



PUBLIC DISCLOSURE

June 12, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mutual Federal Bank
Charter Number 701330

2212 W Cermak Rd
Chicago, IL 60608-3917

Office of the Comptroller of the Currency

1700 East Golf Road
Suite 800
Schaumburg, IL 60173

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated "SATISFACTORY."

- The loan-to-deposit (LTD) ratio is more than reasonable given the bank's size and financial condition.
- A substantial majority of the bank's lending is inside the bank's assessment area (AA).
- The bank's geographic distribution performance is reasonable.

SCOPE OF EXAMINATION

We assessed Mutual Federal Bank's (Mutual) Community Reinvestment Act (CRA) performance using full-scope Small Bank CRA examination procedures. Under the Small Bank CRA examination procedures, the primary evaluation is made under the lending test. The lending test evaluates the bank's record of meeting the credit needs of its AA through lending activities. The loan review period for the lending analysis for this examination is January 1, 2010 through December 31, 2012. We reviewed Mutual's Home Mortgage Disclosure Act (HMDA) reportable residential loan originations and purchases.

To perform our analysis, the bank provided their HMDA Loan Application Register (LAR) for 2010, 2011, and 2012. We reviewed a sample of HMDA loan data and determined that the bank's HMDA data was accurately collected, maintained and reported in accordance with the HMDA regulation and, therefore, was deemed reliable.

We used reported Federal Deposit Insurance Corporation (FDIC) annual deposit information to determine the bank's deposit market share and market presence within its AA. The most recent deposit market share information is dated June 30, 2012.

The CRA evaluation period covers two different sets of census information (year 2000 census results for the 2010 and 2011 data and the year 2010-census results for the 2012 data). We show the analysis using both sets of data when discussing the bank's performance under the lending test.

Our lending analysis consisted of a review of all 50 of the bank's HMDA reported loans for the years 2010 and 2011 compared to the 2000 census demographics, and 2012 lending data compared to the 2010 census demographics. Using HMDA and census data, we generated several demographic and lending reports for the bank's 2010-2011 and 2012 data. Additionally, we reviewed the aggregate HMDA comparative lending data for origination activity within the assessment area. Aggregate HMDA data for 2012 was not yet available during the course of our examination.

We combined the results of our analyses to determine Mutual's overall performance rating for the lending test. The volume of lending in 2010 and 2011 was greater than

the volume of lending in 2012, thus, the 2010 and 2011 lending performance was given more weight in reaching our overall conclusions.

DESCRIPTION OF INSTITUTION

Mutual is a federally chartered stock owned institution, wholly owned by Mutual Federal Bancorp, MHC, with assets totaling \$73.9 million as of December 31, 2012. The bank's only office is located in a moderate-income census tract in Chicago's Pilsen neighborhood, approximately three miles southwest of downtown Chicago. This office has one automated teller machine and does not have drive-up facilities. The bank had a branch location, in an upper-income census tract, in Naperville, IL that was opened on August 16, 2010 but closed on March 8, 2012. Due to the short amount of time this branch was opened, the bank's performance in this area had a minimal impact on the overall CRA rating.

Mutual offers an array of deposit and loan products to its local community with general banking services. Loan products include residential and commercial mortgage loans, automobile loans, and home equity loans. Deposit products include checking accounts, savings accounts, money market accounts, individual retirement accounts, and certificates of deposit.

The bank's primary focus is residential mortgage lending. As of December 31, 2012, the bank's balance sheet consisted of \$50.7 million in real estate loans. The bank's mortgage loan portfolio primarily consisted of \$22.5 million in loans secured by 1-4 family residential properties and \$17.2 million in loans secured by multifamily residential properties.

Mutual has the financial capacity to assist in meeting the credit needs of its AA. Other than strong competition around the Chicagoland area, there are no legal, financial, or other circumstances impeding the bank's ability to help meet the credit needs of its AA. Mutual is committed to assessing and meeting the credit needs of the local community, consistent with safe and sound banking operations.

The last CRA performance evaluation was dated February 4, 2008. The bank was evaluated by the Office of Thrift Supervision and received an overall rating of "Satisfactory."

DESCRIPTION OF ASSESSMENT AREA

Mutual has delineated their AA to correspond with the borders of Cook County within the Chicago-Naperville-Arlington Heights, IL Metropolitan Division. From 2003 through 2010, the AA consisted of 186 census tracts of Cook County Illinois. Once the bank opened its additional branch in Naperville, IL in 2010, DuPage County and Will County

Illinois were added to the bank's AA. After the closing of its Naperville branch, the bank's AA was adjusted back to just Cook County Illinois on March 20, 2012.

According to the 2000 census data for 2010-2011, Mutual's AA consisted of 1,343 census tracts. According to the 2010 census data for 2012, the bank's AA now consists of 1,318 census tracts. Considering the bank's size, operational strategies, and the location of their office, the delineated AA meets the requirements of the CRA regulation as it consists of whole geographies; does not arbitrarily exclude any low- or moderate-income areas; and does not reflect illegal discrimination.

Mutual's 1,343 census tracts in 2010-2011 had a population of 5,376,741 total persons, with 1,974,408 households and 1,278,745 families. The area held 2,096,121 housing units. Of these units, 54.5 percent were categorized as owner-occupied. Multifamily units and rental units represented 32.5 percent and 39.7 percent of the total housing units, respectively. Mutual's 1,318 census tracts in 2012 list a population of 5,194,675 total persons, with 1,936,481 households and 1,203,421 families. The area consists of 2,173,433 housing units. Of these units, 53.8 percent are categorized as owner-occupied. Multifamily units and rental units represent 32.1 percent and 35.3 percent of the total housing units, respectively.

See the tables below for demographic information on the bank's AA. Approximately 12.2 percent (2010-2011) and 13.9 percent (2012) of the households within the bank's AA are below the poverty level.

| 2010-2011 Assessment Area Demographic Information | | | | | | | | |
|---|----------------------|---------------------------------|-----------------|------------------------|-------------------------|-----------------------|----------------------|--------------------|
| Income Category | %Family Distribution | Census Tract Data Distributions | | | | | | |
| | | # Tracts | % Housing Units | % Owner Occupied Units | % Rental Occupied Units | % Single Family Units | Median Housing Value | Median Housing Age |
| Low | 25.18 | 232 | 10.41 | 3.93 | 17.02 | 8.89 | 118,335 | 42 |
| Moderate | 18.97 | 399 | 28.36 | 21.20 | 37.23 | 28.67 | 135,555 | 42 |
| Middle | 21.29 | 434 | 38.07 | 46.44 | 28.80 | 40.56 | 157,076 | 31 |
| Upper | 34.56 | 262 | 23.16 | 28.43 | 16.95 | 21.88 | 273,220 | 28 |
| NA | 0.00 | 16 | 0.00 | 0.00 | 0.00 | 0.00 | 46,181 | 32 |
| Total # or \$ | 100.00 | 1,343 | 100.00 | 100.00 | 100.00 | 100.00 | 173,839 | 34 |

| 2012 Assessment Area Demographic Information | | | | | | | | |
|--|----------------------|---------------------------------|-----------------|------------------------|-------------------------|-----------------------|----------------------|--------------------|
| Income Category | %Family Distribution | Census Tract Data Distributions | | | | | | |
| | | # Tracts | % Housing Units | % Owner Occupied Units | % Rental Occupied Units | % Single Family Units | Median Housing Value | Median Housing Age |
| Low | 27.06 | 235 | 13.41 | 6.11 | 20.74 | 13.19 | 200,208 | 45 |
| Moderate | 17.90 | 365 | 26.91 | 22.98 | 31.83 | 28.44 | 223,724 | 40 |
| Middle | 18.69 | 390 | 32.59 | 38.09 | 27.05 | 33.60 | 269,128 | 31 |
| Upper | 36.35 | 324 | 27.10 | 32.82 | 20.37 | 24.77 | 432,063 | 26 |
| NA | 0.00 | 4 | 0.00 | 0.00 | 0.00 | 0.00 | 0 | 0 |
| Total # or \$ | 100.00 | 1,318 | 100.00 | 100.00 | 100.00 | 100.00 | 291,818 | 34 |

The bank's AA, Cook County, is comprised of various kinds of financial institutions, which makes competition for potential applicants very strong. According to the FDIC's Deposit Market Share Report, as of June 30, 2012, Mutual had a deposit market share of 0.03 percent. This placed the bank at 122 out of 147 financial institutions within Cook County. The AA's market share is dominated by larger banks such as JP Morgan Chase and BMO Harris Bank, which top the list and hold the only double-digit market share percentages.

During our evaluation, we reviewed a prior community contact between our agency and a community group organization within the bank's AA. Our contact explained that their organization serves the low- to moderate-income population, which is made up of more than 50% of the residents in the area. He added that there are many needs for affordable housing and small business lending. The contact explained that the performance of the local financial institutions is high due to their involvement with various projects within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Mutual's CRA performance in meeting the lending needs of its AA is Satisfactory. The LTD ratio is more than reasonable, a substantial majority of the bank's loan activities is inside its AA, and the bank's geographic distribution indicates reasonable distribution.

Loan-to-Deposit Ratio

Mutual's quarterly average LTD ratio is more than reasonable. We compared Mutual's LTD ratio to a peer base of 34 other thrift institutions in the Cook County area with less than \$200 million in total assets. Mutual's LTD ratio for our evaluation period of March 31, 2008 through March 31, 2013 averaged 92.48 percent. This ratio is well above the peer quarterly average LTD ratio of 76.67 percent. As of December 31, 2012, the bank's LTD ratio was 81.65 percent. This is well above its peer average of 68.99 percent for the same quarter.

Lending in Assessment Area

A substantial majority of the bank's lending is inside the AA. According to the 2010-2011 data, Mutual reported 38 HMDA loans. Of the 38 loans, 34, or approximately 89 percent, of the HMDA reportable loans were originated or purchased within the bank's AA. According to the 2012 HMDA data, Mutual reported 12 HMDA loans. Of the 12 loans, 11, or approximately 92 percent, of the HMDA reportable loans were originated or purchased within the bank's AA. The combined data is reflected in Table 1 below:

| Table 1 - Lending in Assessment Area | | | | | | | | | | |
|---|-----------------|-------|---------|-------|-------|-------------------------|-------|---------|-------|-------|
| Loan Type | Number of Loans | | | | | Dollars of Loans (000s) | | | | |
| | Inside | | Outside | | Total | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | |
| HMDA | 45 | 90.00 | 5 | 10.00 | 50 | 6,928 | 78.75 | 1,870 | 21.25 | 8,798 |

Source: HMDA Loans reported for 2010, 2011, 2012.

Lending to Borrowers of Different Incomes

Analysis of the bank's lending to borrowers of different income would not be meaningful due to the majority of the bank's HMDA loans having a reported income of "NA". Of the 45 loans in the bank's AA, 36, or 80 percent, had income reported as "NA". Loans with income reported as "NA" in the bank's HMDA LAR were primarily due to borrowers not being "natural persons" or were secured by multifamily dwellings.

Geographic Distribution of Loans

Mutual's distribution of loans in its AA among low- and moderate-income geographies is reasonable. Table 2 and 3 below details the number and percentage of Mutual's reported loans according to the income level of the census tracts within their AA. The table compares those loans to the percentages of aggregate HMDA reported loans for FDIC insured financial institutions (2010-2011 only) and to the percentage of owner-occupied housing units (OOHU) within their AA.

| Table 2 - Geographic Distribution of Residential Real Estate Loans in Mutual Federal's AA (2010-2011) | | | | |
|--|--------------------------------|------------------------------------|---|------------------------------|
| Census Tract Income Level | Mutual Federal Number of Loans | Mutual Federal Percentage of Loans | HMDA Peer Group Distribution Percentage | OOHU Distribution Percentage |
| Low-Income | 4 | 11.76 | 7.66 | 3.93 |
| Moderate-Income | 3 | 8.82 | 28.54 | 21.20 |
| Middle-Income | 23 | 67.65 | 30.78 | 46.44 |
| Upper-Income | 4 | 11.76 | 33.03 | 28.43 |
| Totals | 34 | 100.00% | 100.00% | 100.00% |

Source: HMDA data 2010-2011; aggregate HMDA data 2011; and U.S. Census Data 2000.

| Table 3 - Geographic Distribution of Residential Real Estate Loans in Mutual Federal's AA (2012) | | | | |
|---|---------------------------------------|---|--|-------------------------------------|
| Census Tract Income Level | Mutual Federal Number of Loans | Mutual Federal Percentage of Loans | HMDA Peer Group Distribution Percentage | OOHU Distribution Percentage |
| Low-Income | 5 | 45.45 | 7.66 | 6.11 |
| Moderate-Income | 5 | 45.45 | 28.54 | 22.98 |
| Middle-Income | 1 | 9.09 | 30.78 | 38.09 |
| Upper-Income | 0 | 0.00 | 33.03 | 32.82 |
| Totals | 11 | 100.00% | 100.00% | 100.00% |

Source: HMDA data 2012; aggregate HMDA data 2011, and U.S. Census Data 2010.

For 2010-2011, the bank's percentage of number of loans made in low-income geographies was significantly above industry aggregate HMDA lending and the percentage of OOHU in its assessment area. The percentage of loans made in moderate-income geographies was significantly lower than the aggregate HMDA lending and the percentage of OOHU. In 2012, the percentage of number of loans made by the bank in both low- and moderate-income geographies was significantly higher than the percentage of OOHU in the bank's assessment area. The bank's residential lending in 2012 was also significantly higher than the 2011 aggregate lending data (most recent aggregate lending data available at the time of our examination.)

Responses to Complaints

Mutual did not receive any written comments or complaints regarding its CRA performance during our evaluation period. Neither the Office of Thrift Supervision nor the OCC received any CRA related comments or complaints during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c), in determining a Federal savings association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance.

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credit needs.