



Bank Mutual

C O R P O R A T I O N

2010 Summary Annual Report



Strong History. Forward Focus.



BankMutual

Trust. The feeling is Mutual.

79 Locations Strong With Access to Over 17,000 Surcharge-Free ATMs Nationwide



Bank Mutual's 79 locations provide support for retail and business customers throughout Wisconsin.

**To our Shareholders:
Optimism. The feeling is Mutual.**

Those words could well be the tagline for this year's annual report. While many of our peers are downsizing or have been acquired by out-of-state banks, we remain true to our Wisconsin heritage that dates back to 1892. With a network that's 79 branches strong, a commitment to local decision making, an expanded staff and an enhanced product line, we are well positioned to take advantage of both an economic recovery and significant opportunities for an increased presence in the markets we serve.



Michael T. Crowley Jr.
Chairman and Chief Executive Officer

David A. Baumgarten
President

This optimism stems from our strong capital foundation, which allowed us to make two key strategic decisions in the fourth quarter that established a base for the future growth of our company.

First, Bank Mutual's Board of Directors approved the early repayment of \$756 million in borrowings that carried an above-market interest rate. The prepayment, which involved a one-time penalty of \$53.6 million net of income tax effect, will significantly decrease our annual interest expense — reducing it by more than \$189 million over the remaining life of the borrowings.

Second, Bank Mutual recorded charges of \$20.4 million for loan loss provisions, net of the related income tax effect. The prolonged economic downturn has had a negative effect on many businesses, as well as impacting even the most sound commercial real estate clients. Vacancies have increased, lease rates have declined and unit sales have been delayed. In this increasingly difficult economic environment, we felt it was prudent to be proactive in dealing with those matters.

With those issues behind us, we believe that our bank is well positioned to effectively capitalize on future opportunities.

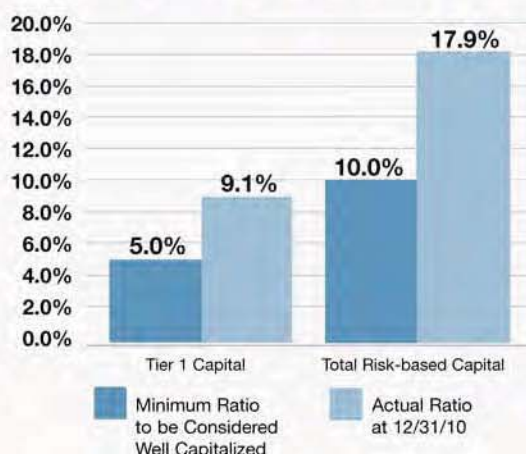
Fundamentals Remain Strong

We remain very well capitalized for regulatory capital purposes. Total risk-based capital and Tier 1 capital ratios were 17.9 percent and 9.1 percent, respectively, as of December 31, 2010.

Our consistently strong fundamentals have meant that Bank Mutual has never had to accept a capital infusion under the government's Troubled Assets Relief Program (TARP).

We believe in running a lean operation with a highly productive staff, which helps us create a stable working environment while providing continuity of service to our customers.

Regulatory Capital Ratios





Our staff will be more focused on providing financial solutions that offer added value for our customers above and beyond traditional banking products.

Our disciplined approach to expense control has been a strength in all economic climates and will continue to serve us well through upcoming growth periods.

Continuing Retail Success

Meeting our customers' evolving financial needs remains one of our top priorities. In the upcoming year, we're going to be spending time, energy and dollars to improve the customer experience in our 79-branch network.

Specifically, our staff will be more focused on providing financial solutions that offer added value for our customers above and beyond traditional banking products. Our subsidiary BancMutual Financial & Insurance Services, which sells annuities and securities, will serve as an engine for increased market share.

Additionally, our newly redesigned website now features a state-of-the-art online bill pay system. Our Finance e-Learning Center offers helpful information on all aspects of family finance, from budgeting and buying a first car or home to retirement planning and investing. Online calculators and worksheets provide an interactive experience that enhances the customer's relationship with Bank Mutual. Finally, we have added surcharge-free access to more than 17,000 ATMs nationwide through the Money Pass/Pulse Select networks.

New financial solutions that better meet our customers' needs will not only help us sustain consistent market share growth, but also serve to deepen customer relationships and improve long-term retention.

Targeted Commercial Growth

While our branch network is satisfying the financial needs of our consumer base, we have the same aspirations for our commercial, business and investment real estate customers. The coming year will see an increased focus on developing our team of seasoned bankers to deliver a full complement of financial solutions to help our commercial clients become more successful.

Our enhanced product offerings and new associates will allow us for the first time to open our doors to the middle market, which traditionally has been defined as businesses with revenues of \$10 million to \$250 million.

We're competitive with the larger financial institutions in our markets when it comes to lending capacity, treasury management products and international products, but our added value is local decision making. Our commercial customers, regardless of their size, can be assured of a strong relationship with the management making their loan decisions, as well as decisions that are both quick and fair.

Other Opportunities for Expansion

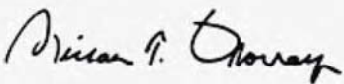
Our senior management team continues to look for acquisition opportunities that will improve our franchise value and be strategic in nature. Acquisitions, in this sense, can include banks that geographically enhance our franchise value, lines of business that augment our current offerings, and additional team members that will help us continue to grow the brand.

We are judicious in our selection; over the last several years, we have passed on transactions that we felt would not create adequate franchise value from a cost or management standpoint. As we review these opportunities, it is important that we continually look at ways to capitalize on our most valuable asset: a strong group of loyal, dedicated employees. It's through their commitment and expertise that we'll continue to be successful and prosperous.

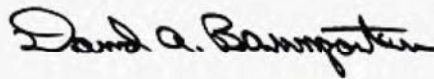
In closing, we would like to reiterate that the strategic decisions we've made in the last year — much like the strategic decisions made throughout our 119-year history — have helped us remain strong in spite of the current troubled economy and position us for growth in better times ahead. We'll continue to benefit from a keen understanding of our markets and the products and relationships that best meet our customers' needs.

Finally, we are fortunate to have the support of valued shareholders like you. Thank you for your continued trust in Bank Mutual's ability to provide value.

Best regards,



Michael T. Crowley Jr.
Chairman and Chief Executive Officer



David A. Baumgarten
President

"With the addition of Dave Baumgarten to our management team in April 2010, we have added considerable experience and expertise to our commercial banking presence. Dave's leadership and knowledge of the Wisconsin market have already provided significant momentum to our expansion efforts and will prove to be a great asset in our future growth."

Michael T. Crowley Jr.



Bank Mutual Corporation Selected Financial Highlights

(Dollars in thousands, except per share data)

Financial Condition at December 31	2010	2009	2008	2007	2006
Total assets	\$2,591,818	\$3,512,064	\$3,489,689	\$3,488,046	\$3,451,385
Loans receivable, net	1,323,569	1,506,056	1,829,053	1,994,556	2,024,325
Securities available-for-sale, at fair value	663,257	1,480,952	1,270,005	1,199,372	1,113,141
Deposit liabilities	2,078,310	2,137,508	2,128,277	2,093,453	2,149,523
Borrowings	149,934	906,979	907,971	912,459	705,025
Shareholders' equity	312,953	402,477	399,611	430,035	533,779
Shareholders' equity to total assets	12.1%	11.5%	11.5%	12.3%	15.5%
Operating Results for the Year Ended December 31	2010	2009	2008	2007	2006
Net interest income	\$46,293	\$68,030	\$73,365	\$69,230	\$75,313
Provision for (recovery of) loan losses	49,619	12,413	1,447	(272)	632
Non-interest income	40,603	31,681	17,881	20,434	17,019
Non-interest expense ⁽¹⁾	159,825	68,155	63,550	63,549	61,295
Net income (loss)	(72,640)	13,725	17,156	17,103	20,597
Per Share Data at or for the Year Ended December 31	2010	2009	2008	2007	2006
Diluted earnings (loss) per share	(\$1.59)	\$0.29	\$0.35	\$0.31	\$0.34
Cash dividends paid per share	0.20	0.34	0.36	0.33	0.29
Book value per share	6.84	8.72	8.38	8.63	8.86
Closing stock price	4.78	6.93	11.54	10.57	12.11
Performance Ratios at or for the Year Ended December 31	2010	2009	2008	2007	2006
Return on average assets	(2.12)%	0.39%	0.48%	0.49%	0.59%
Return on average equity	(18.47)%	3.40%	4.15%	3.57%	3.89%
Average net interest margin	1.47%	2.09%	2.21%	2.09%	2.27%
Efficiency ratio ⁽²⁾	99.36%	73.32%	68.77%	69.92%	67.28%
Non-performing assets to total assets ⁽³⁾	5.49%	1.72%	1.08%	0.48%	0.46%
Allowance for loan losses to loans receivable, net	3.63%	1.13%	0.67%	0.59%	0.62%

(1) Non-interest expense in 2010 includes an \$89.3 million loss relating to prepayment penalties for the early repayment of FHLB borrowings.

(2) The efficiency ratio excludes the impact of the loss on early repayment of FHLB borrowings in 2010, as well as investment gains (losses) for all periods.

(3) In 2010 this ratio includes \$38.1 million (1.47 percent of total assets) in loans that are current with respect to contractual principal and interest payments.



Over 200 years of combined financial management experience within our Executive Team (left to right)

Chris Mayne, CEO

Greg Larsen, Commercial Lending

Mike Crowley, CEO

Terry Anderegg, Retail Banking

Mike Doeland, CFO

Dave Baumgarten, President

Executive Officers

Michael T. Crowley Jr.	<i>Chairman and Chief Executive Officer</i>
David A. Baumgarten	<i>President</i>
Michael W. Dosland	<i>Senior Vice President, Chief Financial Officer</i>
James P. Carter	<i>Vice President, Secretary and General Counsel</i>
Richard L. Schroeder	<i>Vice President, Controller</i>
P. Terry Anderegge	<i>Senior Vice President, Retail Banking (of the Bank)</i>
Gregory A. Larson	<i>Senior Vice President, Director of Commercial Banking (of the Bank)</i>
Christopher L. Mayne	<i>Senior Vice President, Chief Risk Officer (of the Bank)</i>



Bank Mutual Corporation Directors

David A. Baumgarten
David C. Boerke
Richard A. Brown
Thomas H. Buestrin
Michael T. Crowley Jr.
Mark C. Herr
Thomas J. Lopina Sr.
William J. Mielke
Robert B. Olson
Jelmer G. Swoboda

Corporate Headquarters

Bank Mutual Corporation
4949 West Brown Deer Road
Milwaukee, WI 53223
414-354-1500
bankmutualcorp.com

Annual Meeting

The 2011 Annual Meeting of Shareholders will be held on May 2, 2011, at 10 a.m. at the Four Points Sheraton Inn Milwaukee North Hotel, 8900 North Kildeer Court, Milwaukee, Wisconsin.

Stock Listing

Bank Mutual Corporation common stock is traded on the NASDAQ Global Select Market under the symbol BKMU.

Investor Relations

Shareholders, analysts, the news media and others desiring general information about the Company or its subsidiaries may contact Michael T. Crowley Jr., Chairman and Chief Executive Officer or Michael W. Dosland, Chief Financial Officer, at the Corporate Headquarters.

A copy (without exhibits) of our Annual Report on Form 10-K for the year ended December 31, 2010, as filed with the Securities and Exchange Commission, is available to shareholders on our website (bankmutualcorp.com) or at no charge upon written request to our corporate offices. The Annual Report on Form 10-K is included with the proxy statement for Bank Mutual Corporation's 2011 Annual Meeting of Shareholders and includes complete financial statements and other financial information about Bank Mutual Corporation that is not included in this Summary Annual Report. We urge shareholders and others to read the Form 10-K.

The discussions in this Summary Annual Report that are not historical statements contain forward-looking statements that involve risk and uncertainties. Statements that are not historical statements include those in the future tense or that use terms such as "believe," "expect" and "anticipate." Our actual future results could differ in important and material ways from those discussed. Many factors could cause or contribute to such differences, including those discussed in Item 1A — "Risk Factors" in our Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Transfer Agent

Inquiries regarding change of address, transfer of stock, lost certificates and dividend reinvestment should be directed to:
Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016
800-368-5948

Independent Auditors

Deloitte & Touche LLP
555 East Wells Street
Milwaukee, WI 53202

General Counsel

Quarles & Brady LLP
411 East Wisconsin Avenue
Milwaukee, WI 53202



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CORPORATION

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