

**#2012-037**

AGREEMENT BY AND BETWEEN  
Mutual Federal Bank  
Chicago, IL  
and  
The Comptroller of the Currency

Mutual Federal Bank, Chicago, IL (Bank) and the Comptroller of the Currency of the United States of America (Comptroller) wish to protect the interests of the depositors, other customers, and shareholders of the Bank, and, toward that end, wish the Bank to operate safely and soundly and in accordance with all applicable laws, rules and regulations.

The Comptroller has found unsafe or unsound banking practices, including practices related to credit risk management.

In consideration of the above premises, it is agreed, between the Bank, by and through its duly elected and acting Board of Directors (Board), and the Comptroller, through his authorized representative, that the Bank shall operate at all times in compliance with the articles of this Agreement.

ARTICLE I

JURISDICTION

(1) This Agreement shall be construed to be a “written agreement entered into with the agency” within the meaning of 12 U.S.C. § 1818(b)(1).

(2) This Agreement shall be construed to be a “written agreement between such depository institution and such agency” within the meaning of 12 U.S.C. § 1818(e)(1) and 12 U.S.C. § 1818(i)(2).

(3) This Agreement shall be construed to be a “formal written agreement” within the meaning of 12 C.F.R. § 163.555. See 12 U.S.C. § 1831i.

(4) This Agreement shall be construed to be a “final order” within the meaning of 12 U.S.C. § 1818(u).

(5) This Agreement shall cause the Bank to not be eligible for “expedited treatment” within the meaning of 12 C.F.R. § 116.5, unless otherwise informed in writing by the Comptroller.

(6) All reports or plans which the Bank or Board has agreed to submit to the Assistant Deputy Comptroller pursuant to this Agreement shall be forwarded to:

Assistant Deputy Comptroller  
Chicago North Field Office  
1700 East Golf Road, Suite 800  
Schaumburg, IL 60173

## ARTICLE II

### STRATEGIC PLAN

(1) Within sixty (60) days, the Board shall revise its existing written strategic plan for the Bank to update or include the information addressed in this Article for a period covering at least 2012 through year-end 2014. The revised strategic plan shall establish objectives and projections for the Bank’s overall risk profile, earnings performance, growth, balance sheet mix, off-balance sheet activities, liability structure, capital and liquidity adequacy, reduction in the volume of nonperforming assets, product line development and market segments that the Bank intends to promote or develop, together with specific strategies to achieve those objectives and, at a minimum, include:

- (a) a statement of strategic goals and objectives for the Bank to be accomplished over the short and long term;
- (b) detailed strategies designed to improve and sustain earnings based upon an assessment of the Bank’s present and future operating environment, with express consideration for the Bank’s non-interest expenses;

- (c) an assessment of the Bank's present and future product lines (assets and liabilities) that will be utilized to accomplish the strategic goals and objectives established in Paragraph (1)(a) of this Article;
- (d) an evaluation of the Bank's staffing requirements and the development of policies and procedures ensuring adequate personnel to accomplish strategic objectives without compromising safety and soundness;
- (e) a financial forecast to include projections for major balance sheet and income statement accounts and desired financial ratios over a three-year period; and
- (f) a written capital plan, including:
  - (i) an evaluation of the Bank's capital needs, and the adoption of appropriate measures to ensure the Bank will maintain adequate capital in relation to its risks and in compliance with regulatory requirements;
  - (ii) identification and projections of the primary source(s) and timing of additional capital to meet the Bank's current and future needs; and
  - (iii) contingency plans that identify alternative methods should the primary source(s) under Paragraph (ii) not be available.

(2) Upon adoption, a copy of the plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall promptly implement and thereafter adhere to the strategic plan.

(3) The Board shall review and update the Bank's plan on an annual basis, or more frequently if warranted under the circumstances. Any revisions to the plan shall be forwarded to the Assistant Deputy Comptroller for review and prior written determination of no supervisory objection. Upon receiving a determination of no supervisory objection from the Assistant Deputy Comptroller, the Bank shall promptly implement and thereafter adhere to the revised strategic plan.

### ARTICLE III

#### ALLOWANCE FOR LOAN AND LEASE LOSSES

(1) By no later than March 31, 2012, the Board shall revise, implement, and thereafter ensure adherence to written policies and procedures for maintaining an adequate Allowance for Loan and Lease Losses ("ALLL") in accordance with U.S. generally accepted accounting principles ("GAAP"). The Bank's revised ALLL policies and procedures shall be consistent with the guidance set forth in the Federal Financial Institutions Examination Council's "Interagency Policy Statement on the Allowance for Loan and Lease Losses" dated December 13, 2006, (OCC Bulletin 2006-47) ("Interagency Statement") and shall at a minimum include:

- (a) procedures for determining whether a loan is impaired and measuring the amount of impairment, consistent with GAAP (including FASB ASC 310-10, Receivables - Overall - Subsequent Measurement – Impairment);
- (b) procedures for segmenting the loan portfolio and estimating loss on groups of loans that are consistent with GAAP (including FASB ASC 450-20, Loss Contingencies). These procedures shall require the Bank

to document its estimation of credit losses and its analysis of the nine qualitative factors set forth in the Interagency Statement;

- (c) procedures for validating the ALLL methodology; and
- (d) a process for summarizing and documenting, for the Board's prior review and approval, the amount to be reported in the Consolidated Reports of Condition and Income ("Call Reports") for the ALLL.

(2) The Board shall revise, implement, and thereafter ensure adherence to written policies and procedures to ensure that all official and regulatory reports filed by the Bank accurately reflect an adequate ALLL balance as of the date that such reports are submitted. Any difference between the ALLL balance as determined by the analysis required by this Article and the Bank's actual ALLL balance shall be remedied through appropriate account adjustments in the quarter it is discovered, prior to the filing of the Call Reports.

#### ARTICLE IV

##### CREDIT & COLLATERAL EXCEPTIONS

(1) Within sixty (60) days, the Board shall adopt, implement, and thereafter ensure Bank adherence to a written program designed to ensure the Bank obtains and analyzes updated credit and collateral information as necessary to monitor the Bank's credit risk, properly account for loans, and assign accurate risk-ratings in a timely manner. At a minimum, with respect to all loans, leases, or other extensions of credit not subject to the Revised Uniform Retail Credit Classification and Account Management Policy (OCC Bulletin 2000-20), the program shall require the Bank to obtain and analyze current and satisfactory credit information, maintain proper collateral documentation, and, where necessary, substantiate the current value of collateral, on an ongoing basis as needed to effectuate the purposes of the program listed above.

The Board shall provide a copy of the written program adopted pursuant to this Paragraph to the Assistant Deputy Comptroller promptly upon adoption.

(2) If despite prudent efforts the Board and management are unable to obtain the credit information or collateral documentation required by paragraph (1) of this Article, it shall not constitute a violation of this Article so long as the Bank's ongoing efforts to obtain the information are documented and recorded in the respective credit file.

(3) Effective immediately, the Bank may grant, extend, renew, alter or restructure any loan, lease, or other extension of credit only after:

- (a) documenting the specific reason or purpose for the extension of credit;
- (b) identifying the expected source of repayment in writing;
- (c) structuring the repayment terms to coincide with the expected source of repayment for the extension of credit;
- (d) obtaining and analyzing current credit information to appropriately assess the borrower's cash flow and current financial position, and where repayment is dependent in whole or in part on one or more guarantors, performing an analysis of the guarantors' current financial position and the guarantors' and borrower's global cash flow; and
- (e) documenting the current value of collateral with adequate supporting material (and in compliance with 12 C.F.R. Part 164 or any applicable successor regulation or guidance as specified by the Comptroller, where applicable), and documenting that the Bank's security interest has been properly attached and recorded.

(4) Failure to adhere to paragraph (3)(c) or to obtain and analyze the information in paragraph (3)(d) of this Article shall not constitute a violation if, prior to granting the extension of credit, a majority of the full Board (or a delegated committee thereof) certifies in writing the specific reasons why not adhering to paragraph (3)(c), or not obtaining and analyzing the information required in paragraph (3)(d), would not be detrimental to the best interests of the Bank. A copy of the Board certification shall be maintained in the Bank's credit file for the respective borrower(s) for subsequent review by the Comptroller in connection with examinations of the Bank.

## ARTICLE V

### CLOSING

(1) Although the Board has agreed to submit certain programs and reports to the Assistant Deputy Comptroller for review or prior written determination of no supervisory objection, the Board has the ultimate responsibility for proper and sound management of the Bank.

(2) It is expressly and clearly understood that if, at any time, the Comptroller deems it appropriate in fulfilling the responsibilities placed upon him by the several laws of the United States of America to undertake any action affecting the Bank, nothing in this Agreement shall in any way inhibit, estop, bar, or otherwise prevent the Comptroller from so doing.

(3) Any time limitations imposed by this Agreement shall begin to run from the effective date of this Agreement. Such time requirements may be extended in writing by the Assistant Deputy Comptroller for good cause upon written application by the Board.

(4) The provisions of this Agreement shall be effective upon execution by the parties hereto and its provisions shall continue in full force and effect unless or until such provisions are

amended in writing by mutual consent of the parties to the Agreement or excepted, waived, or terminated in writing by the Comptroller.

(5) In each instance in this Agreement in which the Board is required to ensure adherence to, and undertake to perform certain obligations of the Bank, it is intended to mean that the Board shall:

- (a) authorize and adopt such actions on behalf of the Bank as may be necessary for the Bank to perform its obligations and undertakings under the terms of this Agreement, including ensuring that the Bank has necessary processes, personnel, and control systems;
- (b) require the timely reporting by Bank management of such actions directed by the Board to be taken under the terms of this Agreement;
- (c) follow-up on any non-compliance with such actions in a timely and appropriate manner; and
- (d) require corrective action be taken in a timely manner of any non-compliance with such actions.

(6) This Agreement is intended to be, and shall be construed to be, a supervisory “written agreement entered into with the agency” as contemplated by 12 U.S.C. § 1818(b)(1), and expressly does not form, and may not be construed to form, a contract binding on the Comptroller or the United States. Notwithstanding the absence of mutuality of obligation, or of consideration, or of a contract, the Comptroller may enforce any of the commitments or obligations herein undertaken by the Bank under his supervisory powers, including 12 U.S.C. § 1818(b)(1), and not as a matter of contract law. The Bank expressly acknowledges that neither the Bank nor the Comptroller has any intention to enter into a contract. The Bank also expressly



