

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

AND

STATE OF ILLINOIS

DEPARTMENT OF FINANCIAL AND PROFESSIONAL REGULATION

DIVISION OF BANKING

SPRINGFIELD, ILLINOIS

_____)	
In the Matter of)	
URBAN PARTNERSHIP BANK)	CONSENT ORDER
CHICAGO, ILLINOIS)	FDIC-16-0030b
(ILLINOIS CHARTERED)	2016-DB-05
INSURED NONMEMBER BANK))	
_____)	

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Urban Partnership Bank, Chicago, Illinois ("Bank"), under section 3(q) of the Federal Deposit Insurance Act, 12 U.S.C. § 1813(q). The Illinois Department of Financial and Professional Regulation, Division of Banking ("Division") is the appropriate State banking agency for the Bank under section 48 of the Illinois Banking Act, 205 ILCS 5/48.

Having been advised of its right to a NOTICE OF CHARGES AND HEARING, and of its right to a hearing on the charges under section 8(b) of the Federal Deposit Insurance Act, 12 U.S.C. 1813(b), and under 38 Ill. Adm. Code Part 392 regarding hearings before the Division, and having waived those rights, the Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a Stipulation and Consent to the Issuance of a Consent Order ("Stipulation"), dated August 2, 2016, that is accepted by the FDIC and Division. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices, to issuance of this Consent Order ("Order") by the FDIC and the Division pursuant to Section 8(b)(1) of the FDI Act, 12 U.S.C. § 1818(b) and Section 48(6) of the Illinois Banking Act, 205 ILCS 5/48(6).

Having also determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Section 48(6) of the Illinois Banking Act, 205 ILCS 5/48(6), have been satisfied, the FDIC and the Division **HEREBY ORDER** that the Bank, its institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), and its successors and assigns, take affirmative action as follows:

REVISED BUSINESS PLAN

1. Within sixty (60) days from the effective date of this ORDER, the Bank shall revise its Business Plan to fully address all issues with the existing Business Plan noted in the Joint Report of Examination dated October 26, 2015 ("ROE"). At a minimum, the revised Business Plan shall include:

(a) Financial projections and pro forma financial statements revised to reflect the Bank's financial condition beginning as of December 31, 2015 and shall include a description of any significant assumptions made which form the basis for major projected income and expense components;

(b) Revisions to the narrative section of the Business Plan to specifically include any material changes made in strategies, operational plans, organizational structure, or other material changes necessary to achieve the revised financial projections;

(c) A comprehensive revision of the existing Business Plan to fully address the following items:

(i) the impact on the Bank of the termination of the loss share agreement;

(ii) the adequacy of the Bank's capital relative to internal and external risks;

(iii) the capital goals made and the means to achieve them;

(iv) the Bank's specific plans to raise additional capital necessary to support projected growth and meet regulatory requirements;

(v) the earnings goals and strategies necessary to achieve profitability; and,

(vi) the specific plans made to measure, monitor, and control liquidity risk relative to the Bank's financial condition and revised projections;

(d) The identification of potential risks to the Bank's stated goals and the specific strategies intended to mitigate those risks; and

(e) A provision requiring prior written approval of the Regional Director of the FDIC's Chicago Regional Office ("Regional Director") and the Division for any proposed material change to the Bank's Business Plan.

PROFIT PLAN AND BUDGET

2. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall revise its written profit plan and a realistic, comprehensive budget for all categories of income and expense for calendar years 2016 and 2017. The plans required by this paragraph shall contain formal goals and strategies,

consistent with sound banking practices, to reduce discretionary expenses and to improve the Bank's overall earnings, and shall contain a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written profit plan shall address, at a minimum:

- (i) Realistic and comprehensive budgets;
- (ii) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections;
- (iii) Identification of major areas in, and means by which, earnings will be improved; and
- (iv) A description of the operating assumptions that form the basis for and adequately support major projected income and expense components.

(c) During each monthly board meeting following completion of the profit plans and budgets required by this paragraph, the Bank's board of directors ("Board") shall evaluate and document in the official minutes the Bank's actual performance in relation to the plan and budget, and note any actions taken by the Bank in the Board minutes of the meeting at which such evaluation is undertaken.

(d) A written profit plan and budget shall be prepared for each calendar year for which this ORDER is in effect.

(e) The plans and budgets required by this paragraph shall be acceptable to the Regional Director and the Division.

CAPITAL

3. (a) Within sixty (60) days from the effective date of this ORDER, the Bank shall revise its capital plan so that it shall achieve and maintain its leverage ratio at a minimum of eight (8.0%) percent and its total capital ratio at a minimum of twelve (12.0%) percent. For purposes of this ORDER, leverage ratio and total capital ratio shall be calculated in accordance with Part 324 of the FDIC Rules and Regulations ("Part 324"), 12 C.F.R. Part 324. The plan required by this subparagraph (a) shall be acceptable to the Regional Director and Division.

(b) Should the Bank fail to achieve or maintain the levels of capital as specified in the capital plan submitted and approved under subparagraph (a), then within thirty (30) days of the deficiency, the Bank shall submit a written plan to the Regional Director and the Division, for achieving compliance with the specified levels of capital. The plan required by this subparagraph (b) shall be acceptable to the Regional Director and Division. At a minimum, the plan shall result in compliance

with the leverage ratio and total capital ratio specified in subparagraph (a).

(c) In the event that the Bank fails to meet the terms of the written plan as required under subparagraph (b), or in the event that the Regional Director and the Division determine that the plan is not acceptable, the Bank shall, within thirty (30) days of receipt of written notification from the Regional Director and the Division, develop, adopt, and implement a written plan to sell or merge itself into another federally insured financial institution or to otherwise immediately obtain a sufficient capital investment into the Bank to fully meet the capital requirements of subparagraph (a). A copy of the written plan required by this subparagraph (c) shall be submitted to, and determined to be acceptable by, the Regional Director and the Division.

(d) If, while this ORDER is in effect, the Bank increases capital by the sale of new securities, the Board shall adopt and implement a plan for the sale of such additional securities, including the voting of any shares owned or proxies held by or controlled by them in favor of said plan. Should the implementation of the plan involve public distribution of Bank securities, including a distribution limited only to the Bank's existing shareholders, the Bank shall prepare detailed offering

materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan and, in any event, not less than twenty (20) days prior to the public dissemination of such materials, the materials used in the sale of the securities shall be submitted to the FDIC Registration and Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 for its review. Any changes requested to be made in the materials by the FDIC shall be made prior to their dissemination.

(e) In complying with the provisions of this paragraph, the Bank shall provide to any subscriber and/or purchaser of Bank securities written notice of any planned or existing development or other changes which are materially different from the information reflected in any offering materials used in connection with the sale of Bank securities. The written notice required by this paragraph shall be furnished within ten (10) days of the date any material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber of the Bank's original offering materials.

CONTINGENCY FUNDING PLAN

4. Within sixty (60) days from the effective date of the ORDER, the Bank shall revise its contingency funding plan to establish and incorporate clear strategies for addressing liquidity shortfalls under a range of liquidity stress environments, including, but not limited to, strategies addressing funding contingencies in the event the Bank is no longer Well Capitalized pursuant to Prompt Correction Action provisions of the Federal Deposit Insurance Corporation Improvement Act.

INTEREST RATE RISK MANAGEMENT

5. Within sixty (60) days of the effective date of this ORDER, the Bank shall revise its Interest Rate Risk plan necessary to fully address all interest rate risk management deficiencies noted in the ROE. The plan revisions shall also require the preparation of regular, periodic interest rate sensitivity reports which document all significant assumptions made and are tailored to the Bank's risk characteristics.

REVISE BANK POLICIES

6. Within sixty (60) days from the effective date of this ORDER, the Bank shall revise the Bank's Credit, Liquidity, and Investment Policies as necessary to fully address all issues noted in the ROE and said revisions shall include a requirement

for annual Board review of each operating policy for sufficiency.

MANAGEMENT

7. While this ORDER remains in effect, prior to the addition of any individual to the board of directors or the employment of any individual as a senior executive officer, the Bank shall request and obtain the Regional Director's and the Division's written approval. For purposes of this ORDER "senior executive officer" is defined as in section 32 of the Act, 12 U.S.C. § 1831(i), and section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b).

DIVIDEND RESTRICTION

8. As of the effective date of this ORDER, the Bank shall not declare or pay any dividend without the prior written consent of the Regional Director and the Division.

NOTIFICATION OF SHAREHOLDERS

9. Following the effective date of this ORDER, the Bank shall send to its shareholders a copy or description of this ORDER: (1) in conjunction with the Bank's next shareholder communication; or (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe this ORDER in all material respects. The description and any accompanying communication,

notice or statement shall be sent to the FDIC's Accounting and Securities Disclosure Section, 550 17th Street, N.W., Washington, D.C. 20429 for review at least twenty (20) days prior to dissemination to shareholders. Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice or statement.

PROGRESS REPORTS

10. Within forty-five (45) days from the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Division and Regional Director written progress reports signed by the designated senior executive officer authorized for that purpose by the Board, detailing the actions taken to secure compliance with the ORDER and the results thereof.

CLOSING PARAGRAPHS

The effective date of this ORDER shall be the date of issuance by the FDIC and the Division.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set

aside by the FDIC and the Division.

Pursuant to delegated authority.

Dated: August 5, 2016.

M. Anthony Lowe
Regional Director
Chicago Regional Office
Federal Deposit Insurance
Corporation

Kerri A. Doll
Acting Director
Division of Banking
Illinois Department of Financial
and Professional Regulation