MUTUALFIRST FINANCIAL INC
Form 10-Q
November 12, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2013

or

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXHANGE ACT OF 1934

For the transition period from _______________ to _______________________

Commission File Number: 000-27905

MutualFirst Financial, Inc.
(Exact name of registrant specified in its charter)

Maryland	35-2085640
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

110 East Charles Street, Muncie, Indiana 47305
(Address of principal executive offices) (Zip Code)

(765) 747-2800
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ¨ No x

As of November 6, 2013, there were 7,112,179 shares of the registrant's common stock outstanding.

FORM 10-Q

MutualFirst Financial, Inc.

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PART I FINANCIAL INFORMATION
Item 1. Financial Statements

MUTUALFIRST **FINANCIAL, INC. AND SUBSIDIARY**

Consolidated Condensed Balance Sheets

(Table Dollar Amounts in Thousands)

	September 30, 2013 (Unaudited)	December 31, 2012
Assets		
Cash	$ 7,126	$ 8,899
Interest-bearing demand deposits	24,814	23,879
Cash and cash equivalents	31,940	32,778
Investment securities available for sale	274,534	281,197
Loans held for sale	993	5,106
Loans	978,958	985,583
Allowance for loan losses	(14,454)	(16,038)
Net loans	964,504	969,545
Premises and equipment	31,646	32,240
Federal Home Loan Bank of Indianapolis stock, at cost	14,391	14,391
Investment in limited partnerships	2,220	2,603
Deferred income tax benefit	17,739	15,913
Cash surrender value of life insurance	49,389	48,410
Prepaid FDIC premium	-	1,647
Core deposit and other intangibles	1,803	2,411
Other assets	15,847	16,217
Total assets	$ 1,405,006	$ 1,422,458
Liabilities		
Deposits		
Non-interest-bearing	$ 140,938	$ 138,269
Interest-bearing	1,008,779	1,045,740
Total deposits	1,149,717	1,184,009
Federal Home Loan Bank advances	96,728	74,675
Other borrowings	11,069	11,606
Other liabilities	14,921	12,675
Total liabilities	1,272,435	1,282,965
Stockholders' Equity		
Preferred stock, $.01 par value		
Authorized - 5,000,000 shares	1	1
Issued and outstanding - 21,692 and 28,923 shares, respectively; liquidation		

preference $1,000 per share		
Common stock, $.01 par value		
Authorized - 20,000,000 shares		
Issued and outstanding – 7,102,372 and 7,055,502 shares, respectively	71	71
Additional paid-in capital - preferred stock	21,692	28,923
Additional paid-in capital - common stock	73,122	72,610
Retained earnings	39,776	35,403
Accumulated other comprehensive income (loss)	(2,012)	2,803
Unearned employee stock ownership plan (ESOP) shares	(79)	(318)
Total stockholders' equity	132,571	139,493
Total liabilities and stockholders' equity	$ 1,405,006	$ 1,422,458

See notes to consolidated condensed financial statements.

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MUTUALFIRST **FINANCIAL, INC. AND SUBSIDIARY**

Consolidated Condensed Statements of Income

(Unaudited)

(Table Dollar Amounts in Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Interest Income				
Loans receivable, including fees	$ 11,080	$ 11,532	$ 33,142	$ 34,760
Investment securities:				
Mortgage-backed securities	1,534	2,054	4,647	6,161
Federal Home Loan Bank stock	124	107	377	323
Other investments	299	201	636	634
Deposits with financial institutions	4	14	18	29
Total interest income	13,041	13,908	38,820	41,907
Interest Expense				
Passbook savings	3	13	9	39
Certificates of deposit	2,106	2,523	6,570	8,032
Daily Money Market accounts	68	102	189	302
Demand and NOW accounts	156	226	485	674
Federal Home Loan Bank advances	320	533	882	1,733
Other interest expense	148	196	446	593
Total interest expense	2,801	3,593	8,581	11,373
Net Interest Income	10,240	10,315	30,239	30,534
Provision for losses on loans	750	1,475	2,250	4,675
Net Interest Income After Provision for Loan Losses	9,490	8,840	27,989	25,859
Other Income				
Service fee income	1,447	1,644	4,382	5,049
Net realized gain on sale of securities	453	1,095	835	1,575
Equity in losses of limited partnerships	(84)	(124)	(338)	(372)
Commissions	1,041	859	3,196	2,914
Net gains on sales of loans	84	541	654	1,388
Net servicing fees (loss)	63	(16)	471	(126)
Increase in cash surrender value of life insurance	321	340	942	1,017
Gain (loss) on sale of other real estate and repossessed assets	(108)	30	(53)	(523)
Other income	57	12	282	93
Total other income	3,274	4,381	10,371	11,015
Other Expenses				

Salaries and employee benefits	5,282	5,273	16,365	15,910
Net occupancy expenses	244	641	1,472	1,744
Equipment expenses	453	454	1,377	1,346
Data processing fees	326	361	1,081	1,178
Automated teller machine	296	258	806	743
Deposit insurance	251	312	891	939
Professional fees	318	420	973	1,188
Advertising and promotion	386	488	1,095	1,214
Software subscriptions and maintenance	391	384	1,070	1,145
Intangible amortization	186	229	608	745
Other real estate and repossessed assets	180	247	529	691
Other expenses	887	1,066	2,747	2,816
Total other expenses	9,200	10,133	29,014	29,659
Income Before Income Tax	3,564	3,088	9,346	7,215
Income tax expense	1,092	915	2,786	1,971
Net Income	2,472	2,173	6,560	5,244
Preferred stock dividends and amortization	271	362	911	1,085
Net Income Available to Common Shareholders	$ 2,201	$ 1,811	$ 5,649	$ 4,159
Basic earnings per common share	$ 0.31	$ 0.26	$ 0.80	$ 0.60
Diluted earnings per common share	$ 0.30	$ 0.26	$ 0.78	$ 0.59
Dividends per common share	$ 0.06	$ 0.06	$ 0.18	$ 0.18

See notes to consolidated condensed financial statements.

***MUTUALFIRST* FINANCIAL, INC. AND SUBSIDIARY**

Consolidated Condensed Statements of Comprehensive Income

(Unaudited)

(Table Dollar Amounts in Thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net income	$ 2,472	$ 2,173	$ 6,560	$ 5,244
Other comprehensive income (loss):				
Net unrealized holding gain (loss) on securities available-for-sale	(397)	2,643	(7,108)	6,724
Net unrealized gain (loss) on securities available-for-sale for which a portion of an other-than-temporary impairment has been recognized in income	2	132	467	(20)
Less: Reclassification adjustment for realized gains included in net income	(453)	(1,095)	(835)	(1,575)
Net unrealized gain on derivative used for cash flow hedges	14	2	105	16
	(834)	1,682	(7,371)	5,145
Income taxes related to other comprehensive income	280	(578)	2,556	(1,785)
Other comprehensive income (loss)	(554)	1,104	(4,815)	3,360
Comprehensive income	$ 1,918	$ 3,277	$ 1,745	$ 8,604

See notes to consolidated condensed financial statements.

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***MUTUALFIRST* FINANCIAL, INC. AND SUBSIDIARY**

Consolidated Condensed Statement of Stockholders' Equity

For the Period Ended September 30, 2013

(Unaudited)

(Table Dollar Amounts in Thousands)

	Common Stock			**Preferred Stock**				**Accumulated**		
	Shares Outstanding	**Amount**	**Additional paid-in capital**	**Shares Outstanding**	**Amount**	**Additional paid-in capital**	**Retained Earnings**	**Other Comprehensive Loss**	**Unearned ESOP shares**	**Total**
Balances, January 1, 2013	7,055,502	$71	$72,610	28,923	$1	$28,923	$35,403	$2,803	$(318)	$139,493
Net income for the period							6,560			6,560
Other comprehensive loss, net of tax								(4,815)		(4,815)
Stock repurchased				(7,231)		(7,231)				(7,231)
ESOP shares earned			102						239	341
Stock options vested			23							23
Stock options exercised	46,870		387							387
Cash dividends ($.18 per common share)							(1,276)			(1,276)
Cash dividends - preferred stock							(911)			(911)
Balances, September 30, 2013	7,102,372	$71	$73,122	21,692	$1	$21,692	$39,776	$(2,012)	$(79)	$132,571

See notes to consolidated condensed financial statements.

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***MutualFirst* Financial, Inc.**

Consolidated Condensed Statements of Cash Flows

(Unaudited)

(Table Dollar Amounts in Thousands)

	Nine Months Ended September 30,	
	2013	2012
Operating Activities		
Net income	$6,560	$5,244
Items not requiring (providing) cash		
Provision for loan losses	2,250	4,675
Depreciation and amortization	3,683	4,337
Deferred income tax	730	705
Loans originated for sale	(55,250)	(30,184)
Proceeds from sales of loans held for sale	59,623	32,203
Gains on sales of loans held for sale	(654)	(1,388)
Gain on sale of securities-available-for sale	(835)	(1,575)
Gain on other real estate and repossessed assets	53	523
Other equity adjustments	341	340
Change in		
Prepaid FDIC premium	1,647	874
Interest receivable and other assets	368	588
Interest payable and other liabilities	1,751	(46)
Cash value of life insurance	(942)	(1,017)
Other adjustments	415	468
Net cash provided by operating activities	19,740	15,747
Investing Activities		
Net change in interest earning assets	-	1,415
Purchases of securities available-for-sale	(99,166)	(104,448)
Proceeds from maturities and paydowns of securities available-for-sale	45,748	50,641
Proceeds from sale of securities-available for sale	53,179	47,141
Net change in loans	(845)	(63,700)
Proceeds from sales of loans transferred to held for sale	-	3,669
Purchases of premises and equipment	(754)	(1,702)
Proceeds from real estate owned sales	3,113	4,132
Other investing activities	(37)	(22)
Net cash provided by (used in) investing activities	1,238	(62,874)
Financing Activities		
Net change in		
Noninterest-bearing, interest-bearing demand and savings deposits	36,918	81,587

Certificates of deposit	(71,210)	(55,193)
Proceeds from FHLB advances	220,675	382,250
Repayment of FHLB advances	(198,622)	(370,450)
Repayment of other borrowings	(569)	(630)
Redemption of preferred stock	(7,231)	-
Cash dividends paid	(2,187)	(2,343)
Other financing activities	410	1,002
Net cash provided by (used in) financing activities	(21,816)	36,223
Net Change in Cash and Cash Equivalents	(838)	(10,904)
Cash and Cash Equivalents, Beginning of Period	32,778	55,223
Cash and Cash Equivalents, End of Period	$31,940	$44,319
Additional Cash Flows Information		
Interest paid	$8,579	$11,480
Income tax paid	1,800	200
Transfers from loans to foreclosed real estate	2,770	4,102
Mortgage servicing rights capitalized	394	231

See Notes to Consolidated Condensed Financial Statements

***MutualFirst* Financial, Inc. and Subsidiaries**

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(Unaudited)

(Table Dollar Amounts in Thousands, Except Share and Per Share Data)

Note 1: Basis of Presentation

The consolidated condensed financial statements include the accounts of *MutualFirst* Financial, Inc. (*MutualFirst* or the "Company"), its wholly owned subsidiary MutualBank, an Indiana commercial bank ("Mutual" or the "Bank"), Mutual's wholly owned subsidiaries, First MFSB Corporation, Mishawaka Financial Services, and Mutual Federal Investment Company ("MFIC"), and MFIC majority owned subsidiary, Mutual Federal REIT, Inc. All significant inter-company accounts and transactions have been eliminated in consolidation.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These consolidated condensed financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-K annual report for year ended December 31, 2012, filed with the Securities and Exchange Commission on March 22, 2013.

The interim consolidated condensed financial statements at September 30, 2013, have not been audited by independent accountants, but in the opinion of management, reflect all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for such periods. The results of operations for the period are not necessarily indicative of the results to be expected for the full year.

The Consolidated Condensed Balance Sheet of the Company as of December 31, 2012 has been derived from the Audited Consolidated Balance Sheet of the Company as of that date.

Note 2: Earnings per share

Earnings per share were computed as follows:

	Three Months Ended September 30,					
	2013			2012		
	Net Income	Weighted-Average Shares	Per-Share Amount	Net Income	Weighted-Average Shares	Per-Share Amount
Basic Earnings Per Share						
Net income	$2,472	7,088,660		$2,173	6,992,831	
Dividends and accretion on preferred stock	(271)			(362)		
Income available to common stockholders	2,201	7,088,660	$ 0.31	1,811	6,992,831	$ 0.26
Effect of Dilutive securities						
Stock options and RRP grants		176,447			82,065	
Diluted Earnings Per Share						
Income available to common stockholders and assumed conversions	$2,201	7,265,107	$ 0.30	$1,811	7,074,896	$ 0.26

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	Nine Months Ended September 30,					
	2013			2012		
	Net Income	Weighted-Average Shares	Per-Share Amount	Net Income	Weighted-Average Shares	Per-Share Amount
Basic Earnings Per Share						
Net income	$6,560	7,066,670		$5,244	6,937,229	
Dividends and accretion on preferred stock	(911)			(1,085)		
Income available to common stockholders	5,649	7,066,670	$ 0.80	4,159	6,937,229	$ 0.60
Effect of Dilutive securities						
Stock options and RRP grants		172,205			94,803	
Diluted Earnings Per Share						
Income available to common stockholders and assumed conversions	$5,649	7,238,875	$ 0.78	$4,159	7,032,032	$ 0.59

Options to purchase 82,000 and 250,681 shares of common stock were outstanding at September 30, 2013 and 2012, respectively, but were not included in the computation of diluted EPS above, because the average exercise price of the options was greater than the average market price of the common shares.

Note 3: Impact of Accounting Pronouncements

On February 28, 2013, FASB issued ASU 2013-04, Liabilities (Topic 405). The amendments in this Update provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this Update is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors.

The guidance in this Update also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. This Accounting Standards Update is the final version of Proposed Accounting Standards Update EITF12D – Liabilities (Topic 405) which has been deleted.

The amendments in this Update are effective for fiscal years beginning after December 31, 2013. Early adoption is permitted. The Company will adopt the methodologies prescribed by this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

On April 22, 2013, FASB issued ASU 2013-07 – *Presentation of Financial Statements (Topic 205).* The objective of this Update is to clarify when an entity should apply the liquidation basis of accounting and to provide principles for the measurement of assets and liabilities under the liquidation basis of accounting, as well as any required disclosures. This Accounting Standards Update is the final version of Proposed Accounting Standards Update 2012-210 – Presentation of Financial Statements (Topic 205), which has been deleted.

The amendments are effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. Entities should apply the requirements prospectively from the day that liquidation becomes imminent. Early adoption is permitted. The Company will adopt the methodologies prescribed by this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

In July 2013, FASB issued ASU 2013-10- *Derivatives and Hedging (Topic 815)*. The objective of this Update is to provide for the inclusion of the Fed Funds Effective Swap Rate - Overnight Index Swap Rate (OIS) as a U.S. benchmark interest rate for hedge accounting purposes, in addition to U.S. Treasury (UST) or London Interbank Offered Rate (LIBOR) indices. The Update also removes a restriction stating that entities must use the same rates for similar hedges, offering greater flexibility in hedge accounting.

The amendments in this Update are effective prospectively for qualifying new or re-designated hedging relationships entered into on or after July 17, 2013. The Company has adopted the applicable methodologies prescribed by this ASU and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

In July 2013, FASB issued ASU 2013-11- *Income Taxes (Topic 740)*. This update pertains to the unrecognized tax benefit when a net operating loss carry forward, a similar tax loss or a tax credit carry forward exists. The ASU is intended to end the varying ways that entities present these situations since GAAP is non-specific and leads to diversity in practice. The new standard deems that any unrecognized tax benefit or portion of an unrecognized tax benefit should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carry forward, a similar tax loss, or a tax credit carry forward except for certain defined situations.

The amendments in this Update are effective for fiscal years beginning after December 15, 2013. Early adoption is permitted. The Company will adopt the methodologies prescribed by this ASU by the date required, and does not anticipate that the ASU will have a material effect on its financial position or results of operations.

Note 4: Investments

The amortized cost and approximate fair values of securities as of September 30, 2013 and December 31, 2012 are as follows.

	September 30, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale Securities				
Mortgage-backed securities				
Government sponsored agencies	$ 107,250	$ 2,253	$ (1,419)	$ 108,084
Collateralized mortgage obligations				
Government sponsored agencies	112,862	1,709	(1,307)	113,264
Federal agencies	5,000	-	(187)	4,813

Municipals	27,373	341	(216)	27,498
Small Business Administration	6	-	-	6
Corporate obligations	24,648	-	(3,779)	20,869
Total	$277,139	$ 4,303	$ (6,908)	$274,534

	December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for Sale Securities				
Mortgage-backed securities				
Government sponsored agencies	$121,260	$ 5,115	$ -	$126,375
Collateralized mortgage obligations				
Government sponsored agencies	114,782	3,463	(10)	118,235
Federal agencies	13,000	8	(2)	13,006
Municipals	3,129	151	(16)	3,264
Small Business Administration	8	-	-	8
Corporate obligations	24,147	431	(4,269)	20,309
Total	$276,326	$ 9,168	$ (4,297)	$281,197

The amortized cost and fair value of available-for-sale securities at September 30, 2013, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available for Sale	
	Amortized	Fair
Description Securities	Cost	Value
Security obligations due		
One to five years	$9,706	$9,664
Five to ten years	15,670	15,505
After ten years	31,645	28,011
	57,021	53,180
Mortgage-backed securities	107,250	108,084
Collateralized mortgage obligations	112,862	113,264
Small Business Administration	6	6
Totals	$277,139	274,534

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was $2.3 million at September 30, 2013.

Gross gains of $898,000 and $1.6 million on proceeds from sales of securities of $53.2 million and $47.1 million were realized for the nine months ended September 30, 2013 and 2012, respectively. Losses recognized on the sale of securities for the nine months ended September 30, 2013 and 2012 were $63,000 and $0, respectively.

Certain investments in debt and marketable equity securities are reported in the financial statements at an amount less than their historical cost. Total fair value of these investments at September 30, 2013, was $128.3 million, a increase from $13.3 million at December 31, 2012, which is approximately 46% and 5%, respectively, of the Bank's portfolio.

Based on evaluation of available evidence, including recent changes in market interest rates, management believes the declines in fair value for these securities, other than those discussed below, are temporary. Should the impairment of any of these securities become other-than-temporary, the cost basis of the investment will be reduced and the resulting loss recognized in net income in the period the other-than-temporary impairment is identified.

The following tables show our investments’ gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at September 30, 2013 and December 31, 2012:

	September 30, 2013					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale						
Mortgage-backed securities						
Government sponsored agencies	$42,851	$ (1,419)	$ -	$ -	$42,851	$ (1,419)
Collateralized mortgage obligations						
Government sponsored agencies	48,999	(1,307)	-	-	48,999	(1,307)
Federal agencies	4,813	(187)	-	-	4,813	(187)
Municipals	10,030	(187)	744	(29)	10,774	(216)
Corporate obligations	17,898	(35)	2,971	(3,744)	20,869	(3,779)
Total temporarily impaired securities	$124,591	$ (3,135)	$3,715	$ (3,773)	$128,306	$ (6,908)

	December 31, 2012					
	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale						
Collateralized mortgage obligations						
Government sponsored agencies	$4,962	$ (10)	$ -	$ -	$4,962	$ (10)
Federal Agencies	4,998	(2)			4,998	(2)
Municipals	874	(16)	-	-	874	(16)
Corporate obligations	-	-	2,475	(4,269)	2,475	(4,269)
Total temporarily impaired securities	$10,834	$ (28)	$2,475	$ (4,269)	$13,309	$ (4,297)

Mortgage-Backed Securities (MBS), Collateralized Mortgage Obligations (CMO) and Federal Agencies

The increase in unrealized losses on the Company's investment in MBSs and CMOs and the increase in the amount of such investments subject to unrealized losses were caused by interest rate changes. The Company expects to recover the amortized cost basis over the term of the securities. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is more likely than not the Company will not be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at September 30, 2013.

Municipals

The increase in unrealized losses on the Company's investments in securities of state and political subdivisions and the increase in the amount of such investments subject to unrealized losses were caused by changes in interest rates. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments. The Company does not intend to sell the investment and it is not more likely than not that the Company will be required to sell the investment before recovery of its new, lower amortized cost basis, which may be maturity. The Corporation does not consider the investment securities to be other-than-temporarily impaired at September 30, 2013.

Corporate Obligations

The Company's unrealized loss on investments in corporate obligations primarily relates to investments in pooled trust preferred securities. The increase in investments subject to unrealized losses less than 12 months were caused by interest rate changes. The unrealized losses were primarily caused by (a) a decrease in performance and regulatory

capital at the underlying banks resulting from exposure to subprime mortgages and (b) a sector downgrade by several industry analysts. The Company currently expects some of the securities to settle at a price less than the amortized cost basis of the investment (that is, the Company expects to recover less than the entire amortized cost basis of the security). The Company has recognized a loss equal to the credit loss for these securities, establishing a new, and lower amortized cost basis. The credit loss was calculated by comparing expected discounted cash flows based on performance indicators of the underlying assets in the security to the carrying value of the investment. Because the Company does not intend to sell the investments and it is likely the Company will not be required to sell the investments before recovery of its new, lower amortized cost basis, which may be maturity, it does not consider the remainder of the investments to be other-than-temporarily impaired at September 30, 2013.

Mutual evaluates securities for other-than-temporary impairment (“OTTI”) on a quarterly basis. During the quarter ended September 30, 2013, the Bank’s evaluation indicated that there was no other-than-temporary impairment of securities. Impairment on securities is determined after analyzing the estimated cash flows to be received, underlying collateral and determining the amount of additional losses needed in the individual pools to create a shortfall in interest or principal payments. All trust preferred securities were valued using a discounted cash flow analysis as of September 30, 2013.

Other-than-temporary Impairment

Upon acquisition of a security, the Company decides whether it is within the scope of the accounting guidance for beneficial interests in securitized financial assets or will be evaluated for impairment under the accounting guidance for investments in debt and equity securities.

The accounting guidance for beneficial interests in securitized financial assets provides incremental impairment guidance for a subset of the debt securities within the scope of the guidance for investments in debt and equity securities. Where the security is a beneficial interest in securitized financial assets, the Company uses the beneficial interests in securitized financial asset impairment model. Where the security is not a beneficial interest in securitized financial assets, the Company uses the debt and equity securities impairment model.

The Company routinely conducts reviews to identify and evaluate each investment security to determine whether an other-than-temporary impairment has occurred. Economic models are used to determine whether an other-than-temporary impairment has occurred on these securities. While all securities are considered, the securities primarily impacted by other-than-temporary impairment testing are pooled trust preferred securities. For each pooled trust preferred security in the investment portfolio (including but not limited to those whose fair value is less than their amortized cost basis), an extensive, regular review is conducted to determine if an other-than-temporary impairment has occurred. Various inputs to the economic models are used to determine if an unrealized loss is other-than-temporary.

MutualFirst uses market-based yield indicators as a baseline for determining appropriate discount rates, and then adjusts the resulting discount rates on the basis of its credit and structural analysis of specific trust preferred securities. The primary focus is on the returns a fixed income investor would require in order to allocate capital on a risk adjusted basis. There is currently no active market for pooled trust preferred securities; however, the Company looks principally to market yields for stand-alone trust preferred securities issued by banks, thrifts and insurance companies for which there is an active and liquid market. The next step is to make a series of adjustments to reflect the differences that exist between these products (both credit and structural) and, most importantly, to reflect idiosyncratic credit performance differences (both actual and projected) between these products and the underlying collateral in the specific trust preferred security. Importantly, as part of the analysis described above, *MutualFirst* considers the fact that structured instruments frequently exhibit leverage not present in stand-alone instruments, and make adjustments as necessary to reflect this additional risk.

The default and recovery probabilities for each piece of collateral were formed based on the evaluation of the collateral credit and a review of historical industry default data and current/near-term operating conditions. For collateral that has already defaulted, the Company assumed no recovery. For collateral that was in deferral, the Company assumed a recovery of 10% of par for banks, thrifts or other depository institutions, and 15% of par for insurance companies. Although the Company conservatively assumed that the majority of the deferring collateral continues to defer and eventually defaults, we also recognize there is a possibility that some deferring collateral may become current at some point in the future.

Pooled Trust Preferred Securities

At September 30, 2013, *MutualFirst* had an amortized cost in pooled trust preferred securities of $6.7 million, which had an original par value of $8.0 million. These securities had a fair value of $3.0 million at September 30, 2013. The following table provides additional information related to the Bank's investment in trust preferred securities as of September 30, 2013:

Deal	Class	Original Par	Book Value	Fair Value	Unrealized Loss	Recognized Losses 2013	Lowest Rating	Number of Banks/Insurance Companies Currently Performing	Actual Deferrals/Defaults (as % of original collateral)		**Total Projected Defaults (as a % of performing collateral)[a]**		**Excess Subordinati (after taking into account best estima future deferrals/defaults)[b]**	
Alesco Preferred Funding IX	A2A	$1,000	$906	$439	$467	$ -	CCC-	41	16.04	%	15.02	%	48.07	%
Preferred Term Securities XIII	B1	1,000	791	359	432	-	Ca	44	25.56	%	20.84	%	5.30	%
Preferred Term Securities XVIII	C	1,000	917	273	644	-	Ca	48	28.69	%	14.93	%	1.40	%
Preferred Term Securities XXVII	C1	1,000	710	250	460	-	Ca	32	25.08	%	18.83	%	5.99	%
U.S. Capital Funding I	B1	3,000	2,891	1,412	1,479	-	Caa1	29	12.92	%	9.79	%	4.52	%
U.S. Capital Funding III	B1	1,000	500	238	262	-	Ca	28	21.94	%	14.74	%	0.00	%
Total		$8,000	$6,715	$2,971	$3,744	$ -								

(a) A 10% recovery is applied to all projected bank defaults. A 15% recovery is applied to all projected insurance defaults. No recovery is applied to current defaults.

(b) Excess subordination represents the additional defaults in excess of both current and projected defaults that the CDO can absorb before the bond experiences any credit impairment. Excess subordinated percentage is calculated by (a) determining what percentage of defaults a deal can experience before the bond has credit impairment, and (b) subtracting from this default breakage percentage both total current and expected future default percentages.

Credit Losses Recognized on Investments

Certain debt securities have experienced fair value deterioration due to credit losses, as well as due to other market factors, but are not otherwise other-than-temporarily impaired.

The following table provides information about debt securities for which only a credit loss was recognized in income and other losses are recorded in other comprehensive income.

	Accumulated Credit Losses Three Months Ended September 30,	
	2013	2012
Credit losses on debt securities held		
Beginning of period	$ 1,205	$ 1,205
Reductions related to actual losses incurred	-	-
As of September 30,	$ 1,205	$ 1,205

	Accumulated Credit Losses Nine Months Ended September 30,	
	2013	2012
Credit losses on debt securities held		
Beginning of year	$ 1,205	$ 1,205
Reductions related to actual losses incurred	-	-
As of September 30,	$ 1,205	$ 1,205

Note 5: Accumulated Other Comprehensive Income (Loss)

The following table represents the components of accumulated other comprehensive income (loss):

	September 30, 2013	December 31, 2012
Net unrealized gain on securities available-for-sale	$ 672	$ 8,616
Net unrealized loss on securities available-for-sale for which a portion of other-than-temporary impairment has been recognized in income	(3,277)	(3,745)
Net unrealized loss on derivative used for cash flow hedges	(311)	(416)
Net unrealized loss relating to defined benefit plan liability	(49)	(49)
	(2,965)	4,406
Tax (expense) benefit	953	(1,603)
Net-of-tax amount	$ (2,012)	$ 2,803

Note 6: Disclosures About Fair Value of Assets and Liabilities

FASB Codification Topic 820 (ASC 820), *Fair Value Measurements and Disclosures*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The standard describes three levels of inputs that may be used to measure fair value:

Level 1	Quoted prices in active markets for identical assets or liabilities
Level 2	Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
Level 3	Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Items Measured at Fair Value on a Recurring Basis

Following is a description of the valuation methodologies and inputs used for instruments measured at fair value on a recurring basis and recognized in the accompanying balance sheets, as well as the general classification of such instruments pursuant to the valuation hierarchy.

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Available-for-Sale Securities

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. The Company uses a third-party provider to obtain market prices on its securities. Level 1 securities include the marketable equity securities. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Level 2 securities include mortgage-backed, collateralized mortgage obligations, small business administration, marketable equity, municipal, federal agency and certain corporate obligation securities. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy and include certain corporate obligation securities.

Third party vendors compile prices from various sources and may apply such techniques as matrix pricing to determine the value of identical or similar investment securities (Level 2). Matrix pricing is a mathematical technique widely used in the banking industry to value investment securities without relying exclusively on quoted prices for specific investment securities but rather relying on investment securities relationship to other benchmark quoted investment securities. Any investment security not valued based upon the methods above are considered Level 3.

Fair value determinations for Level 3 measurements of securities are the responsibility of the Treasury function of the Company. The Company contracts with a pricing specialist to generate fair value estimates on a monthly basis. The Treasury function of the Company challenges the reasonableness of the assumptions used and reviews the methodology to ensure the estimated fair value complies with accounting standards generally accepted in the United States, analyzes the changes in fair value and compares these changes to internally developed expectations and monitors these changes for appropriateness.

The following table presents the fair value measurement of assets measured at fair value on a recurring basis and the level within the ASC 820 fair value hierarchy used for such fair value measurements:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
September 30, 2013				
Mortgage-backed securities				
Government sponsored agencies	$ 108,084	$ -	$ 108,084	$ -
Collateralized mortgage obligations				
Government sponsored agencies	113,264	-	113,264	-
Federal agencies	4,813	-	4,813	-
Municipals	27,498	-	27,498	-
Small Business Administration	6	-	6	-

Corporate obligations	20,869	-	17,898	2,971
Available-for-sale securities	$ 274,534	$ -	$ 271,563	$ 2,971
December 31, 2012				
Mortgage-backed securities				
Government sponsored agencies	$ 126,375	$ -	$ 126,375	$ -
Collateralized mortgage obligations				
Government sponsored agencies	118,235	-	118,235	-
Federal agencies	13,006	-	13,006	-
Municipals	3,264	-	3,264	-
Small Business Administration	8	-	8	-
Corporate obligations	20,309	-	17,834	2,475
Available-for-sale securities	$ 281,197	$ -	$ 278,772	$ 2,475

The following is a reconciliation of the beginning and ending balances for the three months ended September 30, 2013 and 2012 of recurring fair value measurements recognized in the accompanying balance sheet using significant unobservable (Level 3) inputs:

	2013	2012
Beginning balance	$3,000	$2,264
Total realized and unrealized gains and losses		
Included in net income	-	-
Included in other comprehensive loss	1	144
Purchases, issuances and settlements	(30)	-
Ending balance	$2,971	$2,408
Total gains or losses for the period included in net income attributable to the change in unrealized gains or losses related to assets still held at the reporting date	$-	$-

The following is a reconciliation of the beginning and ending balances for the nine months ended September 30, 2013 and 2012 of recurring fair value measurements recognized in the accompanying balance sheet using significant unobservable (Level 3) inputs:

	2013	2012
Beginning balance	$2,475	$2,454
Total realized and unrealized gains and losses		
Included in net income	-	-
Included in other comprehensive loss	526	(36)
Purchases, issuances and settlements	(30)	(10)
Ending balance	$2,971	$2,408
Total gains or losses for the period included in net income attributable to the change in unrealized gains or losses related to assets still held at the reporting date	$-	$-

Items Measured at Fair Value on a Non-Recurring Basis

From time to time, certain assets may be recorded at fair value on a non-recurring basis. These non-recurring fair value adjustments typically are a result of the application of lower of cost or fair value accounting or a write-down

occurring during the period. The following is a description of the valuation methodologies used for certain assets that are recorded at fair value.

Impaired Loans (Collateral Dependent)

Loans for which it is probable that Mutual will not collect all principal and interest due according to contractual terms are measured for impairment. Allowable methods for determining the amount of impairment include estimating fair value include using the fair value of the collateral for collateral dependent loans.

If the impaired loan is identified as collateral dependent, then the fair value method of measuring the amount of impairment is utilized. This method requires obtaining a current independent appraisal of the collateral and applying a discount factor to the value.

Impaired loans that are collateral dependent are classified within Level 3 of the fair value hierarchy when impairment is determined using the fair value method.

Other Real Estate Owned

The fair value of real estate is generally determined based on appraisals by qualified licensed appraisers. The appraisers typically determine the value of the real estate by utilizing an income or market valuation approach. If an appraisal is not available, the fair value may be determined by using a cash flow analysis.

The estimated fair value of other real estate owned is based on a current appraisal, less discount to reflect realizable value and estimated cost to sell. Other real estate owned is classified within Level 3 of the fair value hierarchy. Appraisals of other real estate owned are obtained when the real estate is acquired and subsequently as deemed necessary by the asset classification committee. The Risk Management division reviews the appraisals for accuracy and consistency. Appraisals are selected from the list of approved appraisers maintained by the Board. The reduction in fair value of other real estate owned was $46,000 and $456,000 for the nine months ended September 30, 2013 and 2012, respectively. The changes were recorded as adjustments to current earnings through other real estate owned related expenses.

Mortgage Servicing Rights

We initially measure our mortgage servicing rights at fair value, and amortize them over the period of estimated net servicing income. They are periodically assessed for impairment based on fair value at the reporting date. Mortgage-servicing rights do not trade in an active market with readily observable prices. Accordingly, the fair value is estimated based on a valuation model which calculates the present value of estimated future net servicing income. The model incorporates assumptions that market participants use in estimating future net servicing income, including estimates of prepayment speeds, market discount rates, cost to service, float earnings rates and other ancillary income, including late fees. The fair value measurements are classified as Level 3.

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the ASC 820 fair value hierarchy in which the fair value measurements fall:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
September 30, 2013				
Impaired loans (collateral dependent)	$ 5,588	$ -	$ -	$ 5,588
Foreclosed real estate	227	-	-	227
Mortgage-servicing rights	1,916	-	-	1,916

December 31, 2012				
Impaired loans (collateral dependent)	$ 8,032	$ -	$ -	$ 8,032
Foreclosed real estate	355	-	-	355
Mortgage-servicing rights	1,731	-	-	1,731

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The following table presents quantitative information about unobservable inputs used in recurring and nonrecurring Level 3 fair value measurements.

September 30, 2013	Fair Value	Valuation Technique	Unobservable Inputs	Range
Trust Preferred Securities	$ 2,971	Discounted cash flow	Discount rate Constant prepayment rate Cumulative projected prepayments Probability of default Projected cures given deferral Loss severity	9.0% - 16.0% 2.0% 40.0% 1.6% - 2.4% 0.0% - 15.0% 51.5% - 76.2%
Impaired loans (collateral dependent)	$ 5,588	Third party valuations	Discount to reflect realizable value	0% - 40%
Foreclosed real estate	$ 227	Third party valuations	Discount to reflect realizable value less estimated selling costs	0% - 25%
Mortgage servicing rights	$ 1,916	Third party valuations	Prepayment speeds Discount rates Servicing fee	125%- 700% 10.1% 0.25%

December 31, 2012	**Fair Value**	Valuation Technique	Unobservable Inputs	**Range**
Trust Preferred Securities	$ 2,475	Discounted cash flow	Discount rate Constant prepayment rate Cumulative projected prepayments Probability of default Projected cures given deferral Loss severity	9.0% - 17.0% 2.0% 40.0% 1.5%- 2.2% 0%- 15.0% 58.0% – 79.4%
Impaired loans (collateral dependent)	$ 8,032	Third party valuations	Discount to reflect realizable value	0%- 40%
Foreclosed real estate	$ 355	Third party valuations	Discount to reflect realizable value less estimated selling costs	0%- 25%
Mortgage servicing rights	$ 1,731	Third party valuations	Prepayment speeds Discount rates Servicing fee	100%- 700% 10.1% 0.25%

The estimated fair values of the Company's financial instruments not carried at fair value in the consolidated condensed balance sheets as of dates noted below are as follows:

September 30, 2013	Carrying Amount	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$31,940	$31,940	$-	$-
Loans held for sale	993	-	1,001	-
Loans, net	964,504	-	-	964,623
FHLB stock	14,391	-	14,391	-
Interest receivable	3,593	-	3,593	-
Liabilities				
Deposits	1,149,717	602,009	-	511,876
FHLB advances	96,728	-	95,508	-
Other borrowings	11,069	-	11,067	-
Interest payable	234	-	234	-

December 31, 2012	Carrying Amount	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$32,778	$32,778	$—	$—
Loans held for sale	5,106	—	5,235	—
Loans, net	969,545	—	—	993,539
FHLB stock	14,391	—	14,391	—
Interest receivable	3,846	—	3,846	—
Liabilities				
Deposits	1,184,009	606,066	—	589,759
FHLB advances	74,675	—	75,688	—
Other borrowings	11,606	—	12,648	—
Interest payable	236	—	236	—

The following methods and assumptions were used to estimate the fair value of each class of financial instruments listed above:

Cash and Cash Equivalents - The fair value of cash and cash equivalents approximates carrying value.

Loans Held For Sale **-** Fair values are based on current investor purchase commitments.

Loans - The fair value for loans is estimated using discounted cash flow analyses using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

FHLB Stock - Fair value of FHLB stock is based on the price at which it may be resold to the FHLB.

Interest Receivable/Payable - The fair values of interest receivable/payable approximate carrying values.

Deposits - The fair values of noninterest-bearing, interest-bearing demand and savings accounts are equal to the amount payable on demand at the balance sheet date. Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on such time deposits.

Federal Home Loan Bank Advances - The fair value of these borrowings are estimated using a discounted cash flow calculation, based on current rates for similar debt for periods comparable to the remaining terms to maturity of these advances.

Other Borrowings - The fair value of other borrowings are estimated using a discount calculation based on current rates.

Advances by Borrowers for Taxes and Insurance - The fair value approximates carrying value.

Off-Balance Sheet Commitments - Commitments include commitments to purchase and originate mortgage loans, commitments to sell mortgage loans, and standby letters of credit and are generally of a short-term nature. The fair values of such commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of commitments is immaterial.

Note 7: Loans

Categories of loans at September 30, 2013 and December 31, 2012 include:

	September 30, 2013	December 31, 2012
Commercial		
Real estate	$ 198,405	$ 203,613
Construction and development	15,092	17,462
Other	72,310	67,773
	285,807	288,848
Residential mortgage	495,712	502,619
Consumer loans		
Real estate	106,293	100,516
Auto	15,343	15,572
Boat/RVs	80,648	76,416
Other	5,977	6,598
	208,261	199,102
Total loans	989,780	990,569
Undisbursed loans in process	(13,446)	(7,418)
Unamortized deferred loan costs, net	2,624	2,432
Allowance for loan losses	(14,454)	(16,038)
Net loans	$ 964,504	$ 969,545

The risk characteristics of each loan portfolio segment are as follows:

Commercial

Commercial real estate

These loans are viewed primarily as cash flow loans and secondarily as loans secured by real estate. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Commercial real estate loans may be more adversely affected by conditions in the real estate

markets or in the general economy. The properties securing the Company's commercial real estate portfolio are diverse in terms of type and geographic location. Management monitors and evaluates commercial real estate loans based on collateral, geography and risk grade criteria. As a general rule, the Company avoids financing single purpose projects unless other underwriting factors are present to help mitigate risk. In addition, management tracks the level of owner-occupied commercial real estate loans versus non-owner occupied loans.

Construction and Development

Construction loans are underwritten utilizing feasibility studies, independent appraisal reviews, sensitivity analyses of absorption and lease rates and financial analyses of the developers and property owners. Construction loans are generally based on estimates of costs and value associated with the complete project. These estimates may be inaccurate. Construction loans often involve the disbursement of substantial funds with repayment substantially dependent on the success of the ultimate project. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim loan commitment from the Company until permanent financing is obtained. These loans are closely monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, governmental regulation of real property, general economic conditions and the availability of long-term financing.

Commercial other

Commercial loans are primarily based on the identified cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of borrowers, however, may not be as expected and the collateral securing these loans may fluctuate in value. Most commercial loans are secured by the assets being financed or other business assets such as accounts receivable or inventory and may incorporate a personal guarantee; however, some short-term loans may be made on an unsecured basis. In the case of loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its customers.

Mortgage and Consumer

With respect to residential loans that are secured by 1-4 family residences and are primarily owner occupied, the Company generally establishes a maximum loan-to-value ratio and requires PMI if that ratio is exceeded. Consumer real estate loans are typically secured by a subordinate interest in 1-4 family residences, and consumer loans are secured by consumer assets such as automobiles or recreational vehicles. Some consumer loans are unsecured such as small installment loans and certain lines of credit. Repayment of these loans is primarily dependent on the personal income of the borrowers, which can be impacted by economic conditions in their market areas such as unemployment levels. Repayment can also be impacted by changes in property values on residential properties. Risk is mitigated by the fact that the loans are of smaller individual amounts and spread over a large number of borrowers.

Nonaccrual Loan and Past Due Loans.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Non-accrual loans, segregated by class of loans, as of September 30, 2013 and December 31, 2012 are as follows:

	September 30, 2013	December 31, 2012
Commercial		
Real estate	$ 1,883	$ 2,450
Construction and development	3,252	5,989
Other	1,270	1,315
Residential mortgage	5,508	10,791
Consumer		
Real estate	682	1,656
Auto	-	37
Boat/RV	383	1,076
Other	134	96
	$ 13,112	$ 23,410

An age analysis of Company's past due loans, segregated by class of loans, as of September 30, 2013 and December 31, 2012 is as follows:

	September 30, 2013						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Accruing
Commercial							
Real estate	$ 1,434	$ 12	$ 1,883	$ 3,329	$ 195,076	$ 198,405	$ -
Construction and development	348	-	3,077	3,425	11,667	15,092	-
Other	567	-	550	1,117	71,193	72,310	-
Residential mortgage	8,247	862	4,124	13,233	482,479	495,712	390
Consumer							
Real estate	500	164	653	1,317	104,976	106,293	-
Auto	46	11	-	57	15,286	15,343	-
Boat/RV	1,216	219	169	1,604	79,044	80,648	-
Other	74	2	67	143	5,834	5,977	-
	$ 12,432	$ 1,270	$ 10,523	$ 24,225	$ 965,555	$ 989,780	$ 390

	December 31, 2012						
	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans Receivable	Total Loans > 90 Days and Accruing
Commercial							
Real estate	$ 1,097	$ 992	$ 2,350	$ 4,439	$ 199,174	$ 203,613	$ -
Construction and development	192	-	4,912	5,104	12,358	17,462	-
Other	259	223	735	1,217	66,556	67,773	-
Residential mortgage	12,487	2,732	8,356	23,575	479,044	502,619	177
Consumer							
Real estate	1,302	358	1,119	2,779	97,737	100,516	-
Auto	47	18	15	80	15,492	15,572	-
Boat/RV	1,508	756	497	2,761	73,655	76,416	-
Other	234	21	95	350	6,248	6,598	96
	$ 17,126	$ 5,100	$ 18,079	$ 40,305	$ 950,264	$ 990,569	$ 273

Impaired Loans

Loans are considered impaired in accordance with the impairment accounting guidance (ASC 310-10-35-16), when based on current information and events, it is probable the Company will be unable to collect all amounts due from the borrower in accordance with the contractual terms of the loan. Impaired loans include nonperforming commercial loans but also include loans modified in troubled debt restructurings where concessions have been granted to borrowers experiencing financial difficulties. These concessions could include a reduction in the interest rate on the loan, payment extensions, forgiveness of principal, forbearance or other actions intended to maximize collection.

Loans are individually evaluated for impairment based on internal limits outlined in our lending policies. The current threshold for these evaluations is set at $250,000. Although all troubled debt restructurings are considered impaired loans they are not necessarily individually evaluated for impairment based on the guidelines noted previously.

Interest on impaired loans is recorded based on the performance of the loan. All interest received on impaired loans that are on nonaccrual is accounted for on the cash-basis method until qualifying for return to accrual. Interest is accrued per contract for impaired loans that are performing.

The following tables present impaired loans for the three and nine month periods ended September 30, 2013 and 2012 and the year ended December 31, 2012.

	September 30, 2013						
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans - Quarter	Average Investment in Impaired Loans - YTD	Interest Income Recognized - Quarter	Interest Income Recognized - YTD
Loans without a specific valuation allowance							
Commercial							
Real estate	$2,894	$ 3,958	$ -	$ 2,953	$ 3,545	$ 40	$ 109
Construction and development	3,331	7,332	-	4,782	6,112	23	57
Other	679	679	-	798	876	10	18
Residential mortgage	1,950	2,889	-	2,417	2,857	12	48
Loans with a specific valuation allowance							
Commercial							
Real estate	204	204	100	205	206	3	9
Construction and development	622	2,020	200	622	640	-	-
Other	424	624	235	429	601	6	15
Total							
Commercial							
Real estate	$3,098	$ 4,162	$ 100	$ 3,158	$ 3,751	$ 43	$ 118
Construction and development	$3,953	$ 9,352	$ 200	$ 5,404	$ 6,752	$ 23	$ 57
Other	$1,103	$ 1,303	$ 235	$ 1,227	$ 1,477	$ 16	$ 33
Residential mortgage	$1,950	$ 2,889	$ -	$ 2,417	$ 2,857	$ 12	$ 48

	December 31, 2012				
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans	Interest Income Recognized
Loans without a specific valuation allowance					
Commercial					
Real estate	$5,341	$6,354	$ -	$ 5,384	$ 248
Construction and development	3,632	7,078	-	4,884	30
Other	972	972	-	2,828	117
Residential mortgage	2,583	3,522	-	3,755	58
Loans with a specific valuation allowance					
Commercial					
Real estate	208	947	100	211	12
Construction and development	4,639	5,157	959	5,230	78
Other	912	912	257	921	30
Residential mortgage	834	834	57	654	-
Total					
Commercial					
Real estate	$5,549	$7,301	$ 100	$ 5,595	$ 260
Construction and development	$8,271	$12,235	$ 959	$ 10,114	$ 108
Other	$1,884	$1,884	$ 257	$ 3,749	$ 147
Residential mortgage	$3,417	$4,356	$ 57	$ 4,409	$ 58

	September 30, 2012						
	Recorded Balance	Unpaid Principal Balance	Specific Allowance	Average Investment in Impaired Loans - Quarter	Average Investment in Impaired Loans - YTD	Interest Income Recognized - Quarter	Interest Income Recognized - YTD
Loans without a specific valuation allowance							
Commercial							
Real estate	$ 3,570	$ 4,122	$ -	$ 4,546	$ 5,646	$ 37	$ 147
Construction and development	7,111	9,101	-	7,669	9,092	11	35
Other	1,076	1,076	-	2,098	3,028	5	28
Residential mortgage	3,960	5,048	-	3,613	4,124	19	58
Loans with a specific valuation allowance							
Commercial							
Construction and development	1,364	4,337	375	1,364	1,482	18	55
Other	1,178	1,178	357	1,191	1,206	9	35

Residential mortgage	529	529	37	530	532	18	35
Total							
Commercial							
Real estate	$ 3,570	$ 4,122	$ -	$ 4,546	$ 5,646	$ 37	$ 147
Construction and development	$ 8,475	$ 13,438	$ 375	$ 9,033	$ 10,574	$ 29	$ 90
Other	$ 2,254	$ 2,254	$ 357	$ 3,289	$ 4,234	$ 14	$ 63
Residential mortgage	$ 4,489	$ 5,577	$ 37	$ 4,143	$ 4,656	$ 37	$ 93

<u>*Commercial Loan Grades*</u>

Definition of Loan Grades. Loan grades are numbered 1 through 8. Grades 1-4 are "pass" credits, grade 5 [Special Mention] loans are "criticized" assets, and grades 6 [Substandard], 7 [Doubtful] and 8 [Loss] are "classified" assets. The use and application of these grades by the Bank are uniform and conform to the Bank's policy and regulatory definitions.

Pass. Pass credits are loans in grades prime through fair. These are at least considered to be credits with acceptable risks and would be granted in the normal course of lending operations.

Special Mention. Special mention credits have potential weaknesses that deserve management’s close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the credits or in the Bank’s credit position at some future date. If weaknesses cannot be identified, classifying as special mention is not appropriate. Special mention credits are not adversely classified and do not expose the Bank to sufficient risk to warrant an adverse classification. No apparent loss of principal or interest is expected.

Substandard. Credits which are inadequately protected by the current sound worth and paying capacity of the obligor or by the collateral pledged. Financial statements normally reveal some or all of the following: poor trends, lack of earnings and cash flow, excessive debt, lack of liquidity, and the absence of creditor protection. Credits so classified must have a well-defined weakness, or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

Doubtful. An extension of credit “doubtful” has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral, and refinancing plans. A Doubtful classification for an entire credit should be avoided when collection of a specific portion appears highly probable with the adequately secured portion graded Substandard.

<u>*Retail Loan Grades*</u>

Pass. Pass credits are loans that are currently performing as agreed and are not troubled debt restructurings.

Substandard. Substandard credits are loans that have reason to be considered to have a well defined weakness and placed on non-accrual. This would include all retail loans over 90 days and troubled debt restructurings which were delinquent at the time of modification.

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The following information presents the credit risk profile of the Company's loan portfolio based on rating category and payment activity as of September 30, 2013 and December 31, 2012.

September 30, 2013

Commercial Credit Exposure Credit Risk Profile

Internal Rating	Real estate	Construction and development	Other
Pass	$ 188,018	$ 8,886	$ 70,473
Special Mention	3,355	2,211	235
Substandard	7,006	3,995	1,052
Doubtful	26	-	550
Total	$ 198,405	$ 15,092	$ 72,310

Retail Credit Exposure Credit Risk Profile

	Residential mortgage	Consumer Real estate	Auto	Boat/RV	Other
Pass	$ 485,690	$ 104,464	$ 15,327	$ 80,005	$ 5,876
Special Mention	1,804	-	-	-	-
Substandard	8,218	1,829	16	643	101
Total	$ 495,712	$ 106,293	$ 15,343	$ 80,648	$ 5,977

December 31, 2012

Commercial Credit Exposure Credit Risk Profile

Internal Rating	Real estate	Construction and development	Other
Pass	$ 185,794	$ 9,314	$ 63,413
Special Mention	6,692	172	255
Substandard	11,127	7,976	3,281
Doubtful	-	-	824
Total	$ 203,613	$ 17,462	$ 67,773

Retail Credit Exposure Credit Risk Profile

	Residential Mortgage	Consumer Real estate	Auto	Boat/RV	Other
Pass	$ 486,027	$ 97,972	$ 15,533	$ 75,026	$ 6,434
Special Mention	2,012	-	-	-	-
Substandard	14,580	2,544	39	1,390	164
Total	$ 502,619	$ 100,516	$ 15,572	$ 76,416	$ 6,598

Allowance for Loan Losses.

We maintain an allowance for loan losses to absorb losses inherent in the loan portfolio. The allowance is based on ongoing, quarterly assessments of the estimated losses inherent in the loan portfolio. Our methodology for assessing the appropriateness of the allowance consists of several key elements, including the general allowance and specific allowances for identified problem loans and portfolio segments. In addition, the allowance incorporates the results of measuring impaired loans as provided in FASB ASC 310, Receivables. These accounting standards prescribe the measurement methods, income recognition and disclosures related to impaired loans. The general allowance is calculated by applying loss factors to outstanding loans based on the internal risk evaluation of such loans or pools of loans. Changes in risk evaluations of both performing and nonperforming loans affect the amount of the general allowance. Loss factors are based on our historical loss experience as well as on significant factors that, in management's judgment, affect the collectability of the portfolio as of the evaluation date.

The appropriateness of the allowance is reviewed by management based upon its evaluation of then-existing economic and business conditions affecting our key lending areas and other conditions, such as credit quality trends (including trends in non-performing loans expected to result from existing conditions), collateral values, loan volumes and concentrations, specific industry conditions within portfolio segments and recent loss experience in particular segments of the portfolio that existed as of the balance sheet date and the impact that such conditions were believed to have had on the collectability of the loan. Senior management reviews these conditions quarterly in discussions with our senior credit officers. To the extent that any of these conditions is evidenced by a specifically identifiable problem credit or portfolio segment as of the evaluation date, management's estimate of the effect of such condition may be reflected as a specific allowance applicable to such credit or portfolio segment. Where any of these conditions is not evidenced by a specifically identifiable problem credit or portfolio segment as of the evaluation date, management's evaluation of the loss related to this condition is reflected in the general allowance for loan losses. The evaluation of the inherent loss with respect to these conditions is subject to a higher degree of uncertainty because they are not identified with specific problem credits or portfolio segments.

The allowance for loan losses is based on estimates of losses inherent in the loan portfolio. Actual losses can vary significantly from the estimated amounts. Our methodology as described permits adjustments to any loss factor used in the computation of the general allowance in the event that, in management's judgment, significant factors which

affect the collectability of the portfolio as of the evaluation date are not reflected in the loss factors. By assessing the probable incurred losses inherent in the loan portfolio on a quarterly basis, we are able to adjust specific and inherent loss estimates based upon any more recent information that has become available. Due to the loss of numerous manufacturing jobs in the communities we serve during recent years and the increase in higher risk loans, like consumer and commercial loans, as a percentage of total loans, management has concluded that our allowance for loan losses should be greater than historical loss experience and specifically identified losses would otherwise indicate.

The following table details activity in the allowance for loan losses by portfolio segment for the three and nine months ended September 30, 2013 and 2012 and year ended December 31, 2012. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other segments.

	Three Months Ended September 30, 2013			
	Commercial	Mortgage	Consumer	Total
Allowance for loan losses:				
Balance, beginning of period	$ 9,633	$ 3,662	$ 2,406	$ 15,701
Provision charged to expense	1,004	(215)	(39)	750
Losses charged off	(1,713)	(274)	(104)	(2,091)
Recoveries	10	30	54	94
Balance, end of period	$ 8,934	$ 3,203	$ 2,317	$ 14,454

	Nine Months Ended September 30, 2013			
	Commercial	Mortgage	Consumer	Total
Allowance for loan losses:				
Balance, beginning of year	$9,908	$3,394	$2,736	$16,038
Provision charged to expense	1,675	469	106	2,250
Losses charged off	(2,681)	(716)	(764)	(4,161)
Recoveries	32	56	239	327
Balance, end of period	$8,934	$3,203	$2,317	$14,454
Ending balance:				
Individually evaluated for impairment	$535	$-	$-	$535
Collectively evaluated for impairment	$8,399	$3,203	$2,317	$13,919
Loans:				
Ending balance				
Individually evaluated for impairment	$8,154	$1,950	$-	$10,104
Collectively evaluated for impairment	$277,653	$493,762	$208,261	$979,676

	Year Ended December 31, 2012			
	Commercial	Mortgage	Consumer	Total
Allowance for loan losses:				
Balance, beginning of year	$10,602	3,444	2,769	16,815
Provision charged to expense	3,213	1,612	1,200	6,025
Losses charged off	(4,493)	(1,901)	(1,608)	(8,002)
Recoveries	586	239	375	1,200
Balance, end of period	$9,908	3,394	2,736	16,038
Ending balance:				
Individually evaluated for impairment	$1,316	57	-	1,373
Collectively evaluated for impairment	8,592	3,337	2,736	14,665
Total allowance for loan losses	$9,908	$3,394	$2,736	$16,038
Loans:				
Ending balance				
Individually evaluated for impairment	$15,704	3,417	-	19,121
Collectively evaluated for impairment	273,144	499,202	199,102	971,448
Total loans	$288,848	$502,619	$199,102	$990,569

	Three Months Ended September 30, 2012			
	Commercial	Mortgage	Consumer	Total
Allowance for loan losses:				
Balance, beginning of year	$10,004	$ 3,392	$ 2,607	$16,003
Provision charged to expense	985	480	10	1,475
Losses charged off	(1,484)	(505)	(268)	(2,257)
Recoveries	16	196	103	315
Balance, end of period	$9,521	$ 3,563	$ 2,452	$15,536

	Nine Months Ended September 30, 2012			
	Commercial	Mortgage	Consumer	Total
Allowance for loan losses:				
Balance, beginning of year	$10,602	$ 3,444	$ 2,769	$16,815
Provision charged to expense	2,410	1,571	694	4,675
Losses charged off	(4,034)	(1,652)	(1,354)	(7,040)
Recoveries	543	200	343	1,086
Balance, end of period	$9,521	$ 3,563	$ 2,452	$15,536

Management’s general practice is to proactively charge down loans individually evaluated for impairment to the fair value of the underlying collateral.

For all loan portfolio segments except 1-4 family residential properties and consumer, the Company promptly charges-off loans, or portions thereof, when available information confirms that specific loans are uncollectible based on information that includes, but is not limited to, (1) the deteriorating financial condition of the borrower, (2) declining collateral values, and/or (3) legal action, including bankruptcy, that impairs the borrower's ability to adequately meet its obligations. For impaired loans that are considered to be solely collateral dependent, a partial charge-off is recorded when a loss has been confirmed by an updated appraisal or other appropriate valuation of the collateral.

The Company charges-off 1-4 family residential and consumer loans, or portions thereof, when the Company reasonably determines the amount of the loss. The Company adheres to timeframes established by applicable regulatory guidance which provides for the charge-down of 1-4 family first and junior lien mortgages to the net realizable value less costs to sell when the loan is 180 days past due, charge-off of unsecured open-end loans when the loan is 180 days past due, and charge-down to the net realizable value when other secured loans are 120 days past due. Loans at these respective delinquency thresholds for which the Company can clearly document that the loan is both well-secured and in the process of collection, such that collection will occur regardless of delinquency status, need not be charged-off.

Information on non-performing assets, excluding performing restructured loans, is provided below:

	September 30,	
	2013	2012
Non-performing assets		
Non-accrual loans	$13,112	$23,112
Accruing loans 90 days + past due	390	757
Total non-performing loans	13,502	23,869
Foreclosed real estate	6,750	6,184
Other repossessed assets	312	573
Total non-performing assets	$20,564	$30,626

Troubled Debt Restructurings

Included in certain loan categories of impaired loans are loans that have been modified in a troubled debt restructuring, where economic concessions have been granted to borrowers who have experienced financial difficulties. These concessions typically result from our loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions. Modifications of terms for our loans and their inclusion as troubled debt restructurings are based on individual facts and circumstances.

When we modify loans in a troubled debt restructuring, we evaluate any possible impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contractual interest rate of the original loan agreement, or use the current fair value of the collateral, less selling costs for collateral dependent loans. If we determined that the value of the modified loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through a specific reserve or a charge-off to the allowance.

Loans retain their accrual status at the time of their modification. As a result, if a loan is on nonaccrual at the time it is modified, it stays as nonaccrual until a period of satisfactory performance, generally six months, is obtained. If a loan is on accrual at the time of the modification, the loan is evaluated to determine the collection of principal and interest is reasonably assured and generally stays on accrual.

The following tables provide detail regarding troubled debts restructured in the last three and nine month periods.

Three Months Ended September 30, 2013

	No. of Loans	Pre-Modification Outstanding Recorded Balance	Post-Modification Outstanding Recorded Balance
Commercial			
Real estate	1	$ 192	$ 260
Residential mortgage	4	460	492
Consumer			
Real estate	8	274	272
Boat/RV	2	45	45

Three Months Ended September 30, 2012

	No. of Loans	Pre-Modification Outstanding Recorded Balance	Post-Modification Outstanding Recorded Balance
Commercial			
Real estate	1	$ 439	$ 439
Construction and development	1	172	172
Other	2	46	46
Residential mortgage	10	719	734
Consumer			
Real estate	14	439	438
Auto	2	9	8
Boat/RV	4	96	95
Other	2	36	36

Nine Months Ended September 30, 2013

	No. of Loans	Pre-Modification Outstanding Recorded Balance	Post-Modification Outstanding Recorded Balance
Commercial			
Real estate	3	$ 1,532	$ 1,593
Other	3	1,122	834
Residential mortgage	17	1,395	1,742
Consumer			
Real estate	30	1,012	1,025

Auto	2	22	22
Boat/RV	6	172	171
Other	1	11	11

Nine Months Ended September 30, 2012

	No. of Loans	Pre-Modification Outstanding Recorded Balance	Post-Modification Outstanding Recorded Balance
Commercial			
Real estate	4	$ 1,359	$ 1,520
Construction and development	1	172	172
Other	5	262	324
Residential mortgage	28	2,455	2,596
Consumer			
Real estate	24	830	830
Auto	3	16	15
Boat/RV	7	154	153
Other	4	53	52

The impact to the allowance for loan losses due to these modifications was insignificant.

Newly restructured loans by types are as follows:

	Three Months Ended September 30, 2013			
	Interest Only	Term	Combination	Total Modification
Commercial				
Real estate	$-	$-	$ 260	$ 260
Residential mortgage	-	-	492	492
Consumer				
Real estate	-	128	144	272
Boat/RV	-	14	31	45

	Three Months Ended September 30, 2012			
	Interest Only	Term	Combination	Total Modification
Commercial				
Real estate	$-	$ -	$ 439	$ 439
Construction and development	-	-	172	172
Other	-	46	-	46
Residential mortgage	-	36	698	734
Consumer				

Real estate	-	22	416	438
Auto	-	4	4	8
Boat/RV	-	95	-	95
Other	-	-	36	36

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Nine Months Ended September 30, 2013

	Interest Only	Term	Combination	Total Modification
Commercial				
Real estate	$ -	$ -	$ 1,593	$ 1,593
Other	-	200	634	834
Residential mortgage	-	-	1,742	1,742
Consumer				
Real estate	250	422	353	1,025
Auto	-	4	18	22
Boat/RV	-	135	36	171
Other	-	-	11	11

Nine Months Ended September 30, 2012

	Interest Only	Term	Combination	Total Modification
Commercial				
Real estate	$ -	$ 403	$ 1,117	$ 1,520
Construction and development	-	-	172	172
Other	-	143	181	324
Residential mortgage	320	169	2,107	2,596
Consumer				
Real estate	-	55	775	830
Auto	-	11	4	15
Boat/RV	-	153	-	153
Other	-	8	44	52

The following tables provide detail regarding troubled debts restructured in the last twelve months that have defaulted in the three and nine months ended September 30, 2013.

Three Months Ended September 30, 2013

	No. of Loans	Post-Modification Outstanding Recorded Balance
Residential mortgage	2	$ 187

Nine Months Ended September 30, 2013

	No. of Loans	Post-Modification Outstanding Recorded Balance
Residential mortgage	2	$ 187

Consumer real estate	1	8

We had no defaults of any loans modified as troubled debt restructurings made for the three and nine months ended September 30, 2012. Default is defined as any loan that becomes more than 90 days past due.

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Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview and Significant Events in the Three and Nine Months Ended September 30, 2013

The following should be read in conjunction with the Management's Discussion and Analysis in Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2012, which was filed with the SEC on March 22, 2013.

The Company is a Maryland corporation and a bank holding company headquartered in Muncie, Indiana, with operations in Delaware, Elkhart, Grant, Kosciusko, Randolph, St. Joseph and Wabash counties in Indiana. It owns MutualBank, an Indiana commercial bank with 31 bank branches in Indiana, trust offices in Carmel and Crawfordsville, Indiana and a loan origination office in New Buffalo, Michigan. The Company is subject to regulation, supervision and examination by the Board of Governors of the Federal Reserve System ("FRB"), and the Bank is subject to regulation, supervision and examination by the Indiana Department of Financial Institutions and the Federal Deposit Insurance Corporation.

Our principal business consists of attracting retail deposits from the general public, including some brokered deposits, and investing those funds primarily in loans secured by first mortgages on owner-occupied, one- to four-family residences, a variety of consumer loans, loans secured by commercial and multi-family real estate and commercial business loans. Funds not invested in loans generally are invested in investment securities, including mortgage-backed and mortgage-related securities. We also obtain funds from FHLB advances and other borrowings.

Our results of operations depend primarily on the level of our net interest income, which is the difference between interest income on interest-earning assets, such as loans, mortgage-backed securities and investment securities, and interest expense on interest-bearing liabilities, primarily deposits and borrowings. The structure of our interest-earning assets versus the structure of interest-bearing liabilities, along with the shape of the yield curve, has a direct impact on our net interest income. Historically, our interest-earning assets have been longer term in nature (i.e., fixed-rate mortgage loans) and interest-bearing liabilities have been shorter term (i.e., certificates of deposit, regular savings accounts, etc.). This structure would impact net interest income favorably in a decreasing rate environment, assuming a normally shaped yield curve, as the rates on interest-bearing liabilities would decrease more rapidly than rates on interest-earning assets. Conversely, in an increasing rate environment, assuming a normally shaped yield curve, net interest income would be impacted unfavorably as rates on interest-earning assets would increase at a slower rate than rates on interest-bearing liabilities.

Third Quarter Highlights. At September 30, 2013, we had $1.4 billion in assets, $964.5 million in loans and $132.6 million in stockholders' equity. The Bank's total risk-based capital ratio at September 30, 2013 was 15.16%, exceeding

the 10.00% requirement for a well-capitalized institution. The percentage of tangible common equity to total assets was 7.78% as of September 30, 2013, an increase from 7.62% and 7.33% at December 31, 2012 and September 30, 2012, respectively. For the quarter ended September 30, 2013, net income available to common shareholders totaled $2.2 million, or $.31 per basic and $.30 per diluted share, compared with net income of $1.8 million available to common shareholders, or $.26 per basic and diluted share for the quarter ended September 30, 2012.

Key aspects of our operations in the third quarter of 2013 include the following:

- Gross loan balances increased by $4.7 million in the third quarter of 2013.
- Deposits decreased $4.7 million in the third quarter of 2013.
- Asset quality continued to improve; as non-performing loans to total loans were 1.38% as of September 30, 2013 compared to 1.94% as of June 30, 2013 and non-performing assets to total assets were 1.46% as of September 30, 2013 compared to 1.77% as of June 30, 2013.
- Classified loans decreased approximately 22% in the third quarter of 2013 and 44% since December 31, 2012.
- Foreclosed real estate and other repossessed assets increased $1.0 million as of September 30, 2013 compared to June 30, 2013 and decreased $637,000 compared to December 31, 2012.

- Net charge offs on an annualized basis were .82% in the third quarter 2013, primarily due to a charge off of $1.2 million on a previously identified impaired loan, compared to .34% in the second quarter of 2013. Without the one large charge off, net charge offs would have been .33%.
- Tangible common equity to total assets is 7.78% and tangible book value per share is $15.36 as of September 30, 2013.
- Net interest margin was 3.17% for the third quarter 2013 compared to 3.10% in the second quarter 2013.
- Non-interest expense decreased on a comparative and linked quarter basis by $933,000 and $702,000, respectively.

The Management's Discussion and Analysis in Item 7 of the Company's Annual Report on Form 10-K for the year ended December 31, 2012, contains a summary of our management strategy. The financial highlights of our strategy during the quarter include: decreasing non-performing assets to total assets from 2.21% at year-end 2012 to 1.46% at the end of the quarter, increasing core deposits to 56%, up from 51% at year-end 2012.

Critical Accounting Policies

Note 1 to the Notes to the Consolidated Financial Statements in Item 8 of the Form 10-K for the year ended December 31, 2012 contains a summary of *MutualFirst* 's significant accounting policies. Certain of these policies are important to the portrayal of the Company's financial condition, since they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Management believes that its critical accounting policies include determining the allowance for loan losses, the valuation of foreclosed assets, mortgage servicing rights and intangible assets.

Allowance for Loan Losses. The allowance for loan losses is a significant estimate that can and does change based on management's assumptions about specific borrowers and current general economic and business conditions, among other factors. Management reviews the adequacy of the allowance for loan losses on at least a quarterly basis. The evaluation by management includes consideration of past loss experience, changes in the composition of the loan portfolio, the current condition and amount of loans outstanding, identified problem loans and the probability of collecting all amounts due.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. A worsening or protracted economic decline would increase the likelihood of additional losses due to credit and market risk and could create the need for additional loss reserves.

Foreclosed Assets. Foreclosed assets are carried at the lower of cost or fair value less estimated selling costs. Management estimates the fair value of the properties based on current appraisal information. Fair value estimates are particularly susceptible to significant changes in the economic environment, market conditions, and real

estate market. A worsening or protracted economic decline would increase the likelihood of a decline in property values and could create the need to write down the properties through current operations.

Management recently reviewed the Bank's processes for foreclosed properties and deemed they are in compliance with regulations and state laws.

Mortgage Servicing Rights. Mortgage servicing rights ("MSRs") associated with loans originated and sold, where servicing is retained, are capitalized and included in other assets in the consolidated balance sheet. The value of the capitalized servicing rights represents the fair value of the right to service loans in the portfolio. Critical accounting policies for MSRs relate to the initial valuation and subsequent impairment tests. The methodology used to determine the valuation of MSRs requires the development and use of a number of estimates, including anticipated principal amortization and prepayments of that principal balance. Events that may significantly affect the estimates used are changes in interest rates, mortgage loan prepayment speeds and the payment performance of the underlying loans. The carrying value of the MSRs is periodically reviewed for impairment based on a determination of fair value. For purposes of measuring impairment, the servicing rights are compared to a valuation prepared based on a discounted cash flow methodology, utilizing current prepayment speeds and discount rates. Impairment, if any, is recognized through a valuation allowance and is recorded as a reduction in loan servicing fee income.

Intangible Assets. The Company periodically assesses the potential impairment of its core deposit intangible. If actual external conditions and future operating results differ from the Company's judgments, impairment and/or increased amortization charges may be necessary to reduce the carrying value of these assets to the appropriate value.

Securities. Under FASB Codification Topic 320 (ASC 320), *Investments-Debt and Equity Securities*, investment securities must be classified as held-to-maturity, available-for-sale or trading. Management determines the appropriate classification at the time of purchase. The classification of securities is significant since it directly impacts the accounting for unrealized gains and losses on securities. Debt securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and the Company has the ability to hold the securities to maturity. Securities not classified as held-to-maturity are classified as available-for-sale and are carried at fair value, with the unrealized holding gains and losses, net of tax, reported in other comprehensive income.

The fair values of the Company's securities are generally determined by reference to quoted prices from reliable independent sources utilizing observable inputs. Certain of the Company's fair values of securities are determined using models whose significant value drivers or assumptions are unobservable and are significant to the fair value of the securities. These models are utilized when quoted prices are not available for certain securities or in markets where trading activity has slowed or ceased. When quoted prices are not available and are not provided by third party pricing services, management judgment is necessary to determine fair value. As such, fair value is determined using discounted cash flow analysis models, incorporating default rates, estimation of prepayment characteristics and implied volatilities.

The Company evaluates securities on a quarterly basis, and more frequently when economic conditions warrant additional evaluations, to determine if an other-than-temporary impairment (OTTI) exists pursuant to guidelines established in ASC 320. In evaluating the possible impairment of securities, consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial conditions and near-term prospects of the issuer, and the ability and intent of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. In analyzing an issuer's financial condition, the Company may consider whether the securities are issued by the federal government or its agencies or government sponsored agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

If management determines that an investment experienced an OTTI, management must then determine the amount of the OTTI to be recognized in earnings. For investments in debt securities, if management does not intend to sell the security and it is more likely than not that the Company will not be required to sell the security before recovery of its amortized cost basis less any current period loss, the OTTI will be separated into the amount representing the credit loss and the amount related to all other factors. The amount of OTTI related to the credit loss is determined based on the present value of cash flows expected to be collected and is recognized in earnings. The amount of the OTTI related to other factors will be recognized in other comprehensive income, net of applicable taxes. The previous amortized cost basis less the OTTI recognized in earnings will become the new amortized cost basis of the investment. If management intends to sell the security or more likely than not will be required to sell the security

before recovery of its amortized cost basis less any current period credit loss, the OTTI will be recognized in earnings equal to the entire difference between the investment's amortized cost basis and its fair value at the balance sheet date. Any recoveries related to the value of these securities are recorded as an unrealized gain (as other comprehensive income (loss) in stockholders' equity) and not recognized in income until the security is ultimately sold.

For our investment in marketable equity securities, management evaluates the severity and duration of the impairment and the near term prospects of the issuer in our consideration of whether the securities are other than temporarily impaired. Based upon that evaluation the Company does not consider our equity securities to be other than temporarily impaired. If other than temporary impairment is identified, that impairment is recognized in earnings.

The Company from time to time may dispose of an impaired security in response to asset/liability management decisions, future market movements, business plan changes, or if the net proceeds can be reinvested at a rate of return that is expected to recover the loss within a reasonable period of time.

Income Tax Accounting

We file a consolidated federal income tax return. The provision for income taxes is based upon income in our consolidated financial statements, rather than amounts reported on our income tax return. Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of a change in tax rates on our deferred tax assets and liabilities is recognized as income or expense in the period that includes the enactment date.

Forward-Looking Statements

This Form 10-Q contains and our future filings with the SEC, Company press releases, other public pronouncements, stockholder communications and oral statements made by or with the approval of an authorized executive officer, will contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify these forward-looking statements through our use of words such as "may," "will," "anticipate," "assume," "should "indicate," "would," "believe," "contemplate," "expect," "estimate," "continue," "plan," "project," "could," "intend," "target" words and expressions of the future. These forward-looking statements include, but are not limited to: (i) statements of our goals, intentions and expectations; (ii) statements regarding our business plans, prospects, growth and operating strategies; (iii) statements regarding the asset quality of our loan and investment portfolios; and (iv) estimates of our risks and future costs and benefits. These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. The Company does not undertake and specifically declines any obligation to publicly release the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of unanticipated events.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements: (i) the credit risks of lending activities, including changes in the level and trend of loan delinquencies and write-offs and changes in our allowance for loan losses and provision for loan losses that may be impacted by deterioration in the housing and commercial real estate markets; (ii) changes in general economic conditions, either nationally or in our market areas; (iii) changes in the levels of general interest rates and the relative differences between short- and long-term interest rates, deposit interest rates, our net interest margin and funding sources; (v) fluctuations in the demand for loans, the number of unsold homes, land and other properties and fluctuations in real estate values in our market areas; (vi) decreases in the secondary market for the sale of loans that we originate; (vii) results of examinations of us by the IDFI, FDIC, FRB or other regulatory authorities, including the possibility that any such regulatory authority may, among other things, require us to increase our reserve for loan losses, write-down assets, change our regulatory capital position or affect our ability to borrow funds or maintain or increase deposits, which could adversely affect our liquidity and earnings; (viii) legislative or

regulatory changes that adversely affect our business including the effect of Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act"), changes in regulatory policies and principles, or the interpretation of regulatory capital or other rules, including changes that increase our capital requirements; (ix) the uncertainties arising from our participation in the SBLF or any future redemption of the SBLF shares issued to Treasury; (x) our ability to attract and retain deposits; (xi) increases in premiums for deposit insurance; (xii) management's assumptions in determining the adequacy of the allowance for loan losses; (xiii) our ability to control operating costs and expenses; (xiv) the use of estimates in determining fair value of certain of our assets, which estimates may prove to be incorrect and result in significant declines in valuation; (xv) difficulties in reducing risks associated with the loans on our balance sheet; (xvi) staffing fluctuations in response to product demand or the implementation of corporate strategies that affect our workforce and potential associated charges; (xvii) a failure or security breach in the computer systems on which we depend; (xviii) our ability to retain key members of our senior management team; (xix) costs and effects of litigation, including settlements and judgments; (xx) our ability to successfully integrate any assets, liabilities, customers, systems, and management personnel we may in the future acquire into our operations and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto; (xxi) increased competitive pressures among financial services companies; (xxii) changes in consumer spending, borrowing and savings habits; (xxiii) the availability of resources to address changes in laws, rules, or regulations or to respond to regulatory actions; (xxiv) adverse changes in the securities markets; (xv) inability of key third-party providers to perform their obligations to us; (xvi) changes in accounting policies and practices, as may be adopted by the financial institution regulatory agencies, the Public Company Accounting Oversight Board or the Financial Accounting Standards Board; and (xvii) other economic, competitive, governmental, regulatory, and technological factors affecting our operations, pricing, products and services and the other risks described elsewhere in this report.

The Company wishes to advise readers that these factors could affect the Company's financial performance and could cause the Company's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

Financial Condition

General. Total assets at September 30, 2013 were $1.4 billion a decrease of $17.5 million since December 31, 2012, primarily due to the decrease in investment securities of $6.7 million and a decrease in loans held for sale of $4.1 million, as refinances have slowed in the last few months. The Bank has been selling most fixed rate loans originated in 2013 to mitigate interest rate risk. In the third quarter of 2013, gross loans increased $11.7 million as consumer loans increased by $7.4 million and one-to four- family mortgage loans increased by of $5.4 million which were partially offset by a decline in commercial loans of $1.1 million. Average interest-earning assets decreased $37.6 million, or 2.8% to $1.29 billion at September 30, 2013 from $1.33 billion at December 31, 2012, reflecting a decrease in average investments. Average interest-bearing liabilities decreased by $48.8 million, or 4.2% to $1.12 billion at September 30, 2013, from $1.17 billion at December 31, 2012, reflecting a decrease in the average outstanding amount of term deposits and borrowings. Stockholders' equity decreased by $6.9 million, or 5.0% during the nine months ended September 30, 2013.

Loans. Our gross loan portfolio, excluding loans held for sale, decreased $789,000, or 0.1% to $989.8 million at September 30, 2013 from $990.6 million at December 31, 2012.

The following table reflects the changes in the gross amount of loans, excluding loans held for sale, by type during the quarter:

	At September 30, 2013	December 31, 2012	Amount Change	Percent Change
Commercial Loans:				
Real estate	$198,405	$ 203,613	$(5,208)	(2.6)%
Construction and Development	15,092	17,462	(2,370)	(13.6)
Other	72,310	67,773	4,537	6.7
Total Commercial	285,807	288,848	(3,041)	(1.1)
Residential mortgages	495,712	502,619	(6,907)	(1.4)
Consumer Loans:				

Real estate	106,293	100,516	5,777	5.7
Auto	15,343	15,572	(229)	(1.5)
Boat/RV	80,648	76,416	4,232	5.5
Other	5,977	6,598	(621)	(9.4)
Total Consumer	208,261	199,102	9,159	4.6
Total Loans	$989,780	$ 990,569	$(789)	(0.1)%

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Although the Bank has an overall strategy to increase commercial and consumer loans, the strategy has been hindered by depressed economic conditions in Indiana as a result of the recent recession. Due to increased unemployment and decreased real estate values, loan demand, especially for business loans, has remained sluggish. We are seeking opportunities to refinance sound commercial borrowers from other financial institutions. Although there has been a decrease in gross loans since year-end December 31, 2012, we have seen growth in consumer lending during the first nine months of 2013 as consumer loans increased by $9.2 million, which was fully offset by a decline in commercial loans of $3.0 million and residential mortgage decrease of $6.9 million. The Bank often sells 30-year and 15-year fixed-rate mortgage loans which helps reduce risk. This has also contributed to the reduction in our residential mortgage loan portfolio.

Delinquencies and Non-performing Assets. As of September 30, 2013, our total loans delinquent 30-to-89 days were $13.7 million or 1.4% of total loans compared to $22.2 million or 2.2% at December 31, 2012.

At September 30, 2013, our non-performing assets totaled $20.6 million or 1.46% of total assets, compared to $31.4 million or 2.21% of total assets at December 31, 2012. This $10.8 million, or 34.5% decrease was the result of a decrease of non-performing commercial, mortgage and consumer loans. The table below sets forth the amounts and categories of non-performing assets in our loan portfolio at the dates indicated.

	At September 30, 2013	December 31, 2012	Amount Change	Percent Change
Non-accruing loans	$13,112	$ 23,410	$(10,298)	(44.0)%
Accruing loans delinquent 90 days or more	390	273	117	42.8
Foreclosed assets	7,062	7,700	(638)	(8.3)
Total	$20,564	$ 31,383	$(10,819)	(34.5)%

The Bank is diligently monitoring and writing down loans that appear to have irreversible weakness. In addition to the decrease in total non-performing assets, the Company has seen significant recent improvement in total classified assets. Total classified assets decreased 33.9% from $56.4 million at December 31, 2012 to $37.3 million at September 30, 2013. The Bank works to ensure possible problem loans have been identified and steps have been taken to reduce loss by restructuring loans to improve cash flow or by increasing collateral, when necessary.

At September 30, 2013, foreclosed commercial real estate totaled $1.7 million and consisted of ten commercial buildings in our existing lending footprint. In addition, 27 residential properties with a book value of $5.0 million remained as foreclosed assets at September 30, 2013. Of the total foreclosed assets, one property held in real estate owned totaled $2.4 million. At September 30, 2013, the Bank had $312,000 in other repossessed assets. During the first nine months of 2013, non-accruing loans decreased by $10.3 million due to decreased delinquency, charge-offs

and foreclosure. Management continues to monitor these loans aggressively and it is management's opinion that the non-accruing loans are sufficiently reserved as of September 30, 2013.

Allowance For Loan Loss. Allowance for loan losses decreased $1.1 million to $14.5 million at September 30, 2013 when compared to September 30, 2012 as reflected below.

	At and For the Nine Months Ended September 30, 2013		2012	
Balance at beginning of period	$ 16,038		$ 16,815	
Charge-offs	4,161		7,040	
Recoveries	327		1,086	
Net charge-offs	3,834		5,954	
Provisions charged to operations	2,250		4,675	
Balance at end of period	$ 14,454		$ 15,536	
Ratio of net charge-offs during the period to average loans outstanding during the period	0.52	%	0.81	%
Allowance as a percentage of non-performing loans	107.05	%	65.09	%
Allowance as a percentage of total loans (end of period)	1.48	%	1.61	%

Net charge offs for the nine months ended September 30, 2013 were $3.8 million, or 0.52% of average loans on an annualized basis, compared to $6.0 million, or 0.81% of average loans for the same period of 2012. The decrease was due to what management believes is a stabilization of the loan portfolio. As of September 30, 2013, the allowance for loan losses as a percentage of loans receivable and non-performing loans was 1.48% and 107.05%, respectively, compared to 1.63% and 67.72% respectively, at December 31, 2012. Allowance for loan losses as a percentage of loans receivable decreased due to a decrease in the allowance for loan loss of $1.1 million since year-end. Allowance for loan losses as a percentage of non-performing loans increased due to the decrease in non-performing loans of $10.2 million in the first nine months of 2013.

Deposits. Total deposits decreased $34.3 million in the first nine months of 2013. Certificates of deposit decreased $71.2 million while core transactional deposits increased $36.9 million during the nine month period ended September 30, 2013. Core transactional deposits increased to 56% of the Bank's total deposits as of September 30, 2013 compared to 51% as of December 31, 2012.

At September 30, 2013		December 31, 2012	
Amount	Weighted Average Rate	Amount	Weighted Average Rate

Type of Account						
Non-interest Checking	$140,938	0.00	%	$138,269	0.00	%
Interest-bearing NOW	262,767	0.27		259,220	0.27	
Savings	118,275	0.01		110,211	0.01	
Money Market	120,984	0.26		98,366	0.23	
Certificates of Deposit	506,753	1.65		577,943	1.66	
Total	$1,149,717	0.85	%	$1,184,009	0.89	%

Borrowings. Total borrowings increased $21.5 million, or 24.9%, to $107.9 million at September 30, 2013 primarily due to a $22.1 million increase in FHLB advances to $96.7 million at the end of the quarter. The Bank has lengthened the duration of the FHLB advance portfolio as a way to decrease interest rate risk and fund a portion of the CD decline. Other borrowings, consisting of a bank loan and a subordinated debenture, decreased $537,000 to $11.1 million at September 30, 2013 due to regular loan payments.

On January 4, 2013, the Company refinanced the $7.6 million term loan with First Tennessee Bank, N.A.. The loan bears a 3.915% fixed interest rate, has a term expiring in December 2017 and is secured by Bank stock. The balance of that loan was $7.0 million at September 30, 2013.

The Company assumed $5.0 million in debentures as the result of an acquisition of MFB Corp. in 2008. In 2005, MFB Corp. had formed MFBC Statutory Trust (MFBC), as a wholly owned business trust, to sell trust preferred securities. The proceeds from the sale of these trust preferred securities were used by the trust to purchase an equivalent amount of subordinated debentures from the acquired company. The junior subordinated debentures are the sole assets of MFBC and are fully and unconditionally guaranteed by the Company. The junior subordinated debentures and the trust preferred securities pay interest and dividends, respectively, on a quarterly basis. The securities bore a fixed rate of interest of 6.22% for the first five years, and the rate resets quarterly at the prevailing three-month LIBOR rate plus 170 basis points. In 2009, the Company entered into a forward interest rate swap that fixed the variable rate portion for five years at 5.15%. The Company may redeem the trust preferred securities, in whole or in part, without penalty, on or after September 15, 2010. These securities mature on September 15, 2035. The net balance of the note as of September 30, 2013 was $4.0 million due to the fair value adjustment of the note made at the time of the acquisition.

Stockholders' Equity. Stockholders' equity was $132.6 million at September 30, 2013, a decrease of $6.9 million from December 31, 2012. The decrease was due primarily to a redemption of $7.2 million of preferred stock held by the United States Treasury as part of the Small Business Lending Fund (SBLF) in the second quarter of 2013 and a decline in other comprehensive income of $4.8 million, primarily due to changes in market rates and a reduction in unrealized gains on the investment portfolio. Other declines resulted from dividend payments of $1.3 million to common shareholders and $904,000 to preferred shareholders. These declines were partially offset by net income of $6.6 million. The Company's tangible book value per share as of September 30, 2013 increased to $15.36 compared to $15.33 as of December 31, 2012 and its tangible common equity ratio increased to 7.78% as of September 30, 2013 compared to 7.62% as of December 31, 2012. The Company and the Bank's risk-based capital ratios were well in excess of "well-capitalized" levels as defined by all regulatory standards as of September 30, 2013.

Comparison of Results of Operations for the Three Months Ended September 30, 2013 and 2012

General. Net income available to common shareholders for the three months ended September 30, 2013 was $2.2 million or $0.31 per basic and $0.30 per diluted earnings per common share compared to net income of $1.8 million or $0.26 basic and diluted earnings per common share for the three months ended September 30, 2012. The primary reasons for this increase was a decrease in the provision for loan loss of $725,000 due to the stabilization of the loan portfolio and the real estate market. Annualized return on assets was 0.71% and return on average tangible common equity was 8.17% for the quarter ended September 30, 2013 compared to 0.59% and 6.83% respectively, for the same period last year.

Interest Income. Total interest income decreased $867,000, or 6.2%, to $13.0 million during the three months ended September 30, 2013 from $13.9 million during the three months ended September 30, 2012. The decline in the total interest income was due to a decrease in average earning assets of $58.6 million. Interest income on loans in the third quarter of 2013 was $11.1 million compared to $11.5 million for same period in 2012, reflecting a 26 basis point decrease in the weighted average yield on loans for the three months ended September 30, 2013 to 4.53%. Interest income on investment securities for the third quarter 2013 was $2.0 million compared to $2.4 million for the same period in 2012, reflecting a $73.0 million decrease in our average investment securities portfolio to $295.9 million as of September 30, 2013. Average investments decreased during this time period in part due to the sale of investments to prepay Federal Home Loan Bank advances in the fourth quarter of 2012.

Interest Expense. Interest expense decreased $792,000, or 22.0%, to $2.8 million during the three months ended September 30, 2013 compared to $3.6 million during the three months ended September 30, 2012. The primary reason for this decrease was a decline of 21 basis points in the average cost of interest-bearing liabilities from 1.22% in the 2012 period to 1.01% in the 2013 period, which was primarily due to continued re-pricing of deposit accounts and reduction of higher rate FHLB advances. Interest expense on deposits decreased $531,000, due to an 18 basis point decline in average rates. Interest expense on borrowings decreased $261,000 as a result of a 23 basis point decline in average rates.

Net Interest Income. Net interest income before the provision for loan losses decreased $75,000 for the quarter ended September 30, 2013 compared to the same period in 2012. The decrease was a result of a $58.6 million decline in average earning assets, mostly offset by an increase of 12 basis points in the net interest margin that increased to 3.17%. The decline in average earning assets was primarily due to a decline of $88.3 million in the average outstanding investment portfolio, partially offset by a $14.3 million increase in the average outstanding loan portfolio. On a linked quarter basis, net interest income before the provision for loan losses increased $220,000 as net interest margin increased by 7 basis points and average earnings asset increased by $794,000. For more information on our asset/liability management, especially as it relates to interest rate risk, see Item 7A - Quantitative and Qualitative Disclosures About Market Risk" on Form 10-K for the period ended December 31, 2012.

Provision for Loan Losses. The provision for loan losses for the third quarter of 2013 decreased to $750,000 compared to $1.5 million during last year's comparable period. The decrease was due to management's ongoing evaluation of the adequacy of the allowance for loan losses, and partially attributable to improving credit quality. Non-performing loans to total loans at September 30, 2013 was 1.38% compared to 2.48% at September 30, 2012. Non-performing assets to total assets was 1.46% at September 30, 2013 compared to 2.08% at September 30, 2012.

Other Income. Other (non-interest) income decreased by $1.1 million to $3.3 million in the third quarter of 2013 compared to $4.4 million in the same period in 2012.

Non-Interest Income	Three Months Ended 9/30/2013	9/30/2012	Amount Change	Percent Change
Service fee income	$ 1,447	$ 1,644	$ (197)	(12.0)%
Net realized gain on sale of securities	453	1,095	(642)	(58.6)
Equity in losses of limited partnerships	(84)	(124)	40	(32.3)
Commissions	1,041	859	182	21.2
Net gains on sales of loans	84	541	(457)	(84.5)
Net servicing fees (costs)	63	(16)	79	(493.8)
Increase in cash surrender value of life insurance	321	340	(19)	(5.6)
Loss on sale of other real estate and repossessed assets	(108)	30	(138)	(460.0)
Other income	57	12	45	375.0
Total Non-Interest Income	$ 3,274	$ 4,381	$ (1,107)	(25.3)%

Decreases in non-interest income include declines in service fee income on deposit accounts which is primarily due to declining overdraft income, and in net gain on sale of investments. Gain on loan sales declined primarily due to increasing rates, which reduced the gains on the loans held for sale at the beginning of the quarter. This decline was partially offset by a recovery of the valuation in mortgage servicing rights of $100,000 due to the increase in market rates and a reduction in prepayments on serviced mortgage loans. Increases in commission income of $182,000 partially offset the declines mentioned above. On a linked quarter basis, non-interest income decreased primarily due to a $356,000 reduction in a recovery of a valuation on mortgage servicing rights, partially offset by increases in gain

on sale of investments and service fee income on transaction accounts.

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Other Expense. Other (non-interest) expense decreased by $933,000 to $9.2 million in the third quarter of 2013 compared to $10.1 million in the same period in 2012.

Non-Interest Expense	Three Months Ended 9/30/2013	9/30/2012	Amount Change	Percent Change
Salaries and employee benefits	$ 5,282	$ 5,273	$ 9	0.2 %
Net occupancy expenses	244	641	(397)	(62.1)
Equipment expenses	453	454	(1)	(0.2)
Data processing fees	326	361	(35)	(9.7)
Automated teller machine	296	258	38	14.7
Deposit insurance	251	312	(61)	(19.6)
Professional fees	318	420	(102)	(24.3)
Advertising and promotion	386	488	(102)	(20.9)
Software subscriptions and publications	391	384	7	1.8
Intangible amortization	186	229	(43)	(18.8)
Other real estate and repossessed assets	180	247	(67)	(27.1)
Other expenses	887	1,066	(179)	(16.8)
Total Non-Interest Expense	$ 9,200	$ 10,133	$ (933)	(9.2)%

Occupancy and equipment expenses declined in the third quarter primarily due to property tax refunds and reductions after an assessment of all bank-owned properties. Professional fees have reduced primarily due to improving asset quality and a reduction in investment management fees. Other declines in expenses were related to repossessed asset expense of $67,000, deposit insurance of $61,000 and core deposit intangible amortization of $43,000. On a linked quarter basis, non-interest expense decreased $702,000 primarily due to decreased occupancy and equipment expense of $268,000 as described above and decreased salaries and employee benefits of $249,000 primarily due to reduced expense on the self-funded health insurance plan.

Income Tax Expense. The effective tax rate for the third quarter of 2013 was 30.6% compared to 29.6% in the third quarter of 2012. The increase was due to an increase in taxable income and a change in the State of Indiana tax code. The State of Indiana will lower the Financial Institution Tax over the next four years from 8.5% to 6.5%. During this change, the Bank will be required to calculate the deferred tax asset at the lower phased in rate, which will increase our tax expense over this time period.

Comparison of Results of Operations for the Nine Months Ended September 30, 2013 and 2012

General. Net income available to common stockholders for the nine months ended September 30, 2013 was $5.6 million, or $0.80 basic and $0.78 diluted earnings per common share compared to net income of $4.2 million, or $0.60

basic and $0.59 diluted earnings per common share for the nine months ended September 30, 2012. The primary reason for this increase was a decrease in provision for loan loss due to stabilization of the loan portfolio. Our return on assets and on average tangible equity on an annualized basis were 0.62% and 7.00%, respectively in the 2013 period compared to 0.48% and 5.31% in the 2012 period.

Interest Income. Total interest income decreased $3.1 million, or 7.4%, to $38.8 million during the nine months ended September 30, 2013 from $41.9 million during the same period ended September 30, 2012, reflecting the decrease in our average yield on interest-earning assets by 18 basis points to 4.00% at September 30, 2013 compared to 4.18% at September 30, 2012 as national and local prevailing interest rates continued to decline and the mix of interest-earning assets shifted towards lower yielding investment securities. During the period, average earning assets have declined by $41.3 million. Interest income on loans in the first nine months of 2013 was $33.1 million compared to $34.8 million for same period in 2012, reflecting a 37 basis point decrease in the weighted average yield on loans for the nine months ended September 30, 2013 to 4.51%. Interest income on investment securities for the first nine months of 2013 was $5.7 million compared to $7.1 million for the same period in 2012, reflecting a $67.3 million decrease in our average investment securities portfolio.

Interest Expense. Interest expense decreased $2.8 million, or 24.5%, to $8.6 million during the nine months ended September 30, 2013 compared to $11.4 million during the nine months ended September 30, 2012. The primary reason for this decrease was a decline of 27 basis points on interest-bearing liabilities from 1.29% in 2012 to 1.02% in 2013, which was primarily due to continued re-pricing of deposit accounts and reduction of higher rate FHLB advances. Interest expense on deposits decreased $1.8 million, due to a 20 basis point decline in average rates. Interest expense on borrowings decreased $998,000 as a result of a 64 basis point decline in average rates and a $28.69 million decrease in average borrowings in the first nine months of 2013, as excess cash from deposits and proceeds from loan repayments were used to pay off maturing FHLB advances.

Net Interest Income. Net interest income before the provision for loan losses decreased $295,000 for the first nine months of 2013 compared to the same period in 2012. The decrease was a result of a $41.2 million decline in average earnings assets, partially offset by the net interest margin increasing from 3.05% in the first nine months of 2012 to 3.11% in the first nine months of 2013. For more information on our asset/liability management, especially as it relates to interest rate risk, see Item 7A - Quantitative and Qualitative Disclosures About Market Risk" on Form 10-K for the period ended December 31, 2012

Provision for Loan Losses. The provision for loan losses for the first nine months of 2013 decreased to $2.3 million compared to $4.7 million during last year's comparable period. The decrease was primarily due to a decline in net charge offs and improving asset quality. Non-performing loans to total loans at September 30, 2013 were 1.38% compared to 2.40% at December 31, 2012. This decrease in non-performing loans was primarily in one-to four-family mortgage loans and commercial real estate loans.

Other Income. Other (non-interest) income decreased by $644,000 to $10.4 million in the first nine months of 2013 compared to $11.0 million in the same period in 2012.

Non-Interest Income	Nine Months Ended 9/30/2013	Nine Months Ended 9/30/2012	Amount Change	Percent Change
Service fee income	$4,382	$5,049	$(667)	(13.2)%
Net realized gain on sale of securities	835	1,575	(740)	(47.0)
Equity in losses of limited partnerships	(338)	(372)	34	9.1
Commissions	3,196	2,914	282	9.7
Net gains on sales of loans	654	1,388	(734)	(52.9)
Net servicing fees (costs)	471	(126)	597	473.8
Increase in cash surrender value of life insurance	942	1,017	(75)	(7.4)
(Gain) loss on sale of other real estate and repossessed assets	(53)	(523)	470	89.9
Other income	282	93	189	202.2
Total Non-Interest Income	$10,371	$11,015	$(644)	(5.8)%

Decreases in non-interest income include declines in service fee income on deposit accounts which is primarily due to declining overdraft income, and in net gain on sale of investments. Gain on loan sales declined primarily due to increasing rates, which reduced the gains on the loans held for sale in the second and third quarters. This decline was partially offset by a recovery of the valuation in mortgage servicing rights of $656,000 due to the increase in market rates and a reduction in prepayments on serviced mortgage loans. Increases in commission income of $282,000 and decreases in losses of sale of other real estate and repossessed assets partially offset the declines mentioned above.

Other Expense. Other (non-interest) expense decreased by $645,000 to $29.0 million in the first nine months of 2013 compared to $29.7 million in the same period in 2012.

Non-Interest Expense	Nine Months Ended 9/30/2013	9/30/2012	Amount Change	Percent Change
Salaries and employee benefits	$ 16,365	$ 15,910	$ 455	2.9 %
Net occupancy expenses	1,472	1,744	(272)	(15.6)
Equipment expenses	1,377	1,346	31	2.2
Data processing fees	1,081	1,178	(97)	(8.2)
Automated teller machine	806	743	63	8.5
Deposit insurance	891	939	(48)	(5.1)
Professional fees	973	1,188	(215)	(18.1)
Advertising and promotion	1,095	1,214	(119)	(9.8)
Software subscriptions and publications	1,070	1,145	(75)	(6.6)
Intangible amortization	608	745	(137)	(18.4)
Other real estate and repossessed assets	529	691	(162)	(23.4)
Other expenses	2,747	2,816	(69)	(2.4)
Total Non-Interest Expense	$ 29,014	$ 29,659	$ (645)	(2.2)%

Non-interest expense declines were a result of reductions of $215,000 in professional fees, $178,000 in occupancy and equipment expense and $162,000 in repossessed asset expense for the reasons stated earlier. Other declines were in core deposit intangible expense of $137,000 and a $119,000 reduction in marketing expenses. These declines were partially offset by salaries and benefits increasing by $455,000, primarily due to increases in employee benefit costs compared to the same time period in 2012.

Income Tax Expense. Income tax expense for the nine months ended September 30, 2013 increased $814,000 compared to the same period in 2012 because of increased net income. The Company’s effective tax rate increased to 29.9% in the 2013 period from 27.3% in the 2012 period. The increase was due to an increase in taxable income and a change in the State of Indiana tax code. The State of Indiana will lower the Financial Institution Tax over the next four years from 8.5% to 6.5%. During this change, the Bank will be required to calculate the deferred tax asset at the lower phased in rate, which will increase our tax expense over this time period.

Off-Balance Sheet Activities

In the normal course of operations, the Bank engages in a variety of financial transactions that are not recorded in our financial statements. These transactions involve varying degrees of off-balance sheet credit, interest rate and liquidity risks. These transactions are used primarily to manage customers’ requests for funding and take the form of loan

commitments and lines of credit. We also have off-balance sheet obligations to repay borrowings and deposits. During the quarter ended September 30, 2013, we engaged in no off-balance sheet transactions likely to have a material effect on our financial condition, results of operations or cash flows. At September 30, 2013, the Bank had $15.5 million in commitments to make loans, $14.4 million in undisbursed portions of closed loans, $135.8 million in unused lines of credit and $3.8 million in standby letters of credit.

Liquidity

Information about the Company's liquidity needs and management is included in Item 7 of the Form 10-K for the year ended December 31, 2012, filed with the SEC on March 22, 2013, under the heading "Liquidity."

During the third quarter of 2013, our liquidity levels maintained fairly consistent with that of the prior quarter. We have seen an increase in loan demand. The Board of Directors requires the Bank to maintain a minimum liquidity ratio of 10% of deposits. At September 30, 2013, our ratio was 27.9%, which includes our investment portfolio.

At September 30, 2013, the Company on a consolidated basis, had $306.5 million in cash and investment securities available for sale and $979,000 in loans held for sale generally available for its cash needs. At September 30, 2013, the Bank had the ability to borrow an additional $188.5 million in FHLB advances.

The Company is a separate legal entity from the Bank and must provide for its own liquidity. In addition to its own operating expenses (many of which are paid to the Bank), the Company is responsible for paying SBLF dividends to the Treasury, amounts owed on its trust preferred securities, any dividends declared to its common stockholders, and interest and principal on outstanding debt. The Company's primary source of funds is Bank dividends, which are subject to regulatory limits. At September 30, 2013, the Company, on an unconsolidated basis, had $1.1 million in cash, interest-bearing deposits and liquid investments generally available for its cash needs.

At September 30, 2013, the approved outstanding loan commitments, including unused lines of credit, amounted to $169.5 million. Certificates of deposit scheduled to mature in one year or less at September 30, 2013, totaled $263.9 million; however, due to our competitive rates, we believe that a majority of maturing deposits will remain with the Bank.

Except as set forth above, management is not aware of any trends, events, or uncertainties that will have, or that are reasonably likely to have a material impact on liquidity, capital resources or operations. Further, management is not aware of any current recommendations by regulatory agencies, which, if they were to be implemented, would have this effect.

Capital Resources

The Bank is subject to minimum capital requirements imposed by the FDIC. At September 30, 2013, the Bank's regulatory capital exceeded these regulatory requirements, and the Bank was well-capitalized under regulatory prompt corrective action standards, consistent with our goals to operate a sound and profitable organization. The FDIC may require the Bank to have additional capital above specific regulatory levels if it believes the Bank is subject to increased risk due to asset problems, high interest rate risk and other risks. The FDIC has not required such additional capital.

At September 30, 2013, the Company's capital levels exceeded the bank holding company capital requirements and it was considered well-capitalized under FRB guidelines, consistent with our goals to operate a sound and profitable organization.

The Company's and Bank's relevant capital ratios at September 30, 2013, are reflected below:

	Actual Capital Levels		Minimum Regulatory Capital Levels		Minimum Required To be Considered Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Leverage Capital Level[1]:						
MutualFirst (Consolidated)	$128,308	9.23 %	$55,617	4.0 %	$69,521	N/A
MutualBank	133,803	9.63	55,606	4.0	69,507	5.0
Tier 1 Risk-Based Capital Level [2] :						
MutualFirst (Consolidated)	$128,308	13.32%	$38,539	4.0 %	$57,808	6.0 %
MutualBank	133,803	13.90	38,493	4.0	57,740	6.0
Total Risk-Based Capital Level [3] :						
MutualFirst (Consolidated)	$140,367	14.57%	$77,077	8.0 %	$96,347	10.0 %
MutualBank	145,862	15.16	76,986	8.0	96,233	10.0

1. Tier 1 Capital to Average Total Assets of $1.4 billion for the Bank and Company, respectively.

2. Tier 1 Capital to Risk-Weighted Assets of $962.3 million and $963.5 for the Bank and Company, respectively.

3. Total Capital to Risk-Weighted Assets of $962.3 million and $963.5 for the Bank and Company, respectively.

Impact of Inflation

The effects of price changes and inflation can vary substantially for most financial institutions. While management believes that inflation affects the economic value of total assets, it believes that it is difficult to assess the overall impact. Management believes this to be the case due to the fact that generally neither the timing nor the magnitude of changes in the consumer price index coincides with changes in interest rates or asset values. For example, the price of one or more of the components of the consumer price index may fluctuate considerably, influencing composite consumer price index, without having a corresponding effect on interest rates, asset values, or the cost of those goods and services normally purchased by us. In years of high inflation and high interest rates, intermediate and long-term interest rates tend to increase, adversely impacting the market values of investment securities, mortgage loans and other long-term fixed rate loans. In addition, higher short-term interest rates tend to increase the cost of funds. In other years, the opposite may occur.

Item 3 - Quantitative and Qualitative Disclosures about Market Risk

Information about the Company's asset and liability management and market and interest-rate risks is included in Item 7A of the Form 10-K for the year ended December 31, 2012, filed with the SEC on March 22, 2013.

Asset and Liability Management and Market Risk

Our Risk When Interest Rates Change. The rates of interest we earn on assets and pay on liabilities generally is established contractually for a period of time. Market interest rates change over time. Accordingly, our results of operations, like those of other financial institutions, are impacted by changes in interest rates and the interest rate sensitivity of our assets and liabilities. The risk associated with changes in interest rates and our ability to adapt to these changes is known as interest rate risk and is one of our most significant market risks.

How We Measure Our Risk of Interest Rate Changes. As part of our attempt to manage our exposure to changes in interest rates and comply with applicable regulations, we monitor our interest rate risk. In monitoring interest rate risk, we continually analyze and manage assets and liabilities based on their payment streams and interest rates, the timing of their maturities, and their sensitivity to actual or potential changes in market interest rates. In order to minimize the potential for adverse effects of material and prolonged changes in interest rates on our results of operations, we adopted asset and liability management policies to better match the maturities and re-pricing terms of our interest-earning assets and interest-bearing liabilities.

The Bank's Board of Directors sets and recommends these asset and liability policies, which are implemented by the Asset and Liability Management Committee. The Asset and Liability Management Committee is chaired by the Chief Financial Officer and is comprised of members of our senior management team. The purpose of the Asset and Liability Management Committee is to communicate, coordinate and control asset/liability management issues consistent with our business plan and board-approved policies. This committee establishes and monitors the volume and mix of assets and funding sources taking into account relative costs and spreads, interest rate sensitivity and liquidity needs. The objectives are to manage assets and funding sources consistent with liquidity, capital adequacy, growth, risk and profitability goals. The Asset and Liability Management Committee generally meets monthly to review, among other things, economic conditions and interest rate outlook, current and projected liquidity needs and capital position, anticipated changes in the volume and mix of assets and liabilities and interest rate risk exposure limits versus current projections pursuant to a net present value of portfolio equity analysis and income simulations. At each meeting, the Asset and Liability Management Committee recommends appropriate strategy changes based on this review. The chief financial officer is responsible for reviewing and reporting on the effects of the policy implementations and strategies to the Board of Directors, at least quarterly.

In order to manage our assets and liabilities and achieve the desired liquidity, credit quality, interest rate risk, profitability and capital targets, we have sought to:

- Originate and purchase adjustable rate mortgage loans and commercial business loans,
- Originate shorter-duration consumer loans,
- Manage our deposits to establish stable deposit relationships,
- Acquire longer-term borrowings at fixed rates, when appropriate, to offset the negative impact of longer-term fixed rate loans in our loan portfolio, and
- Limit the percentage of long-term fixed-rate loans in our portfolio.

Depending on the level of general interest rates, the relationship between long and short-term interest rates, market conditions and competitive factors, the Asset and Liability Management Committee may increase our interest rate risk position somewhat in order to maintain our net interest margin. We will continue to increase our emphasis on the origination of relatively short-term and/or adjustable rate loans. In addition, in an effort to avoid an increase in the percentage of long-term fixed-rate loans in our portfolio, during the nine months ended September 30, 2013, we sold in the secondary market $59.4 million of fixed rate, one- to four-family mortgage loans with a term to maturity of 15 years or more.

The following chart indicates the Company's percentage change in net interest income and capital assuming the most severe movement in interest rates as an immediate parallel rate shock in a range from down 100 basis points to up 400 basis points as of June 30, 2013.

Rate Shock	Net Interest Income (% Change)	Capital (% Change)
Up 400 bp	(37.3)%	(34.0)%
Up 300 bp	(27.1)	(29.6)
Up 200 bp	(17.3)	(19.4)
Up 100 bp	(8.3)	(9.4)
Down 100 bp	(4.2)	(8.5)

The above chart assumes instantaneous rate shocks that reprice all loans and deposits that can reprice at the same amount as the rate shock. If past rate movements are an indication of future changes, they usually are neither instantaneous nor do a majority of core deposits reprice at the same level as rates change. The following chart indicates the Company's percentage change in net interest income and capital assuming rate movements that are not instantaneous, but change over a period of time, and a majority of core deposits changing at a percentage of the rate shock instead of the full amount of the rate shock.

Rate Shock	Net Interest Income (% Change)	Capital (% Change)
Up 400 bp	(1.8)%	5.7 %
Up 300 bp	(1.6)	1.4
Up 200 bp	(0.8)	2.7
Up 100 bp	0.6	3.3
Down 100 bp	(5.4)	(10.4)

As with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the chart. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable rate mortgage loans, have features which restrict changes in interest rates on a short-term basis and over the life of the asset. Further, if interest rates change, expected rates of prepayments on loans and early withdrawals from certificates could deviate significantly from those assumed in calculating the tables. Therefore, the Company also considers potential interest rate shocks that are not immediate parallel shocks in various rate scenarios. Management currently believes that interest rate risk is managed appropriately in more practical rate shock scenarios than those in the chart above.

Item - 4 Controls and Procedures.

An evaluation of the Company's disclosure controls and procedures (as defined in Rule 13a -15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), as of September 30, 2013, was carried out under the supervision of and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and several other members of the Company's senior management since that date. The Company's Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2013, the Company's disclosure controls and procedures were effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is (i) accumulated and communicated to the Company's management (including the Chief Executive Officer and the Chief Financial Officer) in a timely manner, and (ii) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

There have been no changes in our internal control over financial reporting (as defined in Rule 13a - 15(f) under the Exchange Act) that occurred during the quarter ended September 30, 2013 that have materially affected, or are likely to materially affect our internal control over financial reporting.

The Company does not expect that its disclosure controls and procedures and internal control over financial reporting will prevent all errors and fraud. A control procedure, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control procedure is met. Because of the inherent limitations in all control procedures, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any control procedure also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control procedure, misstatements due to error or fraud may occur and not be detected.

The Company intends to continually review and to evaluate the design and effectiveness of its disclosure controls and procedures and to improve its controls and procedures over time and to correct any deficiencies that it may discover in the future. The goal is to ensure that senior management has timely access to all material financial and non-financial information concerning the Company’s business. While the Company believes the present design of its disclosure controls and procedures is effective to achieve its goal, future events affecting its business may cause the Company to modify its disclosure controls and procedures.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

There are no material changes to the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2012.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Regulation S-K Exhibit Number	**Document**	**Reference to Prior Filing or Exhibit Number Attached Hereto**
3.1	Articles of Incorporation	b
3.2	Articles Supplementary for the Series A Preferred Stock	c
3.3	Articles Supplementary for the SBLF Preferred Stock	a
3.4	Amended Bylaws	k
3.5	Articles Supplementary to the Company's Charter re: term of appointed directors	l
4.1	Form of Common Stock Certificate	b
4.2	Warrant for Purchase of Shares of Common Stock	c
4.3	Form of Certificate for the Series A Preferred Stock	d
4.4	Form of Certificate for the SBLF Preferred Stock	a
10.1	Employment Agreement with David W. Heeter	e
10.2	Employment Agreement with Patrick C. Botts	e
10.3	Form of Supplemental Retirement Plan Income Agreements for Patrick C. Botts and David W. Heeter	f
10.4	Named Executive Officer Salaries and Bonus Arrangements for 2012	n
10.5	Form of Director Shareholder Benefit Program Agreement, as amended, for Jerry D. McVicker	g
10.6	Form of Agreements for Executive Deferred Compensation Plan for Patrick C. Botts and David W. Heeter	f
10.7	Registrant's 2001 Stock Option and Incentive Plan	h
10.8	Registrant's 2001 Recognition and Retention Plan	h
10.9	Director Fee Arrangements for 2012	o
10.10	Director Deferred Compensation Plan	i
10.11	*MutualFirst* Financial, Inc. 2008 Stock Option and Incentive Plan	d
10.12	MFB Corp. 2002 Stock Option Plan	d
10.13	MFB Corp. 1997 Stock Option Plan	d
10.14	Employment Agreement with Charles J. Viater	d
10.15	Salary Continuation Agreement with Charles J. Viater	d
10.16	Letter Agreement (including Schedule A, Securities Purchase Agreement, dated December 23, 2008 between *MutualFirst* Financial, Inc. and United States Department of the Treasury with respect to the issuance and sale of the Series A Preferred Stock and Warrant	c
10.17	Loan Agreement with First Tennessee Bank National Association dated December 21, 2009.	m
10.18	Form of Incentive Stock Option Agreement for 2008 Stock Option and Incentive Plan	j

10.19	Form of Non-Qualified Stock Option Agreement for 2008 Stock Option and Incentive Plan	j
10.20	Small Business Lending Fund - Securities Purchase Agreement, dated August 25, 2011, between *MutualFirst* Financial, Inc. and the Secretary of the Treasury, with respect to the issuance and sale of the SBLF Preferred Stock	a
10.21	Repurchase Agreement dated August 25, 2011, between *MutualFirst* Financial, Inc. and the United States Department of the Treasury, with respect to the repurchase and redemption of the TARP Preferred Stock	a
11	Statement re computation of per share earnings	None
12	Statements re computation of ratios	None
18	Letter re change in accounting principles	None

19	Report furnished to security holders	None
22	Published report regarding matters submitted to vote of security holders	None
23	Consents of Experts and Counsel	None
24	Power of Attorney	None
31.1	Rule 13(a)-14(a) Certification (Chief Executive Officer)	31.1
31.2	Rule 13(a)-14(a) Certification (Chief Financial Officer)	31.2
32	Section 1350 Certification	32
101	Financial Statements from the Company's Form 10-Q for the period ended September 30, 2013, formatted in Extensive Business Reporting Language (XBRL); (i) Consolidated Condensed Balance Sheets as of September 30, 2013 and December 31, 2012; (ii) Consolidated Condensed Statements of Income for the Three and Nine Months Ended September 30, 2013 and 2012; (iii) Consolidated Condensed Statement of Stockholders' Equity for the Period Ended September 30, 2013; (iv) Consolidated Condensed Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012; and (vi) Notes to Consolidated Financial Statements for the Three and Nine Months Ended September 30, 2013 and 2012, as follows:	101
	101.INS XBRL Instance Document	101.INS
	101.SCH XBRL Taxonomy Extension Schema Document	101.SCH
	101.CAL XBRL Taxonomy Extension Calculation Linkbase Document	101.CAL
	101.DEF XBRL Taxonomy Extension Definition Linkbase Document	101.DEF
	101.LAB XBRL Taxonomy Extension Labels Linkbase Document	101.LAB
	101.PRE XBRL Taxonomy Extension Presentation Linkbase Document	101.PRE

a Filed as an exhibit to the Company's Form 8-K filed on August 26, 2011 and incorporated herein by reference.

b Filed as an exhibit to the Company's Form S-1 registration statement filed on September 16, 1999 (File No. 333-87239) pursuant to Section 5 of the Securities Act of 1933 and incorporated herein by reference.

c Filed as an exhibit to the Company's Form 8-K filed on December 23, 2008 (File No. 000-27905) and incorporated herein by reference.

d Filed as an Exhibit to the Company's Annual Report on Form 10-K filed on March 23, 2009 and incorporated herein by reference.

e Filed as an exhibit to the Company's Annual Report on Form 10-K filed on March 15, 2004. Such previously filed document is incorporated herein by reference in accordance with Item 601 of Regulation S-K.

f Filed as an exhibit to the Company's Annual Report on Form 10-K filed on March 30, 2001. Such previously filed document is incorporated herein by reference in accordance with Item 601 of Regulation S-K.

g Filed as an exhibit to the Company's Annual Report on Form 10-K filed on April 2, 2002. Such previously filed document is incorporated herein by reference in accordance with Item 601 of Regulation S-K.

h Filed as an Appendix to the Company's Form S-4/A Registration Statement filed on October 19, 2001 (File No. 333-46510). Such previously filed document is incorporated herein by reference in accordance with Item 601 of Regulation S-K.

i Filed as an exhibit to the Company's Annual Report on Form 10-K filed on March 16, 2007. Such previously filed document is incorporated herein by reference in accordance with Item 601 of Regulation S-K.

j Filed as an exhibit to the Company's Form 10-K filed on March 23, 2010 and incorporated herein by reference.

k Filed as an exhibit to the Company's Form 8-K filed on October 15, 2007 (File No. 000-27905). Such previously filed document is incorporated herein by reference in accordance with Item 601 of Regulation S-K.

l Filed as an exhibit to the Company's Form 8-K filed on July 15, 2008 and incorporated herein by reference.

m Filed as an exhibit to the Company's Form 8-K filed on December 24, 2009 and incorporated herein by reference.

n Filed as an exhibit to the Company's Form 8-K filed on February 15, 2012 and incorporated herein by reference.

o Filed as an exhibit to the Company's Form 10-K filed on March 16, 2012 and incorporated herein by reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date:	November 12, 2013 By:	/s/David W. Heeter
		David W. Heeter
		President and Chief Executive Officer
Date:	November 12, 2013 By:	/s/Christopher D. Cook
		Christopher D. Cook
		Senior Vice President, Treasurer and Chief Financial Officer

INDEX TO EXHIBITS

Number	Description
31.1	Rule 13(a)-14(a) Certification (Chief Executive Officer)
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32	Section 1350 Certification
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