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, 2008 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 (State or other jurisdiction of incorporation or organization)	35-2085640 (I.R.S. Employer Identification Number)

110 East Charles Street
Muncie, Indiana 47305
(765) 747-2800
(Registrant’s telephone number, including area code)

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 report), and (2) has been subject to such filing requirements for the past 90 days. 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. (Check one):
Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting Company ¨

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

The number of shares of the Registrant’s common stock, with $.01 par value, outstanding as of November 7, 2008 was 6,984,754.

FORM 10 – Q
MutualFirst Financial, Inc.

INDEX

PART 1 FINANCIAL INFORMATION

ITEM 1. Financial Statements

MUTUALFIRST FINANCIAL, INC. AND SUBSIDIARY

Consolidated Condensed Balance Sheets

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Cash	$ 20,411,415	$ 21,003,114
Interest-bearing demand deposits	11,172,568	2,645,057
Cash and cash equivalents	31,583,983	23,648,171
Interest-bearing deposits	0	100,000
Investment securities available for sale	63,758,147	43,592,485
Investment securities held to maturity	9,863,577	0
Total investment securities	73,621,724	43,592,485
Loans held for sale	2,766,081	1,644,615
Loans	1,134,094,707	810,788,842
Allowance for loan losses	(12,216,863)	(8,352,345)
Net loans	1,121,877,844	802,436,497
Premises and equipment	36,277,516	16,168,434
Federal Home Loan Bank of Indianapolis stock, at cost	18,631,500	10,036,900
Investment in limited partnerships	4,655,008	3,246,468
Cash surrender value of life insurance	42,202,658	30,350,760
Foreclosed real estate	2,814,838	1,364,505
Interest receivable	5,310,187	3,692,879
Goodwill	28,956,830	14,187,725
Core deposit and other intangibles	7,809,948	1,005,703
Deferred income tax benefit	13,258,569	5,174,082
Other assets	9,124,565	5,867,788
Total assets	$ 1,398,891,251	$ 962,517,012
Liabilities		
Deposits		
Non-interest-bearing	$ 94,619,220	$ 47,172,012
Interest bearing	884,274,698	619,235,341
Total deposits	978,893,918	666,407,353
Federal Home Loan Bank advances	260,703,297	191,675,155
Notes payable	626,263	1,055,433
Other borrowings	15,334,163	3,907,394
Advances by borrowers for taxes and insurance	5,803,657	1,463,809
Interest payable	1,917,643	2,467,199
Other liabilities	11,638,499	8,526,819
Total liabilities	1,274,917,440	875,503,162
Commitments and Contingent Liabilities		
Stockholders' Equity		
Preferred stock, $.01 par value Authorized and unissued — 5,000,000 shares		
Common stock, $.01 par value Authorized — 20,000,000 shares Issued and outstanding —6,994,754 and 4,226,638 shares	69,947	42,266
Additional paid-in capital	71,754,341	32,567,085
Retained earnings	55,933,466	56,725,785
Accumulated other comprehensive income (loss)	(2,115,417)	(414,380)
Unearned employee stock ownership plan (ESOP) shares	(1,668,526)	(1,906,906)
Total stockholders' equity	123,973,811	87,013,850

Total liabilities and stockholders' equity	$ 1,398,891,251	$ 962,517,012

See notes to consolidated condensed financial statements.

MUTUALFIRST FINANCIAL, INC. AND SUBSIDIARY
Consolidated Condensed Statements of Income
(Unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
	2008	2007	2008	2007
Interest Income				
Loans receivable, including fees	$ 17,602,717	$ 13,453,447	$ 43,398,821	$ 40,009,004
Investment seurities:				
Mortgage-backed securities	511,684	127,575	889,579	355,874
Federal Home Loan Bank stock	244,137	111,766	497,428	349,223
Other investments	421,927	415,605	1,188,876	1,201,816
Deposits with financial institutions	44,194	20,091	95,980	77,763
Total interest income	18,824,659	14,128,484	46,070,684	41,993,680
Interest Expense				
Passbook savings	70,492	71,099	211,857	213,637
Certificates of deposit	5,158,672	5,269,499	13,915,688	15,564,305
Daily Money Market accounts	225,863	166,426	411,780	483,229
Demand and NOW acounts	433,125	751,833	1,236,322	2,152,493
Federal Home Loan Bank advances	2,886,774	2,000,031	7,042,059	5,568,881
Other interest expense	214,482	18,034	257,579	49,746
Total interest expense	8,989,408	8,276,922	23,075,285	24,032,291
Net Interest Income	9,835,251	5,851,562	22,995,399	17,961,389
Provision for losses on loans	912,500	532,500	2,257,500	1,397,500
Net Interest Income After Provision for Loan Losses	8,922,751	5,319,062	20,737,899	16,563,889
Other Income				
Service fee income	1,815,138	1,266,022	4,339,855	3,575,433
Net realized (loss) on sale of securities	(2,769,982)	0	(2,632,549)	0
Equity in losses of limited partnerships	(44,644)	(22,828)	(91,931)	(76,011)
Commissions	590,764	317,081	1,190,437	758,292
Net gains on sales of loans	1,050,143	76,337	1,361,722	223,659
Net servicing fees	61,987	14,217	117,467	53,247
Increase in cash surrender value of life insurance	356,896	297,500	909,396	952,500
Other income	51,943	55,953	147,197	204,020
Total other income	1,112,245	2,004,282	5,341,594	5,691,140
Other Expenses				
Salaries and employee benefits	5,277,645	3,632,935	12,988,176	10,926,176
Net occupancy expenses	479,060	382,087	1,378,896	1,160,357
Equipment expenses	449,047	326,683	1,147,797	973,143
Data processing fees	359,143	259,385	869,344	813,425
Automated teller machine	324,651	187,261	722,604	534,296
Professional fees	381,191	176,125	821,310	532,190
Advertising and promotion	443,827	172,931	991,238	610,401
Software, subscriptions and maintenance	299,245	123,999	634,769	386,051
Other expenses	2,120,479	937,186	3,953,073	2,685,833
Total other expenses	10,134,288	6,198,592	23,507,207	18,621,872
Income Before Income Tax	(99,292)	1,124,752	2,572,286	3,633,157
Income tax expense (benefit)	(458,000)	(36,000)	(176,000)	299,700
Net Income	$ 358,708	$ 1,160,752	$ 2,748,286	$ 3,333,457
Basic earnings per share	$ 0.06	$ 0.28	$ 0.58	$ 0.81

Diluted earnings per share	$	0.06	$	0.28	$	0.58	$	0.80
Dividends per share	$	0.16	$	0.15	$	0.48	$	0.45

See notes to consolidated condensed financial statements.

MUTUALFIRST FINANCIAL, INC. AND SUBSIDIARY
Consolidated Condensed Statement of Stockholders' Equity
For the Nine Months Ended September 30, 2008
(Unaudited)

	Common Stock Shares Outstanding	Common Stock Amount	Additional paid-in capital	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Unearned ESOP shares	Total
Balances, December 31, 2007, as reported	4,226,638	$ 42,266	$ 32,567,085		$ 56,725,785	$ (414,380)	$ (1,906,906)	$ 87,013,850
Comprehensive income								
Net income for the period				$ 2,748,286	2,748,286			2,748,286
Other comprehensive income, net of tax								
Net unrealized losses on securities				(1,701,037)		(1,701,037)		(1,701,037)
Comprehensive income				$ 1,047,249				
ESOP shares earned			40,559				238,380	278,939
Cash dividends ($.48 per share)					(2,448,256)			(2,448,256)
RRP shares earned			15,792					15,792
Stock issued in acquisition, net of costs	2,911,714	29,117	39,758,791					39,787,908
Stock repurchased and retired	(143,598)	(1,436)	(627,886)		(1,092,349)			(1,721,671)
Balances, September 30, 2008	6,994,754	69,947	$ 71,754,341		$ 55,933,466	$ (2,115,417)	($1,668,526)	$ 123,973,811

See notes to consolidated condensed financial statements.

MutualFirst Financial, Inc.
Consolidated Condensed Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30, 2008	2007
Operating Activities		
Net income	$ 2,748,286	$ 3,333,457
Items not requiring (providing) cash		
Provision for loan losses	2,257,500	1,397,500
ESOP shares earned	278,939	452,869
RRP shares earned	15,792	15,792
Depreciation and amortization	2,112,745	1,958,879
Deferred income tax	(174,000)	(346,000)
Loans originated for sale	(36,149,470)	(18,274,646)
Proceeds from sales of loans held for sale	35,629,776	17,256,137
Gains on sales of loans held for sale	(1,361,722)	(223,659)
Change in		
Interest receivable	(186,387)	(101,622)
Other assets	661,762	122,085
Interest payable	(1,043,058)	504,151
Other liabilities	724,898	(16,832)
Cash value of life insurance	(909,396)	(952,500)
Other adjustments	(81,291)	378,469
Net cash provided by operating activities	4,524,374	5,504,080
Investing Activities		
Net change in interest earning deposits	100,000	100,000
Acquired securities from sale of mutual funds	(9,863,577)	
Purchases of securities available for sale	(40,564,802)	(5,168,191)
Proceeds from matuities and paydowns of securities available for sale	8,259,512	5,711,565
Proceeds from sale of available-for-sale securities	32,548,359	
Net change in loans	1,552,975	(8,996,589)
Proceeds from sale of loans transferred to held for sale	51,577,741	
Purchases of premises and equipment	(2,664,940)	(916,992)
Proceeds from real estate owned sales	1,308,914	1,013,042
Cash received (paid) in acquisition, net	343,228	(515,257)
Other investing activities	(224,497)	75,503
Net cash (used in) provided by investing activities	42,372,913	(8,696,919)
Financing Activities		
Net change in		
Noninterest-bearing, interest-bearing demand and savings deposits	(10,594,811)	7,963,963
Certificates of deposits	(9,373,975)	(4,925,798)
Repayment of note payable	(475,988)	(433,760)
Proceeds from FHLB advances	372,025,000	309,350,000
Repayment of FHLB advances	(395,838,058)	(307,947,007)
Proceeds from other borrowings	11,500,000	
Repayment of other borrowings	(3,907,394)	600,400
Net change in advances by borrowers for taxes and insurance	1,873,678	523,992
Stock repurchased	(1,721,671)	(1,567,347)
Proceeds from stock options exercised	-	208,613
Cash dividends	(2,448,256)	(1,944,720)
Net cash (used in) provided by financing activities	(38,961,475)	1,828,336
Net Change in Cash and Cash Equivalents	7,935,812	(1,364,503)
Cash and Cash Equivalents, Beginning of Year	23,648,171	24,914,872

Cash and Cash Equivalents, End of Year	$ 31,583,983	$ 23,550,369
Additional Cash Flows Information		
Interest paid	$ 23,624,841	$ 23,528,140
Income tax paid	900,000	445,000
Transfers from loans to foreclosed real estate	2,334,363	1,740,194
Mortgage servicing rights capitalized	759,950	172,046
Issuance of stock for business acquistiion	38,929,616	-

See Notes to Consolidated Condensed Financial Statements

***MutualFirst* Financial, Inc. and Subsidiaries**
NOTES TO UNAUDITED CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

Note 1: Basis of Presentation

The consolidated condensed financial statements include the accounts of *MutualFirst* Financial, Inc. (the "Company"), its wholly owned subsidiary MutualBank, a federally chartered savings bank ("Mutual"), Mutual's wholly owned subsidiaries, First MFSB Corporation, MFB Investments I, Inc., MFB Investments II, Inc., MFB Investments, LP, 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 2007 filed with the Securities and Exchange Commission.

The interim consolidated financial statements at September 30, 2008 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, 2007 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: (Dollars in thousands except per share data)

	Three Months Ended Ended September 30,					
	2008			2007		
	Income (000's)	Weighted-Average Shares	Per-Share Amount	Income (000's)	Weighted-Average Shares	Per-Share Amount
Basic Earnings Per Share						
Income available to common shareholders	$ 359	6,188,036	$ 0.06	$ 1,161	4,102,302	$ 0.28
Effect of Dilutive securities						
Stock options and RRP grants		16,847			42,677	
Diluted Earnings Per Share						
Income available to common stockholders and assumed conversions	$ 359	6,204,883	$ 0.06	$ 1,161	4,144,979	$ 0.28

	Nine Months Ended Ended September 30,					
	2008			2007		
	Income (000's)	Weighted-Average Shares	Per-Share Amount	Income (000's)	Weighted-Average Shares	Per-Share Amount
Basic Earnings Per Share						
Income available to common shareholders	$ 2,748	4,723,430	$ 0.58	$ 3,333	4,117,685	$ 0.81
Effect of Dilutive securities						
Stock options and RRP grants		5,615			54,332	
Diluted Earnings Per Share						

Income available to common stockholders and assumed conversions	$ 2,748	4,729,045	$ 0.58	$ 3,333	4,172,017	$ 0.80

Options of 451,838 and 91,000 shares were not included in the calculation above due to being anti-dilutive to earnings per share as of September 30, 2008 and September 30, 2007.

Note 3: Future Accounting Pronouncements

In December 2007, the FASB issued SFAS 141 (revised 2007), Business Combinations (SFAS141R). SFAS 141R established principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for business combinations where the acquisition date is on or after fiscal years beginning after December 15, 2008. SFAS 141R is expected to have an impact on the Company's accounting for any business combinations closing on or after January 1, 2009.

In December 2007, the FASB issued SFAS 160, Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51 (SFAS 160). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS 160 shall be applied prospectively. SFAS 160 is effective for fiscal years beginning after December 15, 2008.

Note 4: Disclosures About Fair Value of Assets and Liabilities

Effective January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, Fair Value Measurements (FAS 157). FAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. FAS 157 has been applied prospectively as of the beginning of the year.

FAS 157 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. FAS 157 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

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

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 provide market prices on its securities and no securities are priced as Level 1 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, 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.

		Fair Value Measurements Using		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Available-for-sale securities	$ 63,758,147	$ —	$ 56,543,201	$ 7,214,946

The following is a reconciliation of the beginning and ending balances for the three months ended September 30, 2008 of recurring fair value measurements recognized in the accompanying balance sheet using significant unobservable (Level 3) inputs:

	Available-for-sale securities
Beginning balance	5,772,500
Total realized and unrealized gains and losses	
Included in net income	(200,000)
Included in other comprehensive income	1,146,309
Purchases, issuances and settlements	(3,863)
Transfers in and/or out of Level 3	500,000
Ending balance	$ 7,214,946
Total gains or losses for the period included in net income attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	$ —

The following is a reconciliation of the beginning and ending balances for the nine months ended September 30, 2008 of recurring fair value measurements recognized in the accompanying balance sheet using significant unobservable (Level 3) inputs:

	Available-for-sale securities
Beginning balance	$ 9,923,242
Total realized and unrealized gains and losses	
Included in net income	(200,000)
Included in other comprehensive income	(3,004,433)
Purchases, issuances and settlements	(3,863)
Transfers in and/or out of Level 3	500,000
Ending balance	$ 7,214,946
Total gains or losses for the period included in net income attributable to the change in unrealized gains or losses related to assets and liabilities still held at the reporting date	$ —

Note 5: Stock Option Plan

MutualFirst Financial, Inc. shareholders approved a new Stock Option Plan at the last shareholder's meeting. There have been no stock options granted under the new plan.

Note 6: Other Borrowings

MutualFirst Financial, Inc. borrowed $11,500,000 from Bank of America for the cash portion of the purchase of MFB Corp. The Company borrowed $7,000,000 at a fixed rate of 5.91% and $4,500,000 at an adjustable rate of the three-month labor rate plus 170 basis points or the Prime rate, at borrowers discretion on a quarterly basis.

Note 7: Business Combinations

On July 18, 2008, the Company acquired 100% of the outstanding stock of MFB Corp., the holding company of MFB Financial ("MFB") and MFB Statutory Trust I (the "Trust"). MFB Corp. was merged into the Company, and MFB was merged into MutualBank. The Trust was also maintained as wholly-owned subsidiary of the Company. The Company issued approximately 2,911,714 shares of its common stock and approximately $11,526,000 in cash to complete the transaction. As a result of the acquisition, the Company will have an opportunity to increase its customer base and continue to increase its market share. The purchase had a recorded acquisition price of $51,985,000, including goodwill of $14,769,000. Additionally, core deposit intangibles totaling $6,645,000 were recognized and will be amortized over approximately 11 years using the sum of the year digits. The goodwill generated as a result of this transaction is not deductible for tax purposes.

The combination was accounted for under the purchase method of accounting. All assets and liabilities were recorded at their fair values as of July 18, 2008. The purchase accounting adjustments will be amortized over the life of the respective asset or liability. MFB's results of operations are included in the Company's consolidated income statement beginning July 18, 2008. Management is still in the process of finalizing the fair value adjustments and therefore adjustments to goodwill may occur. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition (in thousands).

Investments	$ 23,490
Loans	378,075
Premise and Equipment	18,565
Core Deposit Intangible	6,645
Goodwill	14,769
Other	30,454
Total assets acquired	471,998
Deposits	332,075
Borrowings	97,361
Other	5,346
Total liabilities acquired	434,782
Net assets acquired	$ 37,216

The following pro forma disclosures, including the effect of the purchase accounting adjustments, depict the results of operations as though the MFB Corp. merger had taken place at the beginning of 2007.

	Three Months Ended September 30,	
	2008	2007
Net Interest Income:	$ 10,923	$ 10,121
Net Income:	401	1,883
Per share - combined:		
Basic Net Income	0.06	0.28
Diluted Net Income	0.06	0.27

	Nine Months Ended September 30,	
	2008	2007
Net Interest Income:	$ 31,193	$ 30,472
Net Income:	3,565	6,211
Per share - combined:		
Basic Net Income	0.51	0.91
Diluted Net Income	0.51	0.88

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

General

MutualFirst Financial, Inc., a Maryland corporation (the "Company"), was organized in September 1999. On December 29, 1999, it acquired the common stock of MutualBank ("Mutual") upon the conversion of Mutual from a federal mutual savings bank to a federal stock savings bank.

Mutual was originally organized in 1889 and currently conducts its business from thirty-three full service financial centers located in Delaware, Elkhart, Grant, Kosciusko, Randolph, St. Joseph and Wabash counties, Indiana, with its main office located in Muncie. Mutual also has trust offices in Carmel and Crawfordsville, Indiana and a loan origination office in New Buffalo, Michigan. Mutual's principal business consists of attracting deposits from the general public and originating fixed and variable rate loans secured primarily by first mortgage liens on residential and commercial real estate, consumer goods, and business assets. Mutual's deposit accounts are insured by the Federal Deposit Insurance Corporation up to applicable limits.

Mutual subsidiaries include, First MFSB Corporation, Mutual Federal Investment Company (“MFIC”), MFB Investments I, Inc., and Mishawaka Financial Services. The assets of First MFSB Corporation consist of an investment in Family Financial Holdings Incorporated. Family Financial is an ordinary Indiana corporation that provides debt cancellation products to financial institutions. MFIC is a Nevada corporation holding approximately $46 million in investments. MFIC currently owns one subsidiary, Mutual Federal REIT. The assets of Mutual Federal REIT consist of approximately $119 million in one-to four-family mortgage loans. MFB Investments I, Inc., MFB Investments II, Inc. and MFB Investments, LP are Nevada corporations and a Nevada limited partnership that manage a portion of the Bank’s investment portfolio. The corporations and limited partnership holds approximately $22 million in investments. Mishawaka Financial Services was acquired with MFB Corp. and is engaged in the sale of life and health insurance to customers of the bank.

The following should be read in conjunction with the Management’s Discussion and Analysis in the Company’s December 31, 2007 Annual Report on Form 10-K.

Critical Accounting Policies

The notes to the consolidated financial statements contain a summary of the Company’s significant accounting policies presented on pages 65 to 69 of the Annual Report on Form 10-K for the year ended December 31, 2007. 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.

Mortgage Servicing Rights

Mortgage servicing rights (“MSRs”) associated with loans originated and sold, where servicing is retained, are capitalized and included in other intangible assets in the consolidated balance sheet. The value of the capitalized servicing rights represents the present value of the future servicing fees arising from 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 amortization of intangible assets.

Intangible Assets

The Company periodically assesses the potential impairment of its goodwill and the recoverability of its core deposit intangible. Impairment is the condition that exists when the carrying amount of goodwill exceeds its implied fair value. 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 SFAS No. 115, Accounting for Certain Investments in 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 and do not effect earnings until realized.

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 in 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 all securities on a quarterly basis, and more frequently when economic conditions warrant additional evaluations, for determining if an other-than-temporary impairment (OTTI) exists pursuant to guidelines established in Financial Accounting Standards Board (FASB) Staff Position (FSP) 115-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. 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. The Company may also evaluate securities for OTTI more frequently when economic or market concerns warrant additional evaluations. If management determines that an investment experienced an OTTI, the loss is recognized in the income statement as a realized loss. 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.

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.

Forward Looking Statements

This quarterly report on Form 10-Q contains statements which constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may appear in a number of places in this Form 10-Q and include statements regarding the intent, belief, outlook, estimate or expectations of the company, its directors or its officers primarily with respect to future events and the future financial performance of the company. Readers of this Form 10-Q are cautioned that any such forward looking statements are not guarantees of future events or performance and involve risk and uncertainties, and that actual results may differ materially from those in the forward looking statements as a result of various factors. The accompanying information contained in this Form 10-Q identifies important factors that could cause such differences. These factors include changes in interest rates; the loss of deposits and loan demand to competitors; substantial changes in financial markets; changes in real estate values and the real estate market; or regulatory changes.

The Company does not undertake – and specifically disclaims any obligation – to publicly release the result of any revisions which 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 anticipated or unanticipated events.

Overview

The Company's results of operations depend primarily on the level of net interest income, which is the difference between the interest income earned on interest-earning assets, such as loans and investments, and costs incurred with respect to 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 the 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. The acquisition of MFB Corp. helped reduce the interest rate risk exposure of the Bank primarily due to changes in the loan composition. This decline in the Bank's liability sensitive exposure should provide for less net portfolio value volatility with future rate movements.

Since 2000 it has been the Company's strategic objective to change the repricing structure of its interest-earning assets from longer term to shorter term to better match the structure of our interest-bearing liabilities and therefore reduce the impact interest rate changes have on our net interest income. Strategies employed to accomplish this objective have been to increase the originations of variable rate commercial loans and shorter term consumer loans and to sell longer term mortgage loans. The percentage of consumer and commercial loans to total loans has increased from 35% at the end of 2000 to 52% currently. As we continue to increase our investment in business-related loans, which are considered to entail greater risks than one-to four- family residential loans, in order to help offset the pressure on our net interest margin, our provision for loan losses may increase to reflect this increased risk. On the liability side of the balance sheet, the Company is employing strategies to increase the balance of core deposit accounts such as low cost checking and money market accounts. The percentage of core deposits to total deposits has increased from 33% to 39% over this time period. These are ongoing strategies that are dependent on current market conditions and competition.

During the first nine months of 2008, in keeping with its strategic objective to reduce interest rate risk exposure, the Company also sold $86.6 million of long term fixed rate loans that had been held for sale, which reduced potential earning assets and therefore had a negative impact on net interest income. This was offset, in the short term, by recognizing a gain on the sale of these loans of $1.4 million.

The Company converted to a public company at the end of 1999, and at the end of 2000 bought a $200 million thrift for stock. Since that time the Company has been buying back the Company's stock to manage capital levels and enhance earnings per share. During the first nine months of 2008, the Company used $1.7 million for this purpose, thereby reducing earning assets from where they otherwise would have been and correspondingly reducing net interest income.

On March 22, 2007 the Bank completed the acquisition of Wagley Investment Advisors, Inc. Wagley Investment Advisors, Inc. is now known as Mutual Financial Advisors, providing new and expanded investment management services not previously offered by the Bank. Mutual Financial Advisors offers a full range of non-bank investment options and money management.

On July 18, 2008, the Company completed the purchase of MFB Corp. The assets purchased primarily included residential mortgage loans of $167.9 million, consumer loans of $48.5 million, commercial real estate loans of $91.6 million and commercial business loans of $75.5 million. The liabilities assumed included $331.1 million in deposits and $96.4 million in borrowings.

Results of operations also depend upon the level of the Company's non-interest income, including fee income and service charges, and the level of its non-interest expense, including general and administrative expenses. The acquisition of MFB Corp. added trust services to the Bank, which will be leveraged through the Bank's existing footprint. The Company has also opened two new branches in Elkhart County in 2008. The intent of these initiatives is to increase income over the long term. However, on a short term basis, expenses relating to expanding trust services and new branches will have the affect of increasing non-interest expense with limited immediate offsetting income.

Financial Condition

With the addition of MFB Corp, assets totaled $1.4 billion at September 30, 2008, an increase from December 31, 2007 of $436.4 million, or 45.3%. Loans, excluding loans held for sale, increased $319.4 million, or 39.8%, due primarily to the acquisition of $383.1 million of net loans from MFB Corp. Consumer loans increased $44.6 million, or 19.8%, residential mortgage loans held in the portfolio increased $91.8 million, or 20.7%, and commercial loans increased $183.0 million, or 128.2%. Mortgage loans held for sale increased $1.1 million and mortgage loans sold during the first nine months of 2008 totaled $86.6 million. The increased loan balances are due primarily to the purchase of MFB Corp in the third quarter of 2008. Total net loans, excluding the amount of acquired loans, declined $63.7 million primarily due to the sale of $58.4 million of fixed rate mortgage loans in the third quarter of 2008. Investment securities available for sale increased $20.1 million, or 45.9%, compared to December 31, 2007 due primarily to $23.9 million of investment securities acquired with MFB Corp. Investment securities held to maturity increased $9.9 million due to the redemption in kind securities received in the previously announced sale of the AMF Ultra Funds.

Allowance for loan losses increased $3.9 million, including $3.0 million acquired with MFB Corp, to $12.2 million at September 30, 2008 when compared to December 31, 2007. Net charge offs for the first nine months of 2008 were $1.3 million, or .20% of average loans on an annualized basis, compared to $1.4 million, or .23% of average loans for the comparable period in 2007. The decrease was primarily due to larger recoveries during the 2008 period. As of September 30, 2008 the allowance for loan losses as a percentage of loans receivable and non-performing loans was 1.08% and 66.06%, respectively, compared to 1.00% and 78.62%, respectively, at December 31, 2007. Management continues to review non-performing loans individually to determine the adequacy of the allowance for loan losses.

Total deposits were $978.9 million at September 30, 2008, an increase of $312.5 million at December 31, 2007. This increase was due primarily to the assumption of $331.1 million in deposits from MFB Corp. Total borrowings increased $80.0 million to $276.7 million at September 30, 2008 from $196.6 million at December 31, 2007 due primarily to the assumption of $96.4 million in borrowings from MFB Corp.

Stockholders' equity increased $37.0 million, or 42.5%, from $87.0 million at December 31, 2007, to $124.0 million at September 30, 2008. The increase was due primarily to stock issued to acquire MFB Corp of $39.8 million, net income of $2.7 million, and Employee Stock Ownership Plan (ESOP) and RRP shares earned of $295,000. This increase was partially offset by the repurchase of 144,000 shares of common stock for $1.7 million and dividend payments of $2.4 million. Also, the market value of securities available for sale compared to their book value decreased $1.7 million from a loss of $414,000 at December 31, 2007 to a loss of $2.1 million at September 30, 2008. Securities are evaluated for impairment and the Bank has the ability and intent to hold all of the impaired securities until maturity or recovery.

<u>Comparison of the Operating Results for the Three Months Ended September 30, 2008 and 2007</u>

Net income for the third quarter ended September 30, 2008 was $359,000, or $.06 for basic and diluted earnings per share. This compared to net income for the comparable period in 2007 of $1.2 million, or $.28 for basic and diluted earnings per share. Annualized return on assets was .11% and return on average tangible equity was 1.77% for the third quarter of 2008 compared to .49% and 6.45%, respectively, for the same period last year.

Net interest income before the provision for loan losses increased $4.0 million from $5.9 million for the three months ended September 30, 2007 to $9.8 million for the three months ended September 30, 2008. The reasons for the increase were a $320.9 million, or 36.9%, increase in average interest earning assets and a 62 basis point increase in the net interest margin from 2.69% for the three months ended September 30, 2007 to 3.31% for the same period in 2008. The increase in average interest earning assets was due primarily to the acquisition of MFB Corp in the third quarter of 2008.

The provision for loan losses for the third quarter of 2008 was $912,000, compared to $532,000 for last year's comparable period. Non-performing loans to total loans at September 30, 2008 were 1.63% compared to 1.27% at September 30, 2007 and 1.29% at December 31, 2007. Non-performing assets to total assets were 1.64% at September 30, 2008 compared to 1.37% at September 30, 2007 and 1.35% at December 31, 2007. The reason for the increase is higher loan balances and more non-performing loans due primarily from the acquisition of MFB Corp.

Non-interest income decreased $900,000 to $1.1 million, or 44.5%, for the three months ended September 30, 2008 compared to the same period in 2007. The decrease was due primarily to losses related to the sale/redemption of the AMF Ultra Funds of $2.6 million and a write-down of a Lehman's corporate bond of $200,000. These decreases were partially offset by a $1.0 million gain from a $51.6 million bulk loan sale. Other increases due primarily to the MFB acquisition included increases in service fee income of $549,000, increases in commission income of $274,000, and increases in cash surrender value of life insurance of $59,000.

Non-interest expense increased $3.9 million for the three months ended September 30, 2008 compared to the same period in 2007. Increases in current quarter non-interest expense compared to the same period in 2007 include increased salaries and employee benefits of $1.6 million, increased occupancy expense of $357,000, increased data processing expense of $100,000, increased professional fees of $205,000, increased marketing expense of $271,000 and increased other expenses of $1.4 million. These increases were primarily due to the acquisition of MFB Corp.

Income tax expense decreased $422,000 for the three months ended September 30, 2008 compared to the same period in 2007 due primarily to less taxable income. The effective tax rate also decreased from (3.2)% to (462.6)% due to a higher percentage of non-taxable income to total income before income tax and an increased percentage of low income housing tax credits to taxable income when comparing the third quarter of 2008 to the third quarter of 2007, respectively.

Comparison of the Operating Results for the Nine Months Ended September 30, 2008 and 2007

Net income for the nine months ended September 30, 2008 was $2.7 million, or $.58 for both basic and diluted earnings per share. This compared to net income for the comparable period in 2007 of $3.3 million, or $.81 for basic and $.80 for diluted earnings per share. Annualized return on average assets was .34% and return on average tangible equity was 4.91% for the first nine months of 2008 compared to .47% and 6.16% respectively, for the same period last year.

Net interest income before the provision for loan losses increased $5.0 million for the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007. The reasons for the increase were similar to those stated above. Average interest earning assets increased $111.3 million, or 12.9% and the net interest margin increased by 38 basis points from 2.77% for the nine months ended September 30, 2007 to 3.15% for the same period in 2008.

The provision for loan losses for the nine months ended September 30, 2008 was $2.3 million, compared to $1.4 million for last year's comparable period. Non-performing loans to total loans at September 30, 2008 were 1.63% compared to 1.27% at September 30, 2007 and 1.29% at December 31, 2007. Non-performing assets to total assets were 1.64% at September 30, 2008 compared to 1.37% at September 30, 2007 and 1.35% at December 31, 2007. The reason for the increase is higher loan balances and more non-performing loans due primarily from the acquisition of MFB Corp.

For the nine month period ended September 30, 2008 non-interest income decreased $350,000, or 6.2%, to $5.3 million compared to $5.7 million for the same period in 2007. The decrease was due primarily to losses related to the sale of the AMF Ultra Funds of $2.6 million and a write-down of a Lehman's corporate bond of $200,000. These decreases were partially offset by a $1.0 million gain from a $51.6 million bulk loan sale. The decrease in non-interest income was also partially offset with increases in fees and service charges on deposit accounts of $764,000 and increases in commission income of $432,000. These increases were primarily due to the acquisition of MFB.

Non-interest expense increased $4.9 million to $23.5 million for the nine months ended September 30, 2008 compared to $18.6 million for the same period in 2007. This increase was primarily due to increased salaries and employee benefits of $2.1 million, increased occupancy and equipment expense of $582,000, increased data processing expense of $56,000, increased professional fees of $289,000, increased marketing expense of $381,000, and increased other expenses of $1.5 million primarily due to the acquisition of MFB Corp. in the third quarter of 2008.

For the nine-month period ended September 30, 2008, income tax expense decreased $476,000 compared to the same period in 2007. The decrease was due primarily to decreased taxable income. The effective tax rate also decreased from 8.3% to (6.8)% due to a higher percentage of non-taxable income to total income before income tax and an increased percentage of low income housing tax credits to taxable income when comparing the first nine months of 2008 to the first nine months of 2007, respectively.

Liquidity and Capital Resources

The standard measure of liquidity for savings associations is the ratio of cash and eligible investments to a certain percentage of the net-withdrawable savings accounts and borrowings due within one year. As of September 30, 2008, Mutual had liquid assets of $90.1 million and a liquidity ratio of 7.02%. It is anticipated that this level of liquidity will be adequate for the remainder of 2008.

The Bank continues to maintain capital ratios which exceed “well-capitalized” levels as defined pursuant to all regulatory standards as of September 30, 2008. Mutual’s current total risk-based capital ratio is 10.45% and tier 1 risk-based capital ratio is 9.38%.

ITEM 3 - Quantitative and Qualitative Disclosures about Market Risk

Presented below as of September 30, 2008 and 2007 is an analysis of Mutual’s interest rate risk as measured by changes in Mutual’s net portfolio value (“NPV”) assuming an instantaneous and sustained parallel shift in the yield curve, in 100 basis point increments.

September 30, 2008

Net Portfolio Value

Changes				NPV as % of PV of Assets	
In Rates	$ Amount	$ Change	% Change	NPV Ratio	Change
+300 bp	125,069	-25,736	-17%	9.68%	-132 bp
+200 bp	133,559	-17,246	-11%	10.15%	-85 bp
+100 bp	143,572	-7,233	-5%	10.69%	-31 bp
0 bp	150,805			11.01%	
-100 bp	149,158	-1,647	-1%	10.70%	-30 bp
-200 bp	n/m(1)	n/m(1)	n/m(1)	n/m(1)	n/m(1)
-300 bp	n/m(1)	n/m(1)	n/m(1)	n/m(1)	n/m(1)

September 30, 2007

Net Portfolio Value

Changes				NPV as % of PV of Assets	
In Rates	$ Amount	$ Change	% Change	NPV Ratio	Change
+300 bp	54,642	-45,914	-46%	6.22%	-440 bp
+200 bp	71,264	-29,292	-29%	7.91%	-272 bp
+100 bp	86,093	-14,463	-14%	9.32%	-130 bp
0 bp	100,556			10.62%	
-100 bp	110,773	10,217	10%	11.46%	84 bp
-200 bp	117,215	16,659	17%	11.91%	129 bp
-300 bp	125,380	24,824	25%	12.48%	186 bp

n/m(1) - not meaningful because certain market interest rates would be below zero at that level of rate shock.

The analysis at September 30, 2008 indicates that there have been no material changes in market interest rates for Mutual’s interest rate sensitivity instruments which would cause a material change in the market risk exposures that effect the quantitative and qualitative risk disclosures as presented in item 7A of the Company’s annual report on Form 10-K for the period ended December 31, 2007. A reduction in the interest rate risk exposure of the bank was primarily due to the acquisition of MFB Corp. and the bulk loan sale in the third quarter of 2008.

ITEM - 4 Controls and Procedures.

(a) An evaluation of the Company’s disclosure controls and procedures (as defined in Rule 13a -15(c) under the Securities Exchange Act of

1934 (the "Act") was carried out under the supervision and with the participation of the Company's Chief Executive Officer, Chief Financial Officer and several other members of the Company's senior management. The Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as currently in effect are effective in ensuring that the information required to be disclosed by the Company in the reports it files or submits under the 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 Act) that occurred during the quarter ended June 30, 2008 that has materially affected, or is likely to materially affect our internal control over financial reporting.

The Company intends to continually review and 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 following are additions to the risk factors disclosed in the Company's Form 10-K for the year ended December 31, 2007.

Difficult market conditions and economic trends have adversely affected our industry and our business.

Dramatic declines in the housing market, with decreasing home prices and increasing delinquencies and foreclosures, have negatively impacted the credit performance of mortgage and construction loans and resulted in significant write-downs of assets by many financial institutions. General downward economic trends, reduced availability of commercial credit and increasing unemployment have negatively impacted the credit performance of commercial and consumer credit, resulting in additional write-downs. Concerns over the stability of the financial markets and the economy have resulted in decrease lending by financial institutions to their customers and to each other. This market turmoil and tightening of credit has led to increased commercial and consumer deficiencies, lack of customer confidence, increased market volatility and widespread reduction in general business activity. Financial institutions have experienced decreased access to deposits or borrowings.

The resulting economic pressure on consumer and businesses and the lack of confidence in the financial markets may adversely affect our business, financial condition, results of operation and stock price.

Our ability to assess the creditworthiness of customers and to estimate the losses inherent in our credit exposure is made more complex by these difficult market and economic conditions. We also expect to face increased regulation and government oversight as a result of these downward trends. This increased government action may increase our costs and limit our ability to pursue certain business opportunities. We also may be required to pay even higher Federal Deposit Insurance Corporation premiums than the recently increased level, because financial institutions failures resulting from the depressed market conditions have depleted and may continue to deplete the deposit insurance fund and reduce its ratio of reserves to insured deposits.

We do not believe these difficult conditions are likely to improve in the near future. A worsening of these conditions would likely exacerbate the adverse effects of these difficult market and economic conditions on us, our customers and the other financial institutions in our market. As a result, we may experience increases in foreclosures, delinquencies and customer bankruptcies, as well as more restricted access to funds.

Recent legislative and regulatory intitiatives to address these difficult market and economic conditions may not stabilize the US banking system.

The recently enacted Emergency Economic Stabilization Act of 2008 ("EESA") authorizes the United States Department of Treasury, hereafter the Treasury Department, to purchase from financial institutions and their holding companies up to $700 billion in mortgage loans, mortgage-related securities and certain other financial instruments, including debt and equity securities issued by financial institutions and their holding companies in a troubled asset relief program. The purpose of the troubled asset relief program is to restore confidence and stability to the U.S. banking system and to encourage financial institutions to increase their lending to customers and to each other. The Treasury Department has allocated $250 billion towards the troubled asset relief program to capital purchase program. Under the capital purchase program, the Treasury Department will purchase debt or equity securities from participating institutions. The troubled asset relief program is also expected to include direct purchases or guarantees of troubled assets of financial institutions.

EESA also increased Federal Deposit Insurance Corporation deposit insurance on most accounts from $100,000 to $250,000. This increase is in place until the end of 2009 and is not covered by deposit insurance premiums paid by the banking industry. In addition, the Federal Deposit Insurance Corporation has implemented two temporary programs to provide deposit insurance for the full amount of most non-interest bearing transaction accounts through the end of 2009 and to guarantee certain unsecured debt of financial institutions and their holding companies through June 2012. Financial institutions have until November 12, 2008 to opt out of these two programs. The purpose of these legislative and regulatory actions is to stabilize the volatility in the U.S. banking system.

EESA, the troubled relief program and the Federal Deposit Insurance Corporation's recent regulatory initiatives may not stabilize the U.S. banking system or financial markets. If the volatility in the market and the economy continue or worsen, our business, financial condition, results of operations, access to funds and the price of our stock could be materially and adversely impacted.

Item 2. Registered sales of Equity Securities and use of Proceeds

On September 12, 2007 the Company's Board of Directors authorized management to repurchase an additional 5% of the Company's outstanding stock, or approximately 215,000 shares. On August 13, 2008 the Company's Board of Directors authorized management to repurchase an additional 5% of the Company's outstanding stock, or approximately 350,000 shares. Information on the shares purchased during the third quarter of 2008 is as follows.

	Total Number of Shares Purchased	Average Price Per Share	Total Number of Shares Purchased As Part of Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan
				35,039(1)
July 1, 2008 - July 31, 2008	35,039	$ 10.27	35,039	-
August 1, 2008 - August 31, 2008	-	0.00	-	-
September 1, 2008 - September 30, 2008	-	0.00	-	-
	35,039	$ 10.27	35,039	

(1) Amount represents the number of shares available to be repurchased under the plan as of June 30, 2008

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Index to Exhibits

Number	Description
31.1	Rule 13a – 14(a) Certification – Chief Executive Officer
31.2	Rule 13a – 14(a) Certification – Chief Financial Officer
32	Certificate of the Chief Executive Officer and Chief Financial Officer pursuant to U. S. C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2003.

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.

	***MutualFirst* Financial, Inc.**
Date: November 10, 2008	By: /s/ David W. Heeter
	David W. Heeter
President and Chief Executive Officer	
Date: November 10, 2008	By: /s/ Timothy J. McArdle
	Timothy J. McArdle
	Senior Vice President and Treasurer

EX-31.1 2 v131226_ex31-1.htm

Exhibit 31.1

CERTIFICATIONS

I, David W. Heeter certify that:

1. I have reviewed this report on Form 10-Q of *MutualFirst* Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the consolidated financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

    a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    e) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2008

/s/ David W. Heeter
David W. Heeter,
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Timothy J. McArdle, certify that:

1. I have reviewed this report on Form 10-Q of *MutualFirst* Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the consolidated financial statements, and other financial information included in this report, fairly present in all material respects the consolidated financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; and

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

e) disclosed in this report any changes in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting;

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal control which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 10, 2008

/s/ Timothy J. McArdle
Timothy J. McArdle,
Senior Vice President, Treasurer, and Chief Financial Officer

EX-32 4 v131226_ex32.htm

EXHIBIT 32

SECTION 1350 CERTIFICATION

Each of the undersigned hereby certifies in his capacity as an officer of *MutualFirst* Financial, Inc. (the "Registrant") that the quarterly report of the Registrant on Form 10-Q for the period ended September 30, 2008 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the consolidated financial condition of the Registrant at the end of such period and the results of operations of the Registrant for such period.

Date: November 10, 2008

By: /s/ David W. Heeter
David W. Heeter
President and Chief Executive Officer

Date: November 10, 2008

By: /s/ Timothy J. McArdle
Timothy J. McArdle
Treasurer and Chief Financial Officer
(*Principal Financial and Accounting Officer)*