

# Seven Major Milestones

## A Progress Report on Our First 16 Months

### A message from our CEO

Dear Friends,

I am pleased to report on the outstanding progress we have made since our bank was established in August 2010.

As you will see, we have maintained our commitment to serving low- to moderate-income urban communities and have taken significant steps to build a new bank that is strong, secure, and well-positioned for long-term success. And we have accomplished all this while continuing to serve the thousands of customers who count on us to provide excellent personal service every day.

Needless to say, it has been a challenging task—one that at times has seemed like changing the tires on a moving car. But it is one that everyone at Urban Partnership Bank knows is worth every ounce of effort we are putting into it.

Indeed, despite the growing evidence that our nation has begun to recover from the Great Recession, we see every day that the urban communities we serve continue to struggle. And that is why Urban Partnership Bank is deeply committed to our mission. As a community development bank, we understand that our job is to create hope and opportunity in places where hope and opportunity are needed most.

My own hope—and my expectation—is that this progress report will prove to be just the first chapter in the long story of the creation of a great new bank. But I also know that it's not what we publish that counts. It's what we do, day in and day out, that makes a difference. I would like to thank all of our customers for their continuing support. I would also like to thank our management, staff, and board for their hard work and dedication. Let us all continue working together to build a bank that is as great as was the legacy on which it was founded.

Sincerely,



William Farrow  
President and CEO  
Urban Partnership Bank

### In 2010, we began with a great legacy. Today, we're becoming a great bank.

When we established Urban Partnership Bank in 2010, we knew that building a new bank out of a failed bank would present uncommon challenges.

But we also knew that it would offer incredible opportunities.

In our first 16 months, we have taken a variety of steps to meet those challenges and seize those opportunities. And today a great, new bank—one that goes beyond ShoreBank's legacy of community development—is on the rise.

This report describes seven important milestones we have achieved since Urban Partnership Bank was formed in 2010. While our journey has just begun, we are very proud of how far we have come in such a short time. And we are confident that each step we have taken is bringing us closer to a brighter future for our institution and for the communities we serve.



Urban Partnership Bank celebrated the opening of a new Loop location at 55 E. Jackson, where we teamed up with Investing In Communities to help strengthen our neighborhoods.

### Making a difference every day

**Urban Partnership Bank's mission is to make a difference every day:**

**servicing our customers**

**building vibrant neighborhoods**

**promoting economic and environmental sustainability**

**and creating long-term success for our communities and bank**

# 16 Months, 7 Major Milestones

## 1 Developed a new business model to make a difference

Urban Partnership Bank is proud to build on our legacy as a community development bank.

We serve distressed and underserved urban communities in Chicago, Cleveland, and Detroit, providing low-cost, responsible financial services and products to help people build a strong financial foundation for the future. We also provide financing to help small businesses grow, to strengthen nonprofits and faith-based organizations, and to renovate and acquire commercial and residential real estate.

Our ability to accomplish this mission depends not just on our good intentions, but also on our financial strength. So one of our first steps was to develop a new business model designed to ensure our long-term success.

Urban Partnership Bank's new business model calls for a diversified loan portfolio that is spread among a wide variety of categories—including small-business loans, real estate loans, and consumer loans—in communities where financial services are too often unavailable. And before we make any loan, we follow a rigorous and disciplined lending process.

Today, Urban Partnership Bank is a well-capitalized, financially secure institution with more than \$1.3 billion in assets. And with our new-business model,



**Members of the Urban Partnership Bank leadership team**

Back row, left to right: Terrence Young; Brian Jones; Edward Karasek; Levoi Brown; Darrell Hubbard; Daryl Newell; Kirkland Jones  
Front row, left to right: Kim Lynch; Suzanne Griffith; Robert Marjan; Brian Berg; Joel Ramos; Robert Dennis; Terrell Anderson  
Not shown: Gregory Champlain; Dan Hollowed; Jan Hoffenkamp; Michael Morrell; William Morfoot

we are well-positioned to grow stronger in the years to come.

## 2 Strengthened our leadership team

We understand that a new business model requires new leadership. So, in addition to retaining selected ShoreBank executives, we have hired several experienced managers from other financial institutions and community development organizations for critical positions within our organization. We have also recruited an entirely new Board of Directors.

Today, Urban Partnership Bank is led by a team of proven professionals with extensive experience in financial services and deep roots in our communities—people such as Levoi K. Brown, our Director of Commercial Banking.

A native and resident of Chicago's South Shore neighborhood, Brown came to Urban Partnership Bank in January 2011 from General Electric Real Estate, where he spent nearly a decade in the company's Affordable Housing Group and Capital Markets Services. He is responsible for our commercial and multi-family real estate and business banking portfolio

in Chicago, Cleveland, and Detroit, and is playing a vital role in our efforts to catalyze sustainable development opportunities that will build better lives and vibrant urban neighborhoods.

Another new hire, Darrell Hubbard, recently joined our team as Director of Business Banking. Darrell has a broad background in business development, most recently at the National Equity Fund, as Senior Vice President of Investment Management.

And Terrence Young, Director of Commercial Real Estate, came to Urban Partnership

Bank with extensive community development experience, having spent more than a dozen years at Fannie Mae and, before that, at First National Bank of Chicago.

They join a core of strong professionals from ShoreBank —like Terrell Anderson, Director of Treasury Management Services & Nonprofit and Foundation Banking, and Daryl Newell, Director of Consumer Banking. Together, our new leadership team is focused on serving our customers, improving our communities, and succeeding over the long term.

## 3 Managed thousands of problem loans

Among the assets Urban Partnership Bank acquired from the Federal Deposit Insurance Corporation in August 2010 were nearly 6,000 loans, 30 percent of which were classified as troubled loans. The amount of troubled loans has since increased because of continued economic stress in our neighborhoods. When we acquired these assets, we entered into a loss-sharing

agreement with the FDIC stipulating that it would cover 80 percent of the losses we incurred on these loans.

Before we could begin lending, we had to manage this \$800 million loan portfolio. Since September 2010, we have reviewed nearly the entire troubled-loan portfolio. And while we were unable to restructure many of the loans, we have succeeded in modifying approximately \$125 million of our troubled-loan portfolio. Thanks to these modifications, scores of problem loans have been returned to performing loans.

The result: We have kept borrowers in their homes, prevented businesses from closing—and made our organization stronger, healthier, and more stable in the process.

## 4 Upgraded our branch system and technology to expand our reach

From October 2011 to February 2012, we opened four new branches in some of Chicago's most underserved urban communities.

Located in Austin, Bellwood, Bronzeville, and the Loop, these new branches are part of





### Helping kids—and creating jobs

**Tess McKenzie knows firsthand the power of small-business loans to create jobs and improve communities. In 2002, McKenzie launched her All About Kids day care facility and saw it grow to serve more than 60 children and employ eight people. In 2010, she added two more classrooms and created five more jobs.**

**When another area day care provider retired in 2011, McKenzie saw an opportunity to expand her business yet again. The facility she acquired was old and needed renovations—\$102,000 worth to bring it up to her standards. With a five-year, \$43,000 loan from Urban Partnership Bank, the newly renovated Lakeshore Learning Academy is on its way to bringing quality care for 43 children and creating 10 new jobs for her South Side community. Partnering with nearby CVS High School, the center also will provide child-care services and parenting classes for teen mothers.**

our long-term plan to create a new branch system that is more convenient for our customers and expands our services in neighborhoods that lack access to low-cost, responsible financial services. A new branch in Detroit opened in May 2012. The new branches are smaller than the typical bank branch, but they provide a full range of retail services and are easily accessible to all of our customers. The goal is to offer customers who do not use banks a responsible alternative to the payday lenders and other high-cost financial service providers in their communities.

We are also upgrading our technology to better serve people—especially younger people—in our communities, who prefer to bank using computers, smart phones, and ATMs. Rolling out these virtual banking capabilities and improving other infrastructure are among our key priorities as we build a strong bank.

an agency of the United States Department of Treasury.

Urban Partnership Bank is one of fewer than a hundred community development banks in the nation to be certified as a CDFI. We're proud to be in such select company. Our certification reflects our deep-seated commitment to serve these under-banked communities.

### 6 Implemented a new lending process and resumed making loans

One of our major goals has been to implement a new lending process with rigorous controls. And we have made solid progress.

Today, a number of different teams are involved in the process of approving and funding every loan, giving us a stringent

### 5 Became a certified CDFI

In July 2011, Urban Partnership Bank was certified as a Community Development Financial Institution (CDFI).

CDFIs are financial institutions that specialize in serving low- to moderate-income individuals and communities that lack access to credit, capital, and financial services from traditional financial institutions. To qualify as a CDFI, an organization must be certified by the CDFI Fund,

**CDFIs are financial institutions that specialize in serving low- to moderate-income individuals and communities that lack access to credit, capital, and financial services from traditional financial institutions.**



set of checks and balances at every stage of the process. In addition, we work closely with our borrowers to educate them about the potential risks involved in getting a loan. In that way, we can help eliminate some problems before they have a chance to take root.

With our new lending process in place, we began making loans from the outset of the new year. Among our new loan customers are the Jewish Council on Urban Affairs, a nonprofit that serves disadvantaged communities throughout Chicago, and All About Kids, a growing day care center on Chicago's South Side.

## Continued to serve our existing customers and communities

At Urban Partnership Bank, we haven't had the luxury of putting our day-to-day business on hold while we charted a new course for the future.

Since August 2010, we have kept our focus on our customers and communities while doing everything you have read about in this progress report to build our new bank. We now operate 11 branches in Chicago, Cleveland, and Detroit, and provide a full range of services to our retail banking custom-

ers, commercial banking clients, and nonprofits and foundations. We have also continued to make a difference in our communities with annual programs such as Money Smart Week, our "Winter Clothing Drive for Kids" and "Back to School Supply" collection.

This commitment to deliver outstanding service to all of our customers—regardless of the circumstances—reflects the quality of our people and the strength of our mission at Urban Partnership Bank.

## Our first loans

For more than 40 years, the Jewish Council on Urban Affairs has worked to promote social and economic justice for disadvantaged communities throughout Chicago. But, like many nonprofits, the organization has seen its funding from foundations, corporations, and individuals decline during the Great Recession. In 2010, with its cash-flow challenges mounting, JCUA turned to Urban Partnership Bank for help. The bank responded with two loans that allowed JCUA to maintain its full menu of programs, including the Jewish-Muslim Community-Building Initiative launched after the September 11 terrorist attacks.

**"We wanted to bank with Urban Partnership Bank because of its commitment to community and its sensitivity to working with nonprofits," said JCUA President Jane Ramsey. "It made sense to us."**

# Leadership

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## Board of Directors



### **David J. Vitale** Chairman

One-time Vice Chairman and Director of Bank One Corporation, Vitale is widely sought for his financial acumen. He also has put his shoulder to the wheel for civic causes including the Chicago Board of Education.



### **William Farrow** President and CEO

Farrow is an established leader in global business and finance technology. His broad background gives him an understanding of diverse industries and business operations.



### **Eileen Kennedy** Chief Financial Officer

With experience at the highest levels of global finance, Kennedy has keen analytical skills and a proven record of operational success.

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### **Martin Eakes**

As Chief Executive Officer of the Center for Responsible Lending and as a member of the Ford Foundation board, Eakes has taken a leadership role in fighting abusive financial practices aimed at poor families, including predatory home loans, payday lending, and abusive checking and credit card fees.

### **Diana S. Ferguson**

Ferguson is an experienced financial executive with a successful track record in corporate financial management, strategic planning, and public-company audit committees. She recently acted as Chief Financial Officer of the Chicago Board of Education.

### **Lori T. Healey**

Currently the President and CEO of Tur Partners, Healey served as Executive Director of the Chicago NATO Host Committee. Earlier, she served as former Chicago Mayor Richard M. Daley's Chief of Staff and Commissioner of the Department of Planning and Development. She also demonstrates commitment to public service as a board member of LISC/Chicago.

### **Daniel Lupiani**

A former Senior Vice President for First Chicago and successor companies, Lupiani is President of Lupiani & Associates, a real estate consulting firm, and Adjunct Professor of Finance at the University of Notre Dame's Mendoza College of Business.

### **Terry Peterson**

Peterson is the Vice President of Corporate and External Affairs at Rush University Medical Center and has served as the Chairman of the Chicago Transit Board since 2009. His extensive background in public service includes six years as the Chief Executive Officer of the Chicago Housing Authority.

### **Stanley C. Rakestraw**

Rakestraw is co-founder and Chief Operating Officer of SCR Medical Transportation, where his passion for customer service has fueled 25 years of success. Minority-owned and one of Chicago's largest employers of minorities, SCR was named 2011 Outstanding Business of the Year by the Illinois Black Chamber of Commerce. Rakestraw also serves on the Metra Board of Directors.

### **Jerome Szott**

Szott is former Senior Vice President and division head of proprietary fixed-income investments at JPMorgan Chase. Drawing on more than three decades of experience in financial services, he chairs Urban Partnership Bank's Finance Committee and serves on its Audit Committee.

### **Andrea Zopp**

Attorney Zopp, President of the Chicago Urban League, was the first woman and first African American appointed as a Cook County First Assistant State's Attorney. She has served as counsel for Sara Lee Corporation and Sears Roebuck Co. as well as leading the HR division of Exelon. She was most recently named by Mayor Rahm Emanuel to the Chicago Board of Education Board of Trustees.

# Financials

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## Financial Statement Balances

(\$ in thousands)

As of December 31, 2011

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Total Assets	\$1,261,457
Loans, net of allowance for loan losses (\$79,287)	696,736
Cash and Securities available for sale	231,672
Deposits	1,117,716
Shareholders' Equity	133,613

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## Key Ratios

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Tier 1 Capital to Average Assets <sup>1</sup>	10.17%
Loans to Deposits	69.43%
Net Interest Margin <sup>2</sup>	5.5%

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<sup>1</sup>Required regulatory capital ratio is 8.00%.

<sup>2</sup>Net interest income divided by average interest-earning assets

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## Branch Locations

### Chicago

Austin	5253 West Madison Street, 60644
Bronzeville	101 East 35th Street, 60653
Chatham	7936 South Cottage Grove Avenue, 60619
Kenwood	4659 South Cottage Grove Avenue, 60653
Loop	55 East Jackson Boulevard, 60604
South Shore	7054 South Jeffery Boulevard, 60649
West Ridge	7555 North California Avenue, 60645
Bellwood, IL	4310 St. Charles Road, 60104
Stone Park, IL	1759 North Mannheim Road, 60165

### Cleveland

540 East 105th Street, 44108

### Detroit

4830 Cass Avenue, 48201

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## Contact Us

[upbnk.com](http://upbnk.com)

### Customer Service

773.420.5050

### Toll Free

800.905.7725

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## Officers

<b>Terrell Anderson</b>	Director, Treasury Management Services & Nonprofit and Foundation Banking
<b>Brian Berg</b>	Director, Corporate Communications
<b>Levoi Brown</b>	Director, Commercial Banking
<b>Robert Dennis</b>	Chief Credit Officer
<b>William Farrow</b>	President and CEO
<b>Suzanne Griffith</b>	Director, Corporate Responsibility and Engagement
<b>Jan Hoffenkamp</b>	Chief Administrative Officer
<b>Daniel Hollowed</b>	Director, Finance
<b>Brian Jones</b>	Director, Strategy and Marketing
<b>Kirkland Jones</b>	Director, Human Resources
<b>Edward Karasek</b>	Chief Operations Officer
<b>Eileen Kennedy</b>	Chief Financial Officer
<b>Kim Lynch</b>	General Counsel
<b>Robert Marjan</b>	Director, Resolution Portfolio
<b>William Morfoot</b>	Chief Accounting Officer
<b>Daryl Newell</b>	Director, Consumer Banking
<b>Joel Ramos</b>	Director, Compliance