

Maintaining Our Commitment and Resolve

UrbanPartnershipBank 

| 2014 Progress Report



A Message From Our CEO

Dear Friends,

When I think about how far Urban Partnership Bank has come during the four-plus years since our institution was established, I believe we can be proud of what we have accomplished.

In our first Progress Report back in 2011, I compared the job of building our bank to changing the tires on a moving car. Now, I can report that the tires are in good shape, and the car is not just moving forward, but picking up speed.

Indeed, as you will read in this Progress Report, we are building a strong commercial lending program that is creating jobs and affordable housing. We are transforming our approach to retail banking. And we are making a difference in the communities we serve.

Still, despite our successes, we continue to face the challenges of managing the troubled loans in the \$1.2 billion loan portfolio we acquired from ShoreBank. To be sure, we have made great progress in restructuring many of these loans and, in so doing, have helped hundreds of customers avoid foreclosure. But the task has proven more costly than we anticipated, and the losses have been greater.

I can assure you that we remain committed to the prudent disposition of the ShoreBank loan portfolio, and will continue to work through and restructure thousands of loans acquired from the FDIC. This is entirely consistent with our mission. It is the right thing to do for the bank, our customers, and the community.

In the meantime, we will continue to move forward with confidence. We have developed a strong commercial lending program that is enabling us to build a secure financial foundation for our future. And we are guided by a deep commitment to our mission as a community development bank.

All things considered, we are confident that the strategy we began implementing in 2013 is working, and we are staying true to that strategy.

I would like to thank our customers, our management, our staff, and our board for everything that they have done since 2010 to make Urban Partnership Bank a strong and successful institution. I look forward to continued progress and greater success in 2015.

Sincerely,



William Farrow
President and CEO

UrbanPartnershipBank 

Our Mission

Established in 2010, Urban Partnership Bank is an FDIC-insured, full-service, community development bank with \$759 million in assets. Our mission is to make a difference every day:

- Serving our customers
- Building vibrant neighborhoods
- Promoting economic and environmental sustainability
- Creating long-term success for our communities and bank



Moving Forward. Meeting Challenges.

We are building a promising future, while working to overcome a difficult past.

In 2013, Urban Partnership Bank introduced a new, long-term business strategy designed to strengthen our bank and the communities we serve. That strategy has three main objectives:

- Increase our commercial lending
- Transform our approach to retail banking
- Expand our commitment to our communities

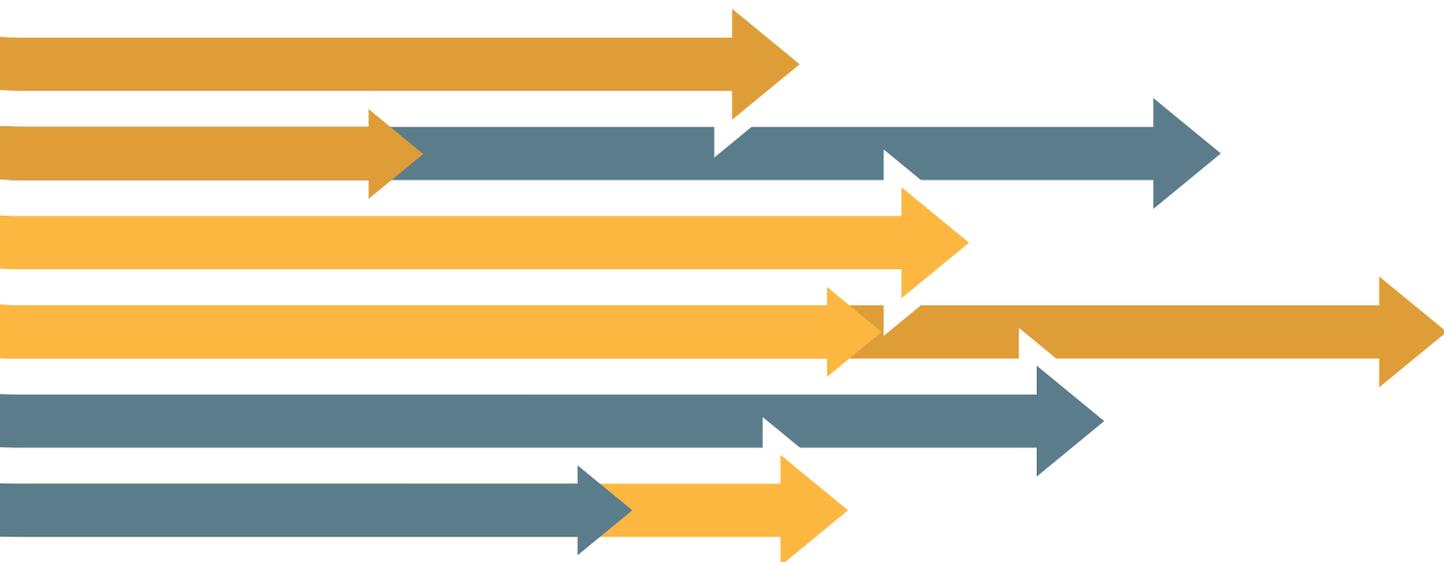
In 2014, we continued to make significant progress toward all three objectives. The result is that we are serving our customers more effectively and building a stronger financial foundation for our future. And we are expanding our impact in our communities, growing businesses, creating jobs, and helping to build stronger, healthier neighborhoods.

Managing the acquired loan portfolio

At the same time, we have continued to face the difficulties of managing the \$1.2 billion portfolio of ShoreBank loans—many of them troubled loans—that we acquired from the Federal Deposit Insurance Corporation when Urban Partnership Bank was established in August 2010.

Over the past four and a half years, we have sought to work through this portfolio as quickly and prudently as possible, while also attempting to minimize the negative impact on the communities we serve. Through the end of 2014, we have succeeded in restructuring approximately 839 loans with a principal balance of \$289 million of the acquired loan portfolio. As a result, more than 1,500 borrowers have been able to stay in their homes, and more than 50 faith-based organizations have been able to keep their doors open.

In 2014 alone, we kept 210 homeowners in their homes by restructuring their loans, and we helped another 14 homeowners avoid foreclosure through the Illinois Housing Development Authority Home Preservation Program.



However, the quality of the acquired loan portfolio is significantly worse than we expected in 2010. As a result, we experienced a net loss last year of \$8 million, due largely to the revaluation of the old loans and the high cost of managing the acquired loan portfolio, coupled with the ongoing economic distress in our communities.

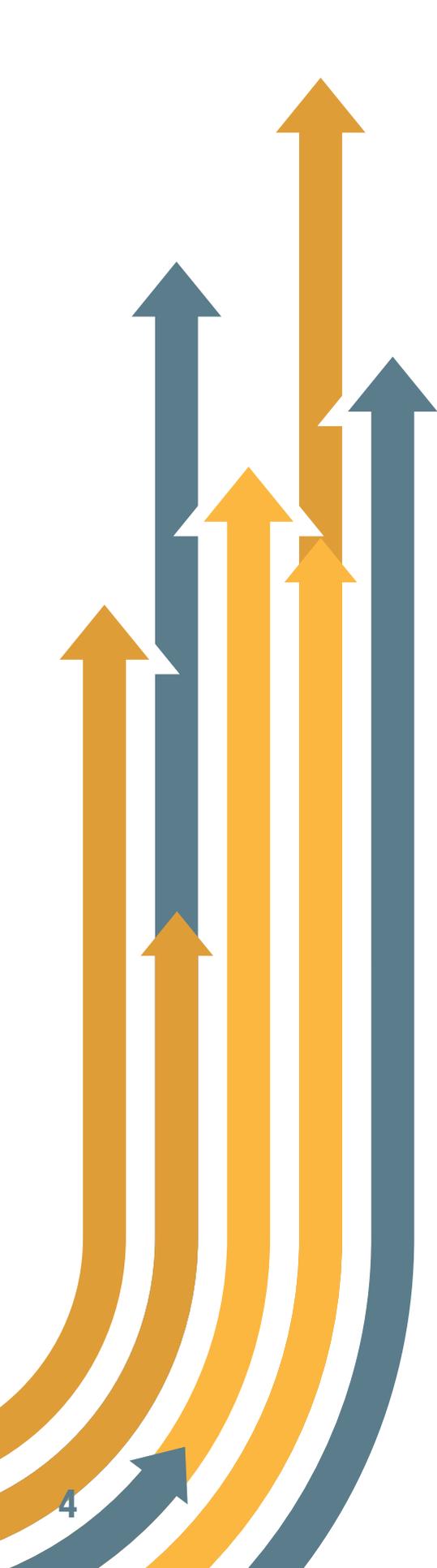
As of December 31, 2014, the value of the remaining loans in the acquired loan portfolio was approximately \$364 million. Although managing the portfolio has proven costly, we intend to keep at it until we have finished the job—and finished it in a way that is best for our communities and the future of our institution.

Staying strong and committed

Since 2010, we have worked hard to build a successful institution. Without question, there is more work for us to do.

However, as this report shows, the new business strategy we implemented in 2013 is working, and we are moving in the right direction. Our commercial lending program is growing, our retail banking services are becoming more accessible and convenient, and our impact in our communities is greater than ever.

At Urban Partnership Bank, we are committed to doing what is best for the long-term interests of our customers, our communities, and our institution. Despite the challenges we face, we are moving forward with confidence.



2014 Achievements: Commercial Lending

We continue to increase our lending.

A strong commercial lending program is critical to the long-term success of Urban Partnership Bank. Our lending not only helps us build a strong financial foundation for our future, it enables us to make a difference in underserved communities. Our small business and real estate loans create new businesses and jobs, expand the supply of affordable housing, and strengthen local nonprofit organizations. That's why increasing our commercial lending has been—and continues to be—a top priority.

Reaching new heights in 2014

We have continued to build on our strong track record in commercial lending. We originated \$90.4 million in commercial loans in 2014, an increase of 16 percent over our total of \$77.9 million in 2013. New business loans totaled \$49 million in 2014—up 40 percent over 2013—and commercial real estate loans totaled \$41.4 million—nearly 9 percent more than in 2013.

Altogether, we have made more than 250 new commercial loan commitments totaling \$221 million since we began lending in 2012. Those loans have had a tangible impact in our communities—have helped create and retain more than 2,600 jobs, and have financed the acquisition and renovation of nearly 1,000 units of housing, including more than 400 units of affordable housing.

Through it all, we have ensured that our commitment to lending more has been balanced by our commitment to lending wisely. We have grown our loan portfolio, while continuing to follow the rigorous lending process, with the solid underwriting, credit analysis, and stringent controls at every stage that we implemented before we made our first loan in 2012.



Central Chicago Properties – West Garfield Park

Central Chicago Properties is another repeat customer of the bank. Patrick O’Flaherty, the development firm’s owner, used his first construction loan from Urban Partnership Bank to purchase and renovate a 57-unit apartment complex in Chicago’s West Garfield Park neighborhood. A second construction loan in 2014 enabled O’Flaherty to pay off the first loan and use the proceeds to rehab another building, an unoccupied 12-unit apartment that had suffered severe fire damage and was deteriorating due to vandalism and neglect. O’Flaherty also purchased a nearby vacant lot and is transforming it into a safe and convenient parking lot for tenants and neighbors.

O’Flaherty’s two projects in West Garfield Park have created approximately 40 temporary construction jobs and two full-time jobs, while eliminating eyesores from the neighborhood and bringing high-quality, affordable rental units to a community desperately in need of housing. O’Flaherty praised Urban Partnership Bank’s lenders for their professionalism and their willingness to lend in distressed communities. “They understand the neighborhoods, they understand the older housing stock, and how the rents and rehab prices work,” he said. “They know what they’re doing.”

Expanding our impact in Detroit

As we have continued to grow our commercial lending portfolio, we have made a special effort to expand our lending in Detroit in order to build businesses and revitalize the city's business districts.

In 2014, we originated four new loans totaling \$4.1 million in Detroit. Since 2012, we have made 10 loans totaling more than \$9.3 million in the Detroit market, and we look forward to doing even more lending there in the years to come.

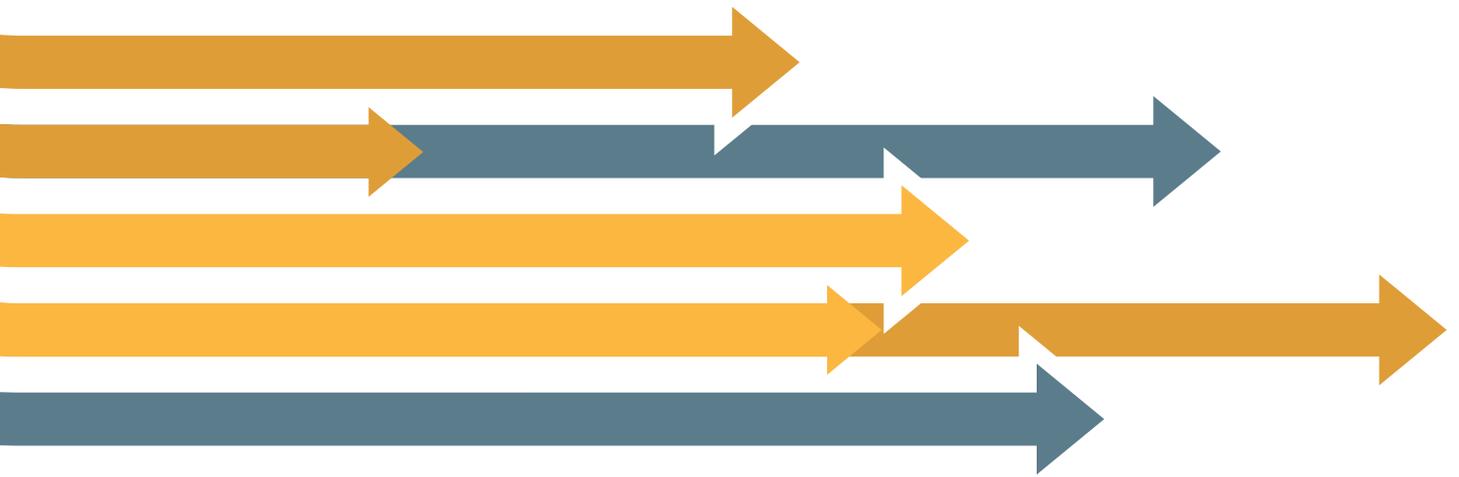
To support our work in Detroit, we added two key staff members in 2014. Kevin Sweeney, a highly experienced financial services professional specializing in developing strategic commercial lending relationships, joined Urban Partnership Bank as our market director for Detroit. Mr. Sweeney is responsible for promoting new business opportunities, managing the lending team's performance, and strengthening the bank's relationship and network within Detroit's business and nonprofit communities.

In addition, Beverley V. Loyd, formerly an asset manager for the bank's Managed Assets Group, has been promoted to senior business banker. Ms. Loyd, a CPA and an experienced commercial real estate and business banker, is responsible for generating new loan originations, underwriting, closing, and servicing clients in Detroit.

Building our commercial real estate lending team

We also strengthened our commercial real estate lending team in 2014, adding several experienced real estate lenders who are from the communities we serve and know the market well. Our commercial real estate team in Chicago and Detroit now totals 17, and offers extensive expertise and a wide range of services to help business owners and investors expand, renovate, or refinance their properties.





2014 Achievements: Retail Banking

We continue to transform our approach to retail.

As the retail banking environment continues to evolve, Urban Partnership Bank is evolving along with it. Aware that more and more customers want to do their banking without having to go to a traditional branch, we began transforming our approach to retail banking in 2013. Our goal has been—and still is—to reach our customers where they are instead of waiting for them to come to us.

Growing our customer base

Our new approach to retail has focused on two main initiatives: Launching **upbAnywhere™**, our online and mobile banking platform, and shifting away from large branches to smaller, high-tech, strategically located financial centers.

We made progress on both fronts in 2014. We expanded the delivery and promotion of **upbAnywhere** to make our banking services more accessible and grow our customer base. And we continue to work on shifting to smaller, more efficient financial centers.

It's an approach that is working. In 2014, we attracted 1,654 new retail accounts, totaling nearly \$20 million in deposits. We fully expect that our new retail banking strategy will allow us to proactively reach more customers, and gain access to new markets and populations.

Strengthening our leadership

In September, we were pleased to welcome Darryl Hendricks, a proven financial services professional with extensive experience leading consumer banking teams, and growing transaction accounts and new loan originations, as our new director of consumer banking.

Mr. Hendricks came to Urban Partnership Bank after a 30-year career at Citibank. During the past 10 years, he served as president, Citibank Illinois, managing responsibilities for the overall performance of that institution's Illinois branches and consumer, small business, and commercial real estate lending business, as well as daily operations.



LA Fitness – Bronzeville

With a \$10.4 million construction loan from the bank, Chicago-based real estate firm Draper and Kramer financed the development of a new 40,000-square-foot LA Fitness health club at the Lake Meadows Shopping Center in Bronzeville on the city's South Side. The project is just the first phase of the firm's comprehensive, long-term plan to redevelop the entire 70-acre parcel, which includes apartments as well as the shopping center, into a high-density, mixed-use community that will include more than 7,000 residences, and more than a million square feet of retail and commercial space. The LA Fitness gym opened in February 2015 and is drawing new customers to the shopping center. The project has generated approximately 130 construction jobs and 25 permanent jobs, and is expected to create another 20 permanent jobs as additional spaces in the center are filled.

Draper and Kramer has done several lending transactions with Urban Partnership Bank. According to Gordon Ziegenhagen, vice president of development at Draper and Kramer, it was a year before his firm could close on the deal with LA Fitness. "Sometimes that can be a long time frame that interrupts a bank's lending commitment, but Urban Partnership Bank stayed with us the whole way and were very eager to make the deal come to fruition," he said. The thing that separates the bank from other lenders, he noted, is its willingness to have a dialogue about how to make a project move forward. "We could always count on Urban Partnership Bank at the end of the day to be a true partner and to find a way to get the deal done."

At Urban Partnership Bank, Mr. Hendricks is responsible for sales of consumer financial services and products, and customer service at our eight financial centers in Chicago and one in Detroit. We are already seeing clear evidence of the same ability to create a culture where excellence is recognized and rewarded that he demonstrated throughout his career at Citibank.

Launching new services for the underserved

Approximately 25 percent of the households in our service areas in Chicago and Detroit are either unbanked or underbanked. To better serve people who lack access to traditional checking accounts or credit cards, we launched two new services in December 2014:

- Our new Check Cashing services offer customers a convenient and affordable way to cash a check and get their money on the spot. No bank account is needed, and the services allow customers to cash a wide range of checks, including government checks, payroll checks, money orders, and even personal checks.
- Our prepaid MasterCard® works like a bank account without checks. It lets customers load funds on the card at any Urban Partnership Bank location or ATM, through direct deposit, or at a Green Dot® authorized retailer. Customers can then use the prepaid card anywhere a MasterCard debit card is accepted, including ATMs and point-of-sale locations.

These new services give people in our communities an affordable alternative to the high-cost currency exchanges and payday lenders they often rely on for everyday financial needs. Our goal is to bring responsible services to more people, and to deliver even greater value to our customers and communities.

In addition, we are partnering with MoneyGram® International Services to offer customers a variety of other new services, including:

- Money Transfers – Allow customers to send and receive money anywhere in the world.
- Money Orders – Give customers another way to make payments.
- Mobile Phone Top-Ups – Enable customers to add funds to prepaid mobile phone accounts.
- Bill Payment – Gives customers a convenient way to pay a wide range of bills, such as utilities, phone, cable, and insurance.

These new services are now available at all of the Urban Partnership Bank financial centers located in Chicago and Detroit.

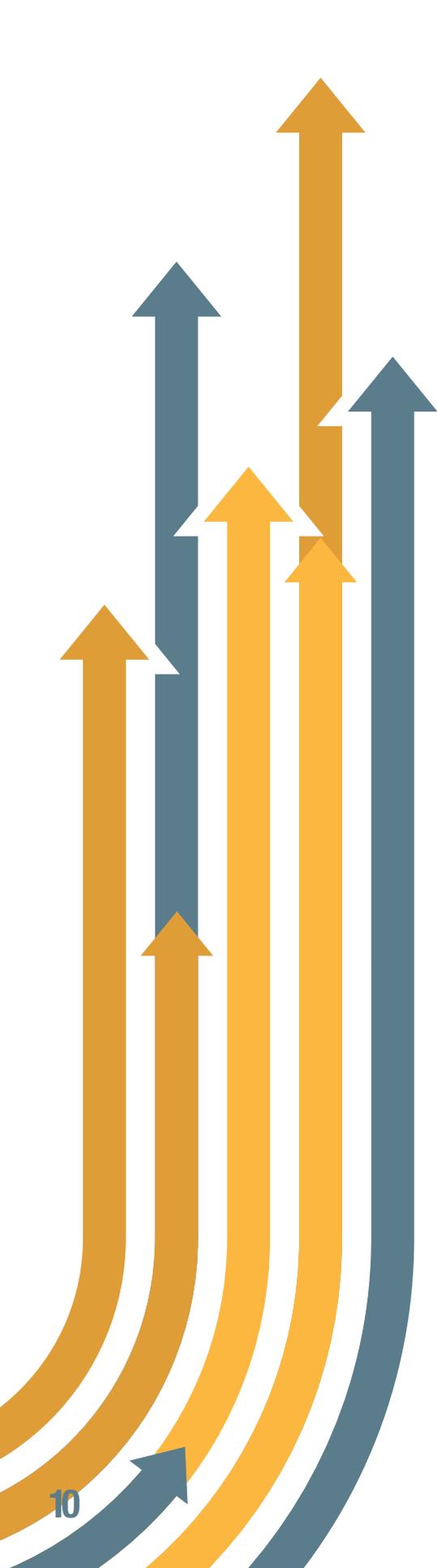
Check Us Out on Facebook

Urban Partnership Bank is now on Facebook. Our new Facebook page complements our website and newsletter, and offers one more way for people to stay connected to events and initiatives at the bank. Visit facebook.com/UrbanPartnershipBank to learn more.



Pullman Financial Center Celebrates First Anniversary

In September, our innovative financial center located inside the Walmart Supercenter in Chicago's historic Pullman neighborhood celebrated its first year of service to the community. The Pullman financial center is a perfect example of our new approach to retail banking. It has brought responsible and affordable financial services to local residents, opening more than 250 new deposit accounts, including many for customers who have never had a banking relationship, and providing a variety of financial literacy workshops.



2014 Achievements: Community Initiatives

We continue to make a difference in our communities

Urban Partnership Bank was founded on a long legacy of service to low- and moderate-income communities. In 2014, we continued to build on that legacy.

Gaining recognition for our commitment

Two of our most significant accomplishments in 2014 gave independent confirmation to our ongoing commitment to make a difference in the communities we serve.

In September 2014, for the second consecutive year, Urban Partnership Bank was selected to receive a Bank Enterprise Award from the Community Development Financial Institutions Fund (CDFI Fund), an agency of the U.S. Department of the Treasury. The purpose of the BEA program is to recognize banks for increasing their investments and services in underserved communities.

We were one of just 69 FDIC-insured depository institutions in the nation to receive an award in 2014. We will use the award to advance our mission, and make even more new loans that grow small businesses, create jobs, and develop affordable housing.

In addition, in December 2014, Urban Partnership Bank—for the first time—was designated by the CDFI Fund as a certified Community Development Financial Institution in Detroit and Wayne County, Michigan. The CDFI Fund also renewed the bank's CDFI certification for Chicago and Cook County, Illinois, which was due to expire after an initial three-year term.



Capitol Park – Detroit

Urban Partnership Bank is one of several banks that have provided construction and permanent financing for the \$38.5 million redevelopment of the former Detroit Savings Bank in Detroit's historic Capitol Park neighborhood. The 13-story, 126,000-square-foot building is being transformed into a new mixed-use property. The building's first five floors will be leased to the Archdiocese of Detroit for new office space for 185 employees, and the remaining eight floors will provide 56 market-rate rental residences.

The project is the product of the Capitol Park Partnership, a coalition of public and private entities, including Urban Partnership Bank, united by their commitment to revive Detroit's downtown. According to Richard Karp, whose development firm Karp and Associates is a principal in the Capitol Park Partnership, the innovative coalition offers an excellent illustration of what committed organizations can accomplish when they combine their expertise and resources. "The collaborative financial structure that we have developed is enabling us not just to redevelop the old Detroit Savings Bank but to continue the revitalization of a historically significant neighborhood," he said. "We are creating an environment that encourages additional investment and fosters the emergence of a stronger Detroit."

Welcoming a new board member

Also in December, we were proud to name Michael W. Lewis, a respected civic and financial services leader, as the 12th member of Urban Partnership Bank's board of directors.

Mr. Lewis enjoyed a long career at BMO Financial Group, primarily in the corporate bank. He also served as regional president and executive vice president of the Chicago metro region of BMO Harris Bank until his retirement in 2013.

He is an active member of Chicago and Detroit's civic community, serving on the Regional Transportation Authority board of directors and the Western Michigan University Foundation. He is also chairman of Western Michigan's Haworth College of Business advisory council.

The addition of Mr. Lewis to our board, along with our 2014 Bank Enterprise Award and new CDFI designations, underscores our commitment to building a brighter future for our customers, our communities, and the bank.

Making a difference in 2014

Here are some of the key community initiatives and partnerships we undertook in 2014:

Money Smart Week

In April, members of our staff participated in a series of free workshops in medical centers and senior centers to help individuals learn how to manage their money and protect their assets. Topics included financial exploitation of older adults, scams targeting homeowners, identity and medical identity theft, and preparation for financial disasters.

Homeownership Fair

In May, Urban Partnership Bank Mortgage Banking Associate Gloria King-Wright participated in the annual Homeownership Fair hosted by the Chicago Alumnae Chapter of Delta Sigma Theta Sorority, Inc. She joined reps from a number of local financial services institutions to give presentations about the basics of the home buying process.

Mortgage Relief Program

Our Consumer Mortgage Lending Department is partnering with the Illinois Housing Development Authority to help qualified homeowners modify their mortgages so they can stay in their homes. The program offers homeowners who are delinquent on their mortgage up to \$50,000 to help facilitate a loan modification and make the loan current. In 2014, the bank helped 14 homeowners avoid foreclosure in the program.



Financial Services Pipeline

Urban Partnership Bank joined 13 Chicago area banks and investment firms to explore new ways to increase minority hiring in the financial services industry. The group, called the Financial Services Pipeline, is conducting research to identify ways to increase the hiring of blacks and Latinos at all levels in financial services. It also is developing an annual index tracking minority representation in the industry. Urban Partnership Bank is one of four institutions in the group where African Americans hold high-level positions.



Employment Opportunity and Resource Fair

In August, U.S. Representative Bobby L. Rush hosted a resource fair for the residents of Avalon Park, Chatham, and Greater Grand Crossing. The fair included job readiness workshops and a hiring event, and Urban Partnership Bank employees were on hand to provide information about money management, budgeting, and other financial education topics.



College Application Workshop

In October, bank employees volunteered at a college application workshop at Gary Comer College Prep, a high-performing school on the South Side of Chicago that aims to send 100 percent of its students to four-year colleges. Our employees helped the students write essays and personal statements for their college applications.



Clinics With the Chicago Sky

We hosted basketball clinics for girls' basketball teams featuring the WNBA's Chicago Sky. Coaches and star players not only helped the young athletes hone their skills on the court but also discussed topics to help them succeed in life, including the importance of working as a team, communicating effectively, and being assertive and confident. Urban Partnership Bank is a proud marketing partner of the Chicago Sky since 2013.

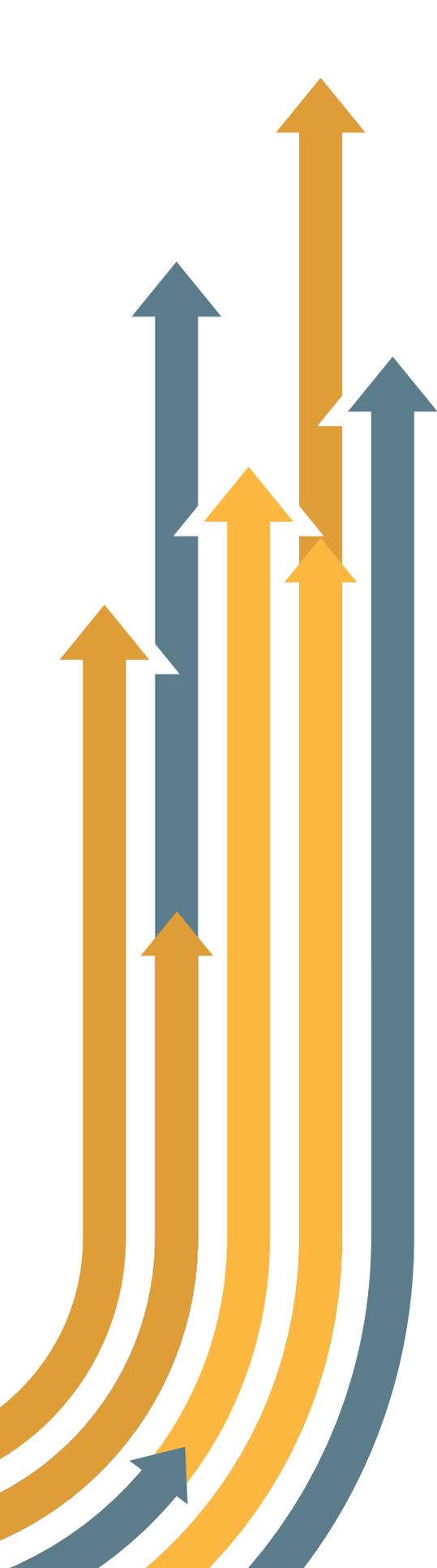


UCAN Headquarters and Youth Home – North Lawndale

Financing from Urban Partnership Bank is helping build a modern new campus in Chicago's West Side North Lawndale neighborhood for UCAN, a 145-year-old social services organization that provides a wide range of important services to young people who have been removed from their homes due to abuse or neglect. The seven-acre campus will include UCAN's administrative headquarters, as well as a state-of-the-art Therapeutic Youth Home for 60 young people severely traumatized by violence. The property was once a distribution site for Sears & Roebuck, but had been abandoned and vacant for four decades. Construction on the first phase began in March 2014 and is expected to create more than 400 temporary construction jobs.

A culturally proficient organization that embraces diversity as a cornerstone, UCAN committed to awarding a minimum of 50 percent of its campus construction and professional services contracts to minority- and women-owned businesses, and is on its way to exceeding that commitment.

"Urban Partnership Bank's \$4 million of financing for UCAN's new campus allowed the project to move forward at a critical juncture, and the bank personnel were instrumental in getting it done right and on time," said UCAN CEO Thomas Vanden Berk. The Therapeutic Youth Home, financed in part by Urban Partnership Bank, will have significantly more green space for sports and other activities, and will offer more privacy for residents by providing separate rooms for each child. In addition, the layout of the new dorms will allow for better supervision of the residents. The new campus will provide a foundation for UCAN's operations for at least the next few decades.



2015 Priorities: Staying True to Our Strategy

**We will continue to move forward
and make a difference.**

In 2015, we'll continue working to bring more capital into our communities, restructure troubled loans, and provide access to responsible, affordable financial services, and literacy education programs. By taking the long-term view on community development and by implementing responsible restructuring, Urban Partnership Bank will continue making a difference in underserved urban communities.

Our key priorities are to continue:

- Serving our communities as a responsible community development bank.
- Building our commercial lending business, while applying rigorous and responsible underwriting practices.
- Transforming our approach to retail banking in order to reach new customers and populations.
- Undertaking a variety of initiatives that make a difference in the communities we serve.
- Accelerating the prudent disposition of the ShoreBank acquired loan portfolio.

We are confident that 2015 will be a successful year for Urban Partnership Bank. We appreciate the support we have received from our customers and our communities, and we invite you to follow our progress in 2015 and beyond. For information about the latest developments at Urban Partnership Bank, please visit our website at upbnk.com.

Financial Statement Balances

(\$ in thousands)

As of December 31, 2014

| | |
|--|-----------|
| Total Assets | \$758,768 |
| Loans, net of allowance | \$509,266 |
| Cash and Securities available for sale | \$75,224 |
| Deposits | \$681,079 |
| Shareholders' Equity | \$66,901 |

Key Ratios

| | |
|----------------------------------|--------|
| Tier 1 Capital to Average Assets | 8.17% |
| Loans to Deposits | 79.64% |
| Net Interest Margin ¹ | 6.18% |

¹Net Interest income divided by average interest-earning assets

Board of Directors

David J. Vitale, Chairman

William Farrow

Diana S. Ferguson

Phil Fuentes

Lori T. Healey

Eileen Kennedy

Michael W. Lewis

Daniel Lupiani

Terry Peterson

Stanley C. Rakestraw

Jerome Szott

Andrea Zopp

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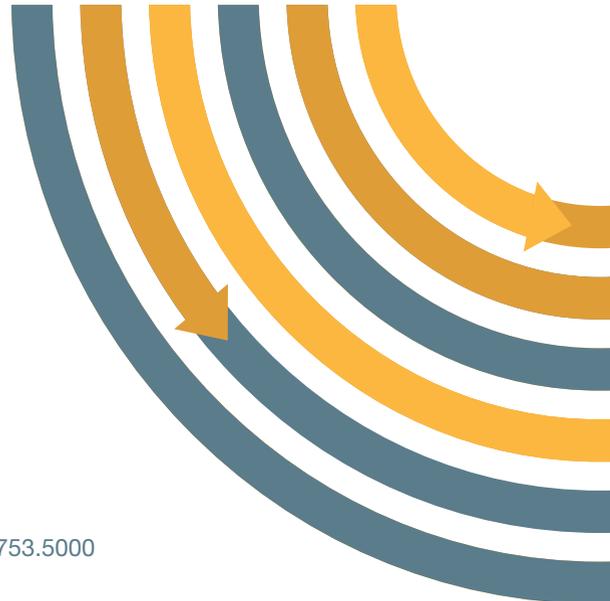
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