The Difference We’re Making
2012 Progress Report
A message from our CEO

Dear Friends,

I’m pleased to report that 2012 was a year of strong and steady progress for Urban Partnership Bank, one in which we continued to build upon the solid foundation we started in 2010 and 2011.

To me, our most significant accomplishment last year was that we surpassed our annual commercial lending goal by 63 percent. This is a tremendous achievement for an organization in only its second full year of operation. And it is especially gratifying because commercial lending will play a critical role for us going forward, both in terms of building our institution’s long-term financial strength and promoting economic development in the low- to moderate-income communities we are committed to serve.

But that was just one of many milestones in 2012. As you will read in the following pages, we completed our assessment of the acquired loan portfolio, expanded our branch system, enhanced our product line, launched our first advertising campaign, and continued to support our communities.

The result is that Urban Partnership Bank is a strong institution today and is well positioned for long-term success. I am especially proud that we have achieved so much while continuing to provide excellent service to our more than 25,000 customers, because they’re the ones who make all this possible.

I would like to thank our staff for their exceptional dedication to our success and our mission. And I would also like to thank our customers and all of those who have supported Urban Partnership Bank since the beginning.

I do not doubt that 2013 will bring many new challenges, along with many exciting opportunities. And I am more confident than ever that we have the talent and determination necessary to build upon our accomplishments in 2012.

We have come a long way. But the best is yet to come for Urban Partnership Bank.

Sincerely,

William Farrow
President and CEO

Making progress every day.

After we established Urban Partnership Bank in 2010, we spent the next 16 months executing a number of critical steps to begin building our new institution.

We developed a new business model and strengthened our leadership team. We implemented a rigorous new lending process, and began to expand our branch system and upgrade our technology. We also started the long process of managing the thousands of problem loans we inherited when Urban Partnership Bank was created. Finally, we became a certified Community Development Financial Institution and upheld ShoreBank’s legacy of community development.

In 2012, we continued to build on that promising start. As a result, we are now well on our way to becoming a strong, secure, and sustainable bank—one that will provide outstanding service to our customers, and create new hope and opportunity in the urban communities we serve.

This annual report highlights Urban Partnership Bank’s key achievements in 2012. And even though we’ve already come a long way, we recognize that we have only begun our journey. There’s much more work to do.

But as this report clearly shows, the bank that is committed to making a difference every day is also making progress every day.

Urban Partnership Bank’s 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
Five clear signs of our progress in 2012

We surpassed our commercial lending goal—by 63 percent.

It was a stellar year in 2012 for commercial lending at Urban Partnership Bank.

Our primary goal for the year was to generate $26 million in new commercial loans. By the end of 2012, new lending activity totaled $42.6 million—$23.6 million in small-business loans and $19 million in commercial real estate loans—which beat our objective by $16.6 million or 63 percent. Our performance in 2012 represents a fivefold increase over the year before.

The significance of this cannot be overstated. As Levoi Brown, the bank’s Director of Commercial Banking, puts it: “Commercial lending is the engine that will drive the growth of Urban Partnership Bank and the growth of the communities we serve.”

Indeed, our loan portfolio at the end of 2012 featured a diverse mix of small businesses and commercial real estate projects. These loans not only contribute to our own institution’s financial health but also strengthen our communities by creating new businesses and jobs, supporting vital community service organizations, and developing affordable housing—all of which are bedrock ingredients for any strong, healthy community.

While the neighborhoods we serve continue to struggle in the wake of the economic downturn, we are confident that our outstanding lending performance in 2012 will give us the momentum for an even better 2013. We are especially encouraged to have received approval from the Small Business Administration to begin making SBA loans in 2013.

We completed our assessment of the acquired loan portfolio.

When Urban Partnership Bank was established in August 2010, we acquired more than $1.3 billion in loans—many of them classified as troubled—from the Federal Deposit Insurance Corporation. We also entered into a loss-sharing agreement stating that the FDIC would cover a portion of the losses we incurred.

One month after our inception, we began the painstaking process of reviewing the entire acquired loan portfolio. By the end of 2012, we completed our review and applied Urban Partnership Bank’s own rigorous underwriting standards to assess risk. Both are banking industry best practices.

In 2012, we worked with our borrowers to both strengthen their loans and improve our relationships with them. This has been, and will continue to be, a challenging process, but we are making progress. Our focus going forward is to execute our mission as a community development bank while following prudent banking and conservative accounting standards. In everything we do, we continue to take the long-term view and do the right thing for our institution and our customers.

We finished the year with strong capital (a Tier 1 capital ratio of 9.79 percent), well in excess of regulatory minimums, and strong reserves and liquidity. In fact, the year-end capital ratio for Urban Partnership Bank has increased every year-end since our inception.

As a result, we continue to focus on expanding our lending activity, a development that, as our strong performance in commercial lending last year clearly demonstrates, has already begun to produce significant results for our institution.

A new day for Dayspring

When Dayspring—a provider of professional janitorial services for health care and food service facilities—landed a five-year, $17 million contract with the city of Chicago, Urban Partnership Bank stepped up and extended the company a $350,000 working capital line of credit. The financing enabled founder Anita Richardson (shown above) to add staff to meet the demands of her new contract. In addition, following the bank’s recommendation, Richardson increased her company’s efficiency by hiring a full-time operations staff member to oversee the project hours and an accountant to provide monthly financial updates.
Helping Grandpapa’s grow its business

Three loans from Urban Partnership Bank totaling more than $3.3 million enabled Grandpapa’s, a Detroit manufacturer of cheese balls, pork rinds, and other snack foods, to purchase and renovate an abandoned 139,000-square-foot production facility. The loans—products of the bank’s collaboration with the Michigan Economic Development Corporation and Invest Detroit—have allowed the company to increase its production and grow its sales. As a result, the 40-year-old company plans to add 50 new employees.

We expanded our branch system and enhanced our product line.

In 2012, we took several important steps to enhance our ability to serve our customers.

We continued to expand our branch system, opening a 1,100-square-foot, full-service branch and drive-up location in Chicago’s Bronzeville community, as well as a 3,000-square-foot branch in Detroit’s Midtown neighborhood. In addition, we acquired Northern Trust’s Greater Grand Crossing branch office, located on Chicago’s South Side, which brought more than 1,600 new customers, $30 million in new deposits, and $38 million in new loans to the bank.

There are now 10 Urban Partnership Bank branches in the Chicago area, and one each in Detroit and Cleveland. The expansion of our branch network is an important part of our larger strategy to fuel economic opportunities that support small businesses, promote job growth, and strengthen nonprofit and faith-based organizations.

We also made banking more convenient by extending the hours of operation for our telephone Customer Service and setting consistent branch hours at all of our locations.

In addition, we enhanced the financial services we offer, including launching new products like Student Advantage Checking and Urban Business Checking, adding new benefits, and reducing or eliminating monthly fees on selected checking accounts. These steps were the result of our extensive study of the financial needs of key customer segments, and reflect our commitment to being the bank of choice for customers in urban neighborhoods.

In addition, at the end of last year, we completed the initial groundwork for our “virtual bank,” a new banking platform for computers and smartphones that will enable customers to do their banking anywhere and anytime. The new system will be up and running in 2013.

We launched our first advertising campaign.

In December, Urban Partnership Bank launched its first-ever advertising campaign to build awareness of our brand and reach our target audience. The theme of the campaign was “Making a Difference Every Day,” and its core message was that “the money we earn in our community stays in our community.”

The campaign featured a 30-second television commercial that aired starting in December and continued throughout the first quarter of 2013 on selected cable channels in our priority communities. It also included outdoor advertising on buses and bus shelters in Chicago communities near Urban Partnership Bank branches.
We also raised the profile of our brand by becoming an official sponsor of WCIU’s MeTV’s High School Basketball Game of the Week. For the past several years, MeTV has been the home of Chicago’s best high school sports programming. As a sponsor, Urban Partnership Bank is featured prominently during the games themselves and on other televised programs throughout the week.

**We have continued to support our communities.**

Our business at Urban Partnership Bank is all about making a difference in our communities. We accomplish that by providing fair and affordable financial products to underserved communities and individuals, and by making loans that strengthen businesses and promote economic development.

But that’s not the only way we act upon our commitment. Throughout the year, we participate in a wide variety of community events. In April 2012, for example, we participated in Money Smart Week, a national financial education awareness campaign sponsored by the Federal Reserve Bank of Chicago. We partnered with the Latino Union, Center for Economic Progress, North Lawndale Employment Network, and Kaleidoscope 4 Kids to present The Fundamentals of Managing Your Money, a free workshop led by our bankers that was designed to educate consumers of all ages about money management.

And in November 2012, in partnership with leading nonprofit technical assistance service providers, we presented Financial Strategies for Succeeding in a Tough Economy, a free seminar and resource fair for nonprofit organizations that focused on how to increase their efficiency, lower operating costs, and ensure sustainability.

Throughout 2012, we participated in a wide variety of community activities, ranging from cosponsoring a breast cancer walk to hosting our annual winter clothing drive and supporting a homeless shelter. Through events like these, Urban Partnership Bank is working to build a brighter future for the communities we serve.
New housing, new jobs

Seventeen vacant single-family homes throughout Chicago’s South and West Side neighborhoods have gotten a new lease on life, thanks to real estate investors Andre Jackson and his brother Kenneth (above, left to right). The Jacksons have used a $1.5 million loan from Urban Partnership Bank to help finance their ongoing project to buy and renovate homes that have been foreclosed upon and rent them to people like the Sykes family (see cover photo). In addition to providing much-needed high-quality, affordable housing for low- to moderate-income families, the renovation project is creating a wide range of new construction jobs. The Jacksons are well on their way to achieving their goal of renovating 200 properties over the next three years.

Our commitment to community

Here are some of the community events Urban Partnership Bank participated in during 2012:

- Sponsored the first annual West Side Heart and Sole Run and Walk in Chicago
- Presented workshops at the Young Women’s Leadership Charter School
- Participated in Catalyst Charter Schools’ Career Exploration Day
- Sponsored Community Shred Day at our Chatham Branch
- Led meetings with Chicago’s South Side and suburban small-business leaders to discuss creating partnerships and building a vibrant community
- Participated in Urban Gardening Day at the Gary Comer Youth Center
- Cosponsored Detroit’s 15th Annual Sista Strut 3K Breast Cancer Walk
- Sponsored a financial literacy workshop at the Chicago Football Classic
- Participated in Cleveland State University’s Urban Agriculture Forum
- Partnered with organizations in Chicago and Detroit to provide coats and winter clothes for kids
- Collected sundries and personal hygiene items to support a shelter that provides social services and job training programs for homeless men in Chicago
Looking Ahead—Our 2013 Priorities

By virtually every measure, 2012 was a successful year for Urban Partnership Bank. We made significant progress toward our goal of building a strong and secure institution. And we started to make a difference in the communities where we do business.

We recognize that the marketplace is very competitive and that our customers and prospects have many options to choose from. So in 2013, our commitment is to build upon the outstanding progress we made in 2012.

Our key priorities for 2013 are to:

• Continue serving our marketplace and communities as a responsible community development bank
• Achieve sustainable monthly profitability by the end of 2013
• Continue building our commercial lending business while applying rigorous and responsible underwriting practices
• Expand our consumer product line
• Establish consumer and commercial virtual banking capabilities allowing 24/7/365 access for current and prospective customers
• Transform our branch infrastructure by continuing to develop less expensive, technology-enabled micro-branches
• Continue to resolve problems with the acquired loan portfolio
• Maintain a strong Tier 1 capital ratio

We are confident that 2013 will mark another year of strong progress for Urban Partnership Bank as we work to make a difference every day.

We appreciate the support we have received from our customers and our communities, and we invite you to follow us as we continue our journey in 2013 and beyond. For information about the latest developments at Urban Partnership Bank, please visit our new website at upbnk.com.

Going forward, we will continue to take the long-term view and do the right thing for our institution and our customers.

Financial Statement Balances ($ in thousands)

As of December 31, 2012

<table>
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<tr>
<th>Item</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Total Assets</td>
<td>1,094,531</td>
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<tr>
<td>Loans, net of allowance for loan losses</td>
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<tr>
<td>Cash and Securities available for sale</td>
<td>170,595</td>
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<tr>
<td>Deposits</td>
<td>968,105</td>
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<tr>
<td>Shareholders’ Equity</td>
<td>114,358</td>
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Key Ratios

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<tr>
<th>Ratio</th>
<th>Amount</th>
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<tr>
<td>Tier 1 Capital to Average Assets¹</td>
<td>9.79%</td>
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<tr>
<td>Loans to Deposits</td>
<td>73.69%</td>
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<tr>
<td>Net Interest Margin²</td>
<td>5.3%</td>
</tr>
</tbody>
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¹Required regulatory capital ratio is 8.00%
²Net interest income divided by average interest-earning assets
Board of Directors

David J. Vitale, Chairman
William Farrow
Eileen Kennedy

Martin Eakes
Diana S. Ferguson
Lori T. Healey

Daniel Lupiani
Terry Peterson
Stanley C. Rakestraw

Jerome Szott
Andrea Zopp

Officers

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Director, Corporate Communications

Levoi Brown
Director, Commercial Banking

Gregory Champlin
Director, Information Technology

Daniel P. Cooney
Chief Legal Officer

Robert Dennis
Chief Credit Officer

William Farrow
President and Chief Executive Officer

Jan Hoffenkamp
Chief Administrative Officer

Darrell Hubbard
Director, Business Banking

Brian K. Jones
Director, Strategy and Marketing

Kirkland Jones
Chief Human Resources Officer

Edward Karasek
Chief Operations Officer

Eileen Kennedy
Chief Financial Officer

Robert Marjan
Chief Operating Officer

William Morfoot
Chief Accounting Officer

Daryl Newell
Director, Consumer Banking

Joel Ramos
Director, Compliance

Terrence Young
Director, Commercial Real Estate

Branch Locations

Bellwood, IL
4310 St. Charles Road, 60104

Chicago, IL
Austin 5253 West Madison Street, 60644
Bronzeville 101 East 35th Street, 60653
Chatham 7936 South Cottage Grove Avenue, 60619
Greater
Grand Crossing 7801 South State Street, 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

Stone Park, IL
1759 North Mannheim Road, 60165

Cleveland, OH
540 East 105th Street, 44108

Detroit, MI
4830 Cass Avenue, 48201

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