,680	102,585	2,202
Residential real estate	3,487	1,713	6,900	84,200	96,300	-
Commercial and industrial	2,180	10	500	14,169	15,390	174
Consumer	30	-	295	1,030	1,355	40
Total	**$ 6,456**	**$ 1,867**	**$ 14,137**	**$ 219,839**	**$ 240,830**	**$ 2,416**

Information on performing and nonaccrual loans as of December 31, 2014 and 2013 is as follows:

(dollars in thousands)	December 31, 2014
Impaired performing loans:	
Construction and land development	$ -
Commercial real estate	1,171
Residential real estate	-
Commercial and industrial	1,164
Consumer	-
Troubled debt restucturings:	
Construction and land development	-
Commercial real estate	1,171
Residential real estate	4,176
Commercial and industrial	-
Consumer	-
Total impaired performing loans	**$ 6,511**
Impaired performing loans (nonaccrual):	
Construction and land development	$ 834
Commercial real estate	-
Residential real estate	5,578
Commercial and industrial	1,940
Consumer	216
Troubled debt restucturings:	
Construction and land development	-
Commercial real estate	912
Residential real estate	-
Commercial and industrial	-
Consumer	-
Total impaired nonperforming loans (nonaccrual):	**$ 9,480**
Total impaired performing loans	**$ 15,991**

(dollars in thousands)	December 31, 2013
Impaired performing loans:	
Construction and land development	$ 1,000
Commercial real estate	1,242
Residential real estate	-
Commercial and industrial	267
Consumer	-
Troubled debt restucturings:	
Construction and land development	-
Commercial real estate	-
Residential real estate	4,128
Commercial and industrial	-
Consumer	-
Total impaired performing loans	**$ 6,637**
Impaired performing loans (nonaccrual):	
Construction and land development	$ 1,440
Commercial real estate	379
Residential real estate	6,802
Commercial and industrial	316
Consumer	254
Troubled debt restucturings:	
Construction and land development	-
Commercial real estate	982
Residential real estate	-
Commercial and industrial	-
Consumer	-
Total impaired nonperforming loans (nonaccrual):	**$ 10,173**
Total impaired performing loans	**$ 16,810**

Information on troubled debt restructurings for the year ended December 31, 2014 and 2013 is as follows:

December 31, 2014	Number of contracts	Pre-modification outstanding recorded investment	Post-modification outstanding recorded investment
(dollars in thousands)			
Troubled debt restructurings: Residential real estate	1	$329	$326
December 31, 2013			
(dollars in thousands)			
Troubled debt restructurings: Residential real estate	5	$1,273	$995

Year	Number Modified	Amount	Number Defaults	Amount Defaults
2014	1	$329	4	$1,049
2013	5	$1,273	1	$244

Note: All of the modifications and defaults were residential loans for both 2014 and 2013.

Loans serviced for others and not reflected in the balance sheets are $1,838 and $2,712 at December 31, 2014 and 2013, respectively. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and foreclosure processing. Loan servicing income is recorded on the accrual basis and includes servicing fees from investors and certain charges collected from borrowers, such as late payment fees. There were no mortgage servicing rights capitalized during 2014 and 2013.

4. Bank Premises And Equipment

The major categories of bank premises and equipment are as follows (in thousands):

	2014	2013
Bank premises	$5,992	$5,565
Furniture, fixture, and equipment	$8,896	$8,703
Total	**$14,888**	**$14,268**
Less accumulated depreciation	$10,860	$10,732
Bank premised and equipment, net	$4,028	$3,536

Depreciation expense for the years ended December 31, 2014 and 2013 was $493 and $476, respectively.

5. Deposits

At December 31, 2014 and 2013, certificates of deposit of $100,000 or more totaled $99 million and $97 million, respectively. Interest expense on these deposits was $549 in 2014 and $669 in 2013. At December 31, 2014, the scheduled maturities of certificates of deposit greater than $100,000 are as follows (in thousands):

2015	$66,296
2016	$13,334
2017	$19,229
	$98,859

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6. Loans Short-Term Borrowing

The following table summarizes information for short-term borrowings for the years ended December 31:

(dollars in thousands)	**2014** *Amount*	**2014** *Rate*	**2013** *Amount*	**2013** *Rate*
At Year End:				
Federal Home Loan Bank advances	$ 18,000	0.35%	$ 20,000	0.17%
Retail repurchase agreements	126	0.20%	9,629	0.20%
Total	**$ 3,194**	**0.30%**	**$ 29,629**	**0.18%**
Average for the Year:				
Federal Home Loan Bank advances	$ 2,507	0.19%	$ 5,328	0.17%
Retail repurchase agreements	7,020	0.19%	11,890	0.20%
Maximum Month-end Balance:				
Federal Home Loan Bank advances	$ 18,000		$ 20,000	
Retail repurchase agreements	8,358		13,692	

Securities sold under agreements to repurchase are securities sold to customers, at the customers' request under a "roll-over" contract that matures in one business day. The underlying securities sold are Government agency securities, which are segregated in the Company's custodial accounts from other investment securities.

The Company may periodically borrow under a secured line of credit from the Federal Home Loan Bank to meet short-term liquidity needs.

7. Regulatory Matters

The Corporation and the Bank are subject to various regulatory capital requirements by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and its classification under the regulatory framework for prompt corrective action are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios of Total and Tier 1 capital, as defined in the regulations, to risk-weighted assets, as defined, and of Tier 1 Capital, as defined, to average assets, as defined. Management believes, as of December 31, 2014 and 2013, that the Corporation and Bank meet all the capital adequacy requirements to which they are subject.

As of December 31, 2014, the most recent notification from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as adequately capitalized, the bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios, as set forth in the table below. There are no conditions or events since that notification that management believes have changed the institution's category.

The Corporation's and the Bank's required and actual capital amounts and ratios at December 31, 2014 and 2013, are set forth in the following table (in thousands):

	Actual *Amount*	*Ratio*	**For Capital Adequacy Purposes** *Amount*	**2013** *Rate*	**To be Categorized as Well Capitalized Under Prompt Corrective Action Provisions** *Amount*	**2013** *Rate*
As of December 31, 2014						
Total capital (to risk-weighted assets)						
Corporation	$ 40,027	17.58%	$ 18,634	8.00%	NA	NA
Bank	39,000	17.01%	18,336	8.00%	$ 22,919	10.00%
Teir I capital (to risk-weighted assets)						
Corporation	$ 37,128	16.32%	$ 9,317	4.00%	NA	NA
Bank	36,112	15.75%	9,168	4.00%	$ 13,752	6.00%
Teir I capital (to average assets)						
Corporation	$ 37,128	10.24%	$ 14,051	4.00%	NA	NA
Bank	36,112	9.96%	14,500	4.00%	$ 18,125	5.00%
As of December 31, 2013						
Total capital (to risk-weighted assets)						
Corporation	$ 38,150	16.37%	$ 18,634	8.00%	NA	NA
Bank	37,564	16.03%	18,745	8.00%	$ 23,432	10.00%
Teir I capital (to risk-weighted assets)						
Corporation	$ 35,219	15.11%	$ 9,317	4.00%	NA	NA
Bank	34,616	14.77%	9,373	4.00%	$ 14,059	6.00%
Teir I capital (to average assets)						
Corporation	$ 35,219	10.03%	$ 14,051	4.00%	NA	NA
Bank	43,616	9.86%	14,038	4.00%	$ 17,548	5.00%

Income Taxes

The provision for income taxes consists of the following (in thousands) for the years ended December 31:

	2014	**2013**
Current:		
Federal income tax	$679	$183
State income tax	$109	$88
	$788	**$271**
Deferred:		
Federal income tax	$312	$147
State income tax	$50	$24
	$362	**$171**
Total	**$1,150**	**$442**

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The components of the deferred tax benefit resulting from net temporary differences are as follows (in thousands) for the years ended December 31:

	2014	2013
Provisions for losses on loans and other real estate owned	$ (107)	$ 325
Deferred loan fees	(11)	(54)
Depreciation	98	(34)
Other than temporary loss	401	0
ATM credits	(172)	0
Non accrual interest	$153	-$66
	$362	**$171**

The following reconciles the federal statutory income tax rate of 34% to the effective income tax rate (in thousands) for the years ended December 31:

		Amount	Percent		Amount	Percent
Federal tax expense at statutory rate	$	1,144	17.58%	$	559	34.00%
State tax expense, net of federal tax benefit		161	17.01%		67	4.10%
Tax-exempt interest		(117)	(3.5%)		(131)	(8.0%)
Bank Owned Life Insurance		(84)	(2.5%)		(88)	(5.3%)
Other		46	1.40%		35	2.10%
Total	**$**	**1,150**	**34.20%**	**$**	**442**	**26.90%**

The tax effects of items compromising the Company's deferred tax assets (liabilities) at December 31, 2014 and 2013 are as follows (in thousands):

	2014	2013
Deferred tax assets:		
Allowance for losses on loans and other real estate owned	$1,205	$1,098
Deferred loan fees	$109	$179
Other than temporary loss	$0	$401
AMT Credit	$830	$658
Non accrual interest	$169	$322
Total deferred tax assets	**$2,394**	**$2,658**
Deferred tax liabilities:		
Depreciation	(224)	(126)
Unrealized gain on available-for-sale securities	(980)	(257)
Total deferred tax liabilities	**(1204)**	**(383)**
Net deferred tax assets	**$1,190**	**$2,275**

8. Profit Sharing Plan

The Company has a profit sharing plan, qualifying under Section 401(k) of the Internal Revenue Code, for those employees who meet the eligibility requirements set forth in the plan. The plan does not require the Company to match the participants' contributions. The Company contributions to the plan were $234 and $228 for 2014 and 2013, respectively.

9. Employee Stock Ownership Plan

In 1986, the Bank implemented an Employee Stock Ownership Plan ("ESOP") that covers substantially all full-time employees. No contributions were made in 2014 or 2013. During 2006, the ESOP was terminated and rolled into the existing 401K plan thus becoming a KSOP. Shares held by the participants totaled 19,803 or 3.29% of the Company's stock at December 31, 2014.

10. Commitments and Contingencies

In the normal course of business, there are outstanding various commitments and contingent liabilities, such as commitments to extend credit, which are not shown in the accompanying consolidated financial statements. The Company does not anticipate any material losses as a result of these transactions. At December 31, 2014 and 2013, the Bank had commitment to fund loans outstanding for approximately $18,021 and $17,889 respectively. The Bank also has standby letters of credit outstanding at December 31, 2014 and 2014 in the amount of $625 and $428 respectively. Such commitments and standby letters of credit are subject to the Bank's normal underwriting standards. Since many of the commitments are expected to expire without being completely drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

At December 31, 2014, the Bank was committed for future minimum annual payments under no cancelable long-term lease agreements for the rental of office space as follows (in thousands):

2016	539
2017	284
Total	**$823**

Rent expense for years ended December 31, 2014 and 2013 was $678 and $782, respectively.

11. Fair Value Measurements And Estimated Fair Value of Financial Instruments

Effective January, 2008, the Company adopted FASBASC Topic 820, "Fair Value Measurements " and FASB ASC Topic 825, "the Fair Value Option for Financial Assets and Financial Liabilities" which provides a framework for measuring and disclosing fair value under generally accepted accounting principles. FASB ASC Topic 820 requires disclosures about the fair value of assets and liabilities recognized in the balance sheet in periods subsequent to initial recognition, whether the measurements are made on a recurring basis (for example, available for sale investment securities) or on a nonrecurring basis (for example, impaired loans).

FASB ASC Topic 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. FASB ASC Topic 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Company utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Company may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, loans held for investment and certain other assets. These nonrecurring fair value adjustments typically involve application of lower of cost or market accounting or write-downs of individual assets.

Under FASB ASC Topic 820, the Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine the fair value.
These hierarchy levels are:

Level 1 Valuation for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for

Market transactions involving identical assets or liabilities.

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Level 2 Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The types of instruments valued based on quoted market prices in active markets include most U.S. government and agency securities, liquid mortgage products, active listed equities and most money market securities. Such instruments are generally classified within Level 1 or Level 2 of the fair value hierarchy. As required by FASB ASC Topic 820, the Company does not adjust the quoted price for such instruments.

The types of instruments valued based on quoted prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency include most investment-grade and high-yield corporate bonds, less liquid mortgage products, less liquid equities, state, municipal and provincial obligations and certain physical commodities.

Such instruments are generally classified within Level 2 of the fair value hierarchy. Level 3 is for positions that are not traded in actual markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence, management's best estimate is used.

Impaired loans are evaluated and valued at the time the loan is identified as impaired, at the lower of cost or market value. Market value is measured based on the value of the collateral securing these loans and is classified at a Level 3 in the fair value hierarchy. Collateral may be real estate and/or accounts receivable. The value of real estate collateral is determined based on appraisal by qualified licensed appraisers hired by the Company. The value of business equipment, inventory and accounts receivable collateral is based on the net book value on the business' financial statements and, if necessary, discounted based on management's review and analysis. Appraised and reported values may be based upon knowledge changes in market conditions from the time of valuation, and/or management's expertise and knowledge of the client and client's business. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly, based on the same factors identified above.

The following table sets forth the Company's financial assets and liabilities that were accounted for or disclosed at fair value on a recurring basis as of December 31, 2014 and December 31, 2013.

The Corporation's and the Bank's required and actual capital amounts and ratios at December 31, 2014 and 2013, are set forth in the following table (in thousands):

December 31, 2014	**Carrying Value (Fair Value)**	**Quoted Prices (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Changes in Fair Value included in earnings**
(dollars in thousands)					
Securities available for sale:					
US Government Agencies	$ 6,174	$ -	$ 6,174	$ -	$ -
Mortgage-backed Securities	11,127	0	11,127	0	0
Collateralized Mortgage Obligations	30,173	0	30,173	0	0
Private Label mortgage-backed securities	1,555	0	0	1,555	0
Securities issued by states and political subdivisi	18,665	0	18,665	0	0
Equity Securities	1,223	0	1,223	0	0
Loans Held for Sale	1,478	0	0	1,478	0
Total	**$ 70,395**	**$ -**	**$ 67,362**	**$ 3,033**	**$ -**

December 31, 2013	**Carrying Value (Fair Value)**	**Quoted Prices (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**	**Total Changes in Fair Value included in earnings**
(dollars in thousands)					
Securities available for sale:					
US Government Agencies	$ 5,828	$ -	$ 5,828	$ -	$ -
Mortgage-backed Securities	9,268	0	9,268	0	0
Collateralized Mortgage Obligations	33,844	0	33,844	0	0
Private Label mortgage-backed securities	4,894	0	0	4,894	0
Securities issued by states and political subdivisi	22,974	0	22,974	0	0
Equity Securities	1,423	0	1,423	0	0
Loans Held for Sale	1,469	0	0	1,469	0
Total	**$ 79,700**	**$ -**	**$ 73,337**	**$ 6,363**	**$ -**

The following table sets forth the Company's financial assets and liabilities that were accounted for at fair value on nonrecurring basis as of December 31, 2014 and 2013.

December 31, 2014	**Carrying Value (Fair Value)**	**Quoted Prices (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
(dollars in thousands)				
Construction and land development	$ 834	$ -	$ -	$ 834
Commercial real estate	2,082	0	0	2,082
Residential real estate	9,754	0	0	9,754
Commercial and industrial	3,104	0	0	3,104
Consumer	216	0	0	216
Total Loans	**$ 15,990**	**$ -**	**$ -**	**$ 15,990**

December 31, 2013	**Carrying Value (Fair Value)**	**Quoted Prices (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
(dollars in thousands)				
Construction and land development	$ 1,440	$ -	$ -	$ 1,440
Commercial real estate	1,361	0	0	1,361
Residential real estate	10,930	0	0	10,930
Commercial and industrial	583	0	0	583
Consumer	254	0	0	254
Other real estate owned	279	0	0	279
Total Loans	**$ 14,847**	**$ -**	**$ -**	**$ 14,847**

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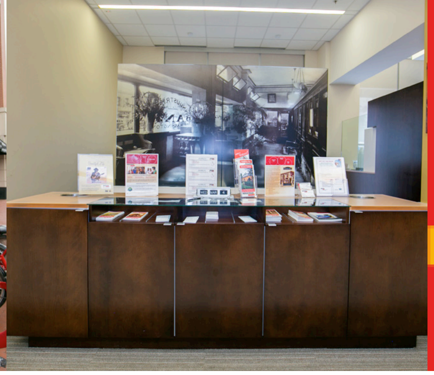


The Company has determined the fair value of its financial instruments using the following assumptions:

Cash and Cash Equivalents, Interest-Bearing Deposits, Accrued Interest Receivable and Payable, and Repurchase Agreements – The fair value was estimated to equal the carrying value due to the short-term nature of these financial instruments.

Securities – The fair value was estimated based on quoted market prices, dealer quotes and prices obtained from independent pricing services.

Loans – The fair value was estimated by discounting the estimated future cash flows using current rates on loans with similar credit risks and terms. It was assumed that no prepayments would occur due to the short-term nature of the portfolio (five years or less) and based upon the Company's historical experience.

Deposits – The fair value of demand and savings deposits was estimated to equal the carrying value due to the short-term nature of the financial instruments. The fair value of time deposits was estimated by discounting the estimated future cash flows using current rates on time deposits with similar maturities.

Commitments to Fund Loans and Stand by Letters of Credit – The majority of the Bank's commitments to grant loans and standby letters of credit are generally unassignable by either the bank or the borrower; they only have value to the Bank and the borrower.

The fair value estimates presented are based on pertinent information available as of December 31, 2014 and 2013. However, considerable judgment is required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Company could realize in a current market transaction. The use of different methodologies may have a material effect on the estimated fair value amounts.

(in thousands)	**December 31, 2014**		**December 31, 2013**	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Assets:				
Cash and cash equivalents	$ 4,790	$ 4,790	$ 4,811	$ 4,811
Interest-bearing deposits	19,760	19,760	26,613	26,613
Investment securities - AFS	68,917	68,917	78,231	78,231
Loans held for sale	1,478	1,478	1,469	1,469
Loans, net	255,606	255,800	235,206	237,035
Accrued interest receivable	1,235	1,235	1,408	1,408
Liabilities:				
Deposits	$ 303,955	$ 304,115	$ 296,682	$ 297,079
Short term borrowings	23,374	23,374	29,629	29,629
Accrued interest payable	122	122	125	125

12. Related Party Transactions

In the normal course of banking business, loans are made to officers and directors. At December 31, 2014 and 2013, these loans totaled $4,749 and $4,596 respectively.

(dollars in thousands)	**2014**	**2013**
Related party loans - beginning of year	$4,596	$4,757
Deferred loan fees	$363	
Other than temporary loss	(210)	(161)
Related party loans - end of year	$4,749	$4,596

13. Other Expenses

Other expenses in the Consolidated Statements of Income include the following:

(dollars in thousands)	**2014**	**2013**
Director fees	$177	$159
Bank security	$361	505
Loan expense	566	723
Other	$1,255	$919

14. Parent Company FInancial Information

The condensed financial statements of IBW Financial Corporation (parent company only) as of December 31, 2014 and 2013, and for the years ended December 2014 and 2013, follow (in thousands):

Balance Sheets	**2014**	**2013**
Assets:		
Deposits with subsidiary	$879	$463
Securities available-for-sale	$86	86
Investment in subsidiary - equity method	38,178	35,200
Other Assets	123	$123
Total assets	**$39,266**	**$35,872**
Liabilities and Shareholders' Equity:		
Liabilities	$0	$0
Other	$71	$71
Total liabilities	**$71**	**$71**
Shareholders' Equity:		
Preferred stock	$6,471	6471
Common stock	$601	603
Additional paid in capital	3,023	3,073
Retained earnings	27,063	25,072
Accumulated other comprehensive income	2,037	582
Total shareholders' equity	**$39,195**	**$35,801**
Total Liabilities and Shareholders' Equity	**$39,266**	**$35,872**

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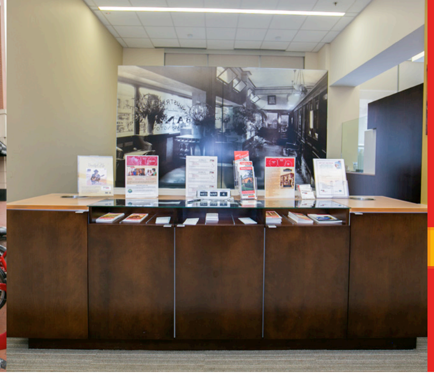


Statements of Income	2014	2013
Dividends from subsidiary and other income	$693	634
Expenses		
Income before undistributed net earnings of subsidiary	693	634
Applicable taxes		
Equity in undistributed net earnings of subsidiary	1,521	$568
Net Income	**$2,214**	**$1,202**

Statements of Cash Flows	2014	2013
Cash Flows from Operating Activities		
Net Income	$2,214	$1,202
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Equity in undistributed net income of subsidiary	(1,521)	(568)
Other		(14)
Net cash provided by operating activities	**$693**	**$620**
Cash Flows From Investing		
Additional Investment in Subsidiary		
Cash Flows from Financing Activities		
Payment of dividends	(223)	(224)
Retirement of common stock	(52)	(46)
Net cash used in financing activities	(275)	(270)
Increase (decrease) increase in deposits with subsidiary	$418	350
Deposits with subsidiary, beginning of the year	$463	113
Deposits with subsidiary, end of the year	$881	463

15. Preferred Stock

On March 13, 2009 pursuant to the TARP Capital Purchase Program established by the United States Department of the Treasury (the “Treasury”) under the Emergency Economic Stabilization Act of 2008, the Company issued the following securities to the Treasury for aggregate consideration of $6,000,000: (i) 6,000 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series B, par value $1.00 per share (the “Series B Preferred stock”); and (ii) pursuant to the exercise of an immediate exercisable warrant, 300 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series C, par value $1.00 per share (the “Series C Preferred Stock”). The Series B Preferred Stock pays a cumulative preferred dividend of 5% per annum per $1,000 of liquidation amount from March 13, 2009 to May 15, 2014. The Series C Preferred Stock pays a cumulative preferred dividend of 9% per annum per $1,000 of liquidation amount from March 13, 2009 to May 15, 2014. Prior to the third anniversary of issuance, unless the Company has redeemed all of the Series B and Series C Preferred Stock of Treasury, and has transferred all of the Series B and Series C Preferred Stock to a third party, the consent of the Treasury will be required for the Company to increase its common stock dividend or repurchase its common stock or other equity or capital securities, other than in connection with benefit plans consistent with past practice and certain other circumstances specified in the Purchase Agreement relating to the issuance. After the third anniversary and prior to the tenth anniversary, the Treasury’s consent is required for any increase in aggregate common dividends per share greater than 3% per year, and after the tenth anniversary no shares of common stock may be repurchased without Treasury consent, in each case unless the Company has redeemed all of the Series B and Series C Preferred Stock to a third party. The Series B and Series C Preferred Stock are treated as Tier 1 capital without limitation. On November 14, 2009 Series B Preferred Stock was cancelled by the Treasury. On September 3, 2010, Series B was cancelled and exchanged for Series D Preferred Stock. In the exchange the dividend was reduced from 5% per annum to 2% per annum.