FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-12-30** | Period of Report: **1996-09-30**
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FILER

MFB CORP

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SIC: **6035** Savings institution, federally chartered

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FORM 10-K

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark one)

[X] Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended September 30, 1996

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission file number: 0-23374

MFB CORP.
(Exact name of registrant as specified in its charter)

Indiana	35-1907258
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification Number)

121 South Church Street, P.O. Box 528 Mishawaka, Indiana	46546
(Address of principal executive offices)	Zip Code

Registrant's telephone number, including area code:
(219) 255-3146

Securities Registered Pursuant to Section 12(b) of the Act:
None

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, without par value
(Common Share Purchase Rights)

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.

(1) Yes X No

(2) Yes X No

Indicate by check mark if disclosure of delinquent filers persuant to Item 405, Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any ammendment to this Form 10-K. X__

The aggregate market value of the issuer's voting stock held by non-affiliates, as of December 2, 1996, was $23,906,370.00.

The number of shares of the registrant's common stock, without par value, outstanding as of December 2, 1996, was 1,781,517 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Registrant's Annual Report to Shareholders for the fiscal year ended September 30, 1996 are incorporated by reference into Part II.

Portions of the Proxy Statement for the 1997 Annual Meeting of the Shareholders are incorporated into Part I and Part III.

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PART 1

Item 1. Business.

General

MFB Corp. ("MFB") is an Indiana corporation organized in December, 1993, to become a unitary savings and loan holding company. MFB became a unitary savings and loan holding company upon the conversion of Mishawaka Federal Savings (the "Bank", and together with MFB, the "Company") from a federal mutual savings and loan association to a federal stock savings bank on March 24, 1994. On November 1, 1996, Mishawaka Federal Savings officially changed its name to MFB Financial. The principal asset of MFB consists of 100% of the issued and outstanding shares of common stock, $0.01 par value per share, of the Bank. The Bank began operations in Mishawaka, Indiana in 1889 under the name Mishawaka Building and Loan Association.

MFB Financial directly, and indirectly through its service corporation subsidiary, offers a number of consumer and commercial financial services. These services include: (i) residential real estate loans; (ii) home equity and second mortgage loans; (iii) construction loans; (iv) loans secured by deposits; (v) NOW accounts; (vi) passbook savings accounts; (vii) certificates of deposit; (viii) consumer and commercial demand deposit accounts; (ix) individual retirement accounts; and (x) a variety of insurance products through its service corporation subsidiary, Mishawaka Financial Services, Inc. MFB Financial provides these full services through its four offices, three in Mishawaka and one in South Bend, Indiana and also operates a mortgage origination office in Elkhart, Indiana. MFB Financial's market area for loans and deposits primarily consists of St. Joseph and Elkhart counties.

The Company's principal source of revenue is interest income from lending activities, primarily residential mortgage loans and, to a lesser extent, residential construction loans. At September 30, 1996, $143.8 million, or 92.9% of the Company's total loan portfolio, consisted of mortgage loans on one-to four-family residential real property which are generally secured by first mortgages on the property. MFB Financial also makes a limited number of residential construction loans. A large majority of the residential real estate loans originated by MFB Financial are secured by properties located in St. Joseph County.

MFB Financial also makes a limited number of consumer loans, commercial real estate loans and multi-family mortgage loans. Consumer loans include loans secured by deposits and home equity and second mortgage loans.

In the early 1980's, most savings association's loan portfolios consisted of long-term, fixed-rate loans which carried low interest rates. At the same time, most savings associations had to pay high interest rates on deposits in order to be competitive and retain deposits. The mismatch between the low fixed rates on long-term mortgage loans and the high interest rates on short-term deposits had an adverse effect on these savings associations' business. A significant portion of MFB Financial's loan portfolio consists of adjustable rate loans. Adjustable rate loans permit MFB Financial to better match the interest it earns on loans with the interest it pays on deposits. Additionally, MFB Financial attempts to lengthen liability repricing by aggressively pricing longer term certificates of deposit during periods of relatively low interest rates.

Lending Activities

General. MFB Financial historically has concentrated its lending activities on the origination of loans secured by first mortgage liens for the purchase, construction or refinancing of one-to four-family residential real property. These loans continue to be the major focus of MFB Financial's loan origination activities. Over the past year, a successful home equity line of credit program was added as well as a new commercial loan program which is expected to enhance loan yields. Management is currently evaluating other loan programs which may be added as business plans warrant.

Residential Loans. Residential loans consist of one-to four-family loans. Pursuant to federal regulations, such loans must require at least semi-annual payments and be for a term of not more than 40 years, and, if the interest rate is adjustable, it must be correlated with changes in a readily verifiable index.

A vast majority of the loans made by MFB Financial feature adjustable rates. A variety of programs are offered to borrowers. Some loans adjust monthly, a majority adjust on an annual basis after initial terms of one, five and ten years and others adjust each three years. Initial offering rates, adjustment caps and margins are adjusted periodically to reflect market conditions and provide diversity of the loan portfolio.

MFB Financial also offers fixed-rate loans with a maximum term of thirty years. They are available for a variety of loan types, including first and second mortgages and purchases of residential building sites.

MFB Financial normally requires private mortgage insurance on all conventional residential single-family mortgage loans with loan-to-value ratios in excess of 80%. The private mortgage insurance obligation may be eliminated when the principal balance of the loan is reduced below 75% of the original cost. MFB Financial generally will not lend more than 95% of the lesser of current cost or appraised value of a residential single-family property. Some equity lines of credit are originated at up to 90% loan-to-value with higher yields to compensate for potentially higher risk.

Substantially all of the residential mortgage loans that MFB Financial originates include "due-on-sale" clauses, which give MFB Financial the right to declare a loan immediately due and payable in the event that, among other things, the borrower sells or otherwise disposes of the real property subject to the mortgage and the loan is not repaid.

Residential mortgage loans in excess of $250,000 must be approved by a majority of the members of MFB Financial's Board of Directors. Loans under that amount are approved by any two members of MFB Financial's Loan Committee.

Construction Loans. MFB Financial offers construction loans with respect to owner-occupied residential real estate, to builders or developers constructing such properties and to owners who are to occupy the premises.

Generally, construction loans are 12-month adjustable rate mortgage loans with interest calculated on the amount disbursed under the loan and payable on a monthly basis. Interest rates for such loans are generally 1% above the normal residential mortgage rates. A construction

loan fee is also charged for these loans. MFB Financial normally requires a 75% loan-to-value ratio for its construction loans. Inspections are made in conjunction with disbursements under a construction loan, and the construction phase is generally limited to six months.

Consumer Loans. Federal laws and regulations permit federally chartered savings associations to make secured and unsecured consumer loans in an aggregate amount of up to 35% of the association's total assets. In addition, a federally chartered savings association has lending authority above the 35% limit for certain consumer loans, such as property improvement loans and deposit account secured loans. However, the Qualified Thrift Lender test places additional limitations on a savings association's ability to make consumer loans.

As a general rule, consumer loans made by most financial institutions involve a higher level of risk than one-to four-family residential mortgage loans because consumer loans are generally made based upon the borrower's ability to repay the loan, which is subject to change, rather than the value of the underlying collateral, if any. However, the relatively higher yields and shorter terms to maturity of consumer loans are believed to be helpful in reducing interest-rate risk. MFB Financial makes only secured consumer loans for amounts specifically tied to the value of the collateral, and, therefore, has been successful in managing consumer loan risk.

Origination, Purchase and Sale of Loans. MFB Financial currently originates its loans pursuant to its own underwriting standards and forms of documentation which are not in conformity with the standard criteria of the Federal Home Loan Mortgage Corporation ("FHLMC") or Federal National Mortgage Association ("FNMA"). If it desired to sell its loans, MFB Financial might therefore experience some difficulty selling such loans quickly in the secondary market. MFB Financial's ARMs vary from secondary market criteria because, among other things, MFB Financial does not use the standard loan form, does not require current property surveys in most cases, permits borrowers to make repayments which reduce subsequent payment obligations on loans and does not permit the conversion of those loans to fixed rate loans. However, steps are being taken to upgrade the loan origination system to allow new loans to more closely conform to secondary market documentation standards. This upgrade is expected to be completed in 1997.

MFB Financial confines its loan origination activities primarily in St. Joseph County and the surrounding area. A new loan origination office was opened in Elkhart County in the fall of 1996. MFB's loan originations are generated from referrals from builders, developers, real estate brokers and existing customers, and limited newspaper and periodical advertising. All loan applications are processed and underwritten at MFB Financial's main office.

A savings association generally may not make any loan to a borrower or its related entities if the total of all such loans exceeds 15% of its capital (plus up to an additional 10% of capital in the case of loans fully collateralized by readily marketable collateral); provided, however, that loans up to $500,000 regardless of the percentage limitations may be made and certain housing development loans of up to $30 million or 30% of capital, whichever is less, are permitted. MFB Financial's portfolio of loans currently contains no loans that exceed the 15% of capital limitation.

MFB Financial's loan approval process is intended to assess the borrower's ability to repay the loan, the viability of the loan and the adequacy of the value of the property that will secure the loan. To assess the borrower's ability to repay, MFB Financial studies the employment and

credit history and information on the historical and projected income and expenses of its mortgagors.

MFB Financial generally requires appraisals on all property securing its loans and requires title insurance or an abstract and a valid lien on its mortgaged real estate. Appraisals for residential real property are generally performed by an in-house appraiser who is a state-certified residential appraiser. From time to time, MFB Financial also uses the services of other certified residential appraisers who are not in-house. MFB Financial requires fire and extended coverage insurance in amounts at least equal to the principal amount of the loan. It also requires flood insurance to protect the property securing its interest if the property is in a flood plain. Tax and insurance payments are typically required to be escrowed by MFB Financial on new loans.

Origination and Other Fees. MFB Financial realizes income from late charges, checking account service charges, safety deposit box rental fees, and fees for other miscellaneous services. MFB Financial charges application fees for most loan applications, but such are generally credited back to the customer upon the closing of the loan. If the loan is denied, MFB Financial retains a portion of the application fee. In order to attract adjustable rate mortgages, MFB Financial has originated most of its adjustable rate mortgages without charging points. However, borrowers from time to time wish to pay points and managements negotiates rates on an individual basis. Late charges are generally assessed if payment is not received within a specified number of days after it is due. The grace period depends on the individual loan documents.

Non-Performing and Problem Assets

Mortgage loans are reviewed by the Company on a regular basis and may be placed on a non-accrual status when the loans become contractually past due ninety days or more, depending on a case by case evaluation of the circumstances surrounding each loan. At the end of each month, delinquency notices are sent to all borrowers from whom payments have not been received. Contact by phone or in person is made, if feasible, to all such borrowers.

When loans are sixty days in default, personal contact is made with the borrower to establish an acceptable repayment schedule. When loans are ninety days in default, contact is made with the borrower by an employee of MFB Financial after consultation with the Senior Loan Officer who attempts to establish an acceptable repayment schedule. Management is authorized to commence foreclosure proceedings for any loan upon making a determination that it is prudent to do so. All loans on which foreclosure proceedings have been commenced are placed on non-accrual status.

Non-performing assets. At September 30, 1996, $198,000 or .09% of the Company's total assets, were non-performing assets (loans delinquent more than 90 days, non-accrual loans, real estate owned (REO") and troubled debt restructurings). At September 30, 1996, the Company had no impaired loans and there was no real estate acquired as a result of foreclosure, voluntary deed, or other means. Such real estate is classified by the Company as "real estate owned" or "REO" until it is sold. When property is so acquired, the value of the asset is recorded on the books of the Company at fair value. Interest accrual ceases when the collection of interest becomes doubtful. All costs incurred from the date of acquisition in maintaining the property are expensed.

Classified assets. Federal regulations and MFB Financial's Classification of Assets policy provide for the classification of loans and other assets such as debt and equity securities considered by the Office of Thrift Supervision ("OTS") to be of lesser quality as "substandard," "doubtful" or "loss" assets. An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the association will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are required to be designated "special mention" by management.

An insured institution is required to establish general allowances for loan and lease losses in an amount deemed prudent by management for loans classified substandard, doubtful or impaired, as well as for other problem loans. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as "loss", it is required either to establish a specific allowance for losses equal to 100% of the amount of the asset so classified or to charge off such amount. An institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the OTS which can order the establishment of additional general or specific loss allowances.

MFB Financial regularly reviews it loan portfolio to determine whether any loans require classification in accordance with applicable regulations. For reasons such as low loan-to-value ratios, not all of the Company's non-performing assets constitute classified assets.

Allowance for Loan Losses

The allowance for loan and lease losses is maintained through the provision for loan losses, which is charged to earnings. The provision is determined in conjunction with management's review and evaluation of current economic conditions (including those of MFB Financial's lending area), changes in the character and size of the loan and lease portfolio, delinquencies (current status as well as past and anticipated trends) and adequacy of collateral securing loan delinquencies, historical and estimated net charge-offs, and other pertinent information derived from a review of the loan and lease portfolio. In management's opinion, MFB Financial's allowance for loan and lease losses is adequate to absorb anticipated future losses existing at September 30, 1996.

Investments

General. Federally chartered savings associations have the authority to invest in various types of liquid assets, including U.S. Treasury obligations, securities of various federal agencies, certain certificates of deposit of insured banks and savings institutions, certain bankers'

acceptances, repurchase agreements and federal funds sold. Subject to various restrictions, federally chartered savings associations may also invest a portion of their assets in commercial paper, corporate debt securities and asset-backed securities. The investment policy of MFB Financial, which is established and implemented by MFB Financial's Investment Committee, is designed primarily to maximize the yield on the investment portfolio subject to minimal liquidity risk, default risk, interest rate risk, and prudent asset/liability management.

The Company's investment portfolio consists of U.S. Treasury Bonds, U.S. government agency securities, mortgage-backed securities and Federal Home Loan Bank ("FHLB") stock.

Liquidity. Federal regulations require FHLB-member savings associations to maintain an average daily balance of liquid assets equal to a monthly average of not less than a specified percentage of its net withdrawable savings deposits plus short-term borrowings. Liquid assets include cash, certain time deposits, certain bankers' acceptances, specified U.S. government, state or federal agency obligations, certain corporate debt securities, commercial paper, certain mutual funds, certain mortgage-related securities, and certain first lien residential mortgage loans. This liquidity requirement may be changed from time-to-time by the OTS to any amount within the range of 4% to 10%, and is currently 5%. Also, a savings association currently must maintain short-term liquid assets constituting at least 1% of its average daily balance of net withdrawable deposit accounts and current borrowings. Monetary penalties may be imposed for failure to meet these liquidity requirements. As of September 30, 1996, the Company had liquid assets of $69.0 million and a regulatory liquidity ratio of 26.3%, of which 5.3% constituted short-term investments.

Sources of Funds

General. Deposits have traditionally been MFB Financial's primary source of funds for use in lending and investment activities. In addition to deposits, MFB Financial derives funds from scheduled loan payments, loan prepayments, retained earnings and income on earning assets. While scheduled loan payments and income on earning assets are relatively stable sources of funds, deposit inflows and outflows can vary widely and are influenced by prevailing interest rates, market conditions and levels of competition. Borrowings from the FHLB of Indianapolis may be used in the short-term to compensate for reductions in deposits or deposit inflows at less than projected levels. Historically, MFB Financial has rarely borrowed on a longer-term basis to support expanded activities or to assist in its asset/liability management. However, during the year ended September 30, 1996, the Bank instituted a capital leveraging strategy that involved the purchase of earning assets funded primarily with FHLB borrowings.

The success of this strategy contributed to net earnings and helped improve the overall return on equity during the year.

Deposits. Deposits are attracted, principally from within St. Joseph County, through the offering of a broad selection of deposit instruments including NOW and other transaction accounts, fixed-rate certificates of deposit, individual retirement accounts, and savings accounts. MFB Financial does not actively solicit or advertise for deposits outside of St. Joseph County. Substantially all of MFB Financial's depositors are residents of that county. Deposit account terms vary, with the principal differences being the minimum balance required, the amount of time the funds remain on deposit and the interest rate. MFB Financial does not pay a fee for any deposits it receives.

Interest rates paid, maturity terms, service fees and withdrawal penalties are established by MFB Financial on a periodic basis. Determination of rates and terms are predicated on funds acquisition and liquidity requirements, rates paid by competitors, growth goals, and federal regulations. MFB Financial relies, in part, on customer service and long-standing relationships with customers to attract and retain its deposits, but also prices its deposits in relation to rates offered by its competitors.

The flow of deposits is influenced significantly by general economic conditions, changes in money market and prevailing interest rates and competition. The variety of deposit accounts offered by MFB Financial has allowed it to be competitive in obtaining funds and to respond with flexibility to changes in consumer demand. MFB Financial has become more susceptible to short-term fluctuations in deposit flows as customers have become more interest rate conscious. MFB Financial manages the pricing of its deposits in keeping with its asset/liability management and profitability objectives. Based on its experience, MFB Financial believes that its passbook, NOW and non-interest-bearing checking accounts are relatively stable sources of deposits. However, the ability of MFB Financial to attract and maintain certificates of deposit, and the rates paid on these deposits, has been and will continue to be significantly affected by market conditions.

Borrowings. MFB Financial focuses on generating high quality loans and then seeks the best source of funding from deposits, investments or borrowings. There are regulatory restrictions on advances from the Federal Home Loan Banks, See "Regulation--Federal Home Loan Bank System" and "--Qualified Thrift Lender." At September 30, 1996, MFB Financial had $ 24.5 million in Federal Home Loan Bank borrowings outstanding. MFB Financial does not anticipate any difficulty in obtaining advances appropriate to meet its requirements in the future.

Service Corporation Subsidiary

OTS regulations permit federal savings associations to invest in the capital stock, obligations, or other specified types of securities of subsidiaries (referred to as "service corporations") and to make loans to such subsidiaries and joint ventures in which such subsidiaries are participants in an aggregate amount not exceeding 2% of an association's assets, plus an additional 1% of assets if the amount over 2% is used for specified community or inner-city development purposes. In addition, federal regulations permit associations to make specified types of loans to such subsidiaries (other than special-purpose finance subsidiaries), in which the association owns more than 10% of the stock, in an aggregate amount not exceeding 50% of the association's regulatory capital if the association's regulatory capital is in compliance with applicable regulations. A savings association that acquires a non-savings association subsidiary, or that elects to conduct a new activity within a subsidiary, must give the Federal Deposit Insurance Corporation ("FDIC") and the OTS at least 30 days advance written notice. The FDIC may, after consultation with the OTS, prohibit specific activities if it determines such activities pose a serious threat to the Savings Association Insurance Fund ("SAIF").

MFB Financial's only subsidiary, Mishawaka Financial Services, Inc. ("Mishawaka Financial"), was organized in 1975 and currently is engaged in the sale of credit life, general fire and accident, car, home and life insurance, as agent to MFB Financial's customers and the general public. During fiscal year 1996, Mishawaka Financial received approximately $113,000 in commissions versus approximately $116,000 in commissions received during fiscal year 1995. Since Mishawaka Financial conducts all of its activities as agent for its customers, MFB

Financial is not required to deduct from its capital any portion of this investment. The consolidated statements of income of MFB included elsewhere herein include the operation of MFB Financial and Mishawaka Financial. All significant intercompany balances and transactions have been eliminated in the consolidation.

Employees

As of September 30, 1996, MFB Financial employed 52 persons on a full-time basis and 18 persons on a part-time basis. None of MFB Financial's employees are represented by a collective bargaining group. Management considers its employee relations to be excellent.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL

A. The following are the average balance sheets for the years ending September 30:

<TABLE>
<CAPTION>

	1996 Average Outstanding Balance	1995 Average Outstanding Balance	1994 Average Outstanding Balance
		(In thousands)	
Assets:			
Interest-earning assets:			
<S>	<C>	<C>	<C>
Interest-bearing deposits	$ 6,709	$ 7,995	$ 24,117
Securities (1)	35,392	39,841	27,093
Mortgage-backed securities (1)	19,717	12,558	10,698
Loans receivable (2)	133,670	118,735	110,540
Stock in FHLB of Indianapolis	1,303	1,223	1,149
Total interest-earning assets	196,791	180,352	173,597
Non-interest earning assets, net of allowance for loan losses	3,792	3,517	3,546
Total assets	$ 200,583	$ 183,869	$ 177,143
Liabilities and shareholders' equity:			
Interest-bearing liabilities:			
Savings accounts	$ 9,746	$ 9,774	$ 9,646
NOW and money market accounts	26,006	26,672	30,662
Certificates of deposit	113,570	106,556	107,294
FHLB borrowings	9,625	-	-
Total interest-bearing liabilities	158,947	143,002	147,602
Other liabilities	4,229	2,838	2,200
Total liabilities	163,176	145,840	149,802
Shareholders' equity			
Common stock	19,064	20,527	10,524
Retained earnings	19,718	19,117	17,802
Less common stock acquired by:			
Employee stock ownership plan	(1,007)	(1,208)	(675)
Recognition and retention plans	(235)	(407)	(310)
Unrealized gain (loss) on securities available for sale	(133)	-	-
Total shareholders' equity	37,407	38,029	27,341
Total liabilities and shareholders' equity	$ 200,583	$ 183,869	$ 177,143

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(1) Average outstanding balance reflects unrealized gain (loss) on securities available for sale.
(2) Total loans less deferred net loan fees and loans in process.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL (Continued)

B. The following tables set forth, for the years indicated, the condensed average balance of interest-earning assets and interest-bearing liabilities, the interest earned or paid on such amounts, and the average interest rates earned or paid thereon.

<TABLE>
<CAPTION>

	Year Ended September 30, 1996		
	Average Balance	Interest	Average Yield/Cost
	(Dollars in thousands)		
INTEREST-EARNING ASSETS			
<S>	<C>	<C>	<C>
Interest-bearing deposits	$ 6,709	$ 422	6.29%
Securities (1)	35,410	2,186	6.17
Mortgage-backed securities (1)	19,920	1,225	6.15
Loans receivable (2)	133,670	10,246	7.67
Stock in FHLB of Indianapolis	1,303	103	7.90
Total interest-earning assets	$ 197,012	14,182	7.20
INTEREST-BEARING LIABILITIES			
Savings accounts	$ 9,746	270	2.77%
NOW and money market accounts	26,006	811	3.12
Certificates of deposit	113,570	6,447	5.68
FHLB borrowings	9,625	529	5.50
Total interest-bearing liabilities	$ 158,947	8,057	5.07
Net interest earning assets	$ 38,065		
Net interest income		$ 6,125	
Interest rate spread (3)			2.13%
Net yield on average interest-earning assets (4)			3.11%
Average interest-earning assets to average interest-bearing liabilities	123.95%		

</TABLE>

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(1) Average balance does not reflect unrealized gain (loss) on securities available for sale and yield is based on amortized cost.

(2) Total loans less deferred net loan fees and loans in process.

(3) Interest rate spread is calculated by subtracting average interest rate cost from average interest rate earned for the period indicated.

(4) The net yield on average interest-earning assets is calculated by dividing net interest income by average interest-earning assets for the period indicated.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY;

INTEREST RATES AND INTEREST DIFFERENTIAL (Continued)

<TABLE>
<CAPTION>

	Year Ended September 30, 1995		
	Average Balance	Interest	Average Yield/Cost
	(Dollars in thousands)		
INTEREST-EARNING ASSETS			
<S>	<C>	<C>	<C>
Interest-bearing deposits	$ 7,995	$ 482	6.03%
Securities	39,841	2,300	5.77
Mortgage-backed securities	12,558	692	5.51
Loans receivable (1)	118,735	8,816	7.42
Stock in FHLB of Indianapolis	1,223	93	7.60
Total interest-earning assets	$ 180,352	12,383	6.87
INTEREST-BEARING LIABILITIES			
Savings accounts	$ 9,774	274	2.80%
NOW and money market accounts	26,672	863	3.24
Certificates of deposit	106,556	5,651	5.30
Total interest-bearing liabilities	$ 143,002	6,788	4.75
Net interest earning assets	$ 37,350		
Net interest income		$ 5,595	
Interest rate spread (2)			2.12%
Net yield on average interest-earning assets (3)			3.10%
Average interest-earning assets to average interest-bearing liabilities	126.12%		

</TABLE>

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(1) Total loans less deferred net loan fees and loans in process.

(2) Interest rate spread is calculated by subtracting average interest rate cost from average interest rate earned for the period indicated.

(3) The net yield on average interest-earning assets is calculated by dividing net interest income by average interest-earning assets for the period indicated.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL (Continued)

<TABLE>
<CAPTION>

	Year Ended September 30, 1994		
	Average Balance	Interest	Average Yield/Cost
	(Dollars in thousands)		
INTEREST-EARNING ASSETS			
<S>	<C>	<C>	<C>
Interest-bearing deposits	$ 24,117	$ 922	3.82%
Investment securities	27,093	1,498	5.53
Mortgage-backed securities	10,698	586	5.48
Loans receivable (1)	110,540	8,479	7.67
Stock in FHLB of Indianapolis	1,149	60	5.22
Total interest-earning assets	$ 173,597	11,545	6.65
INTEREST-BEARING LIABILITIES			
Savings accounts	$ 9,646	265	2.75%
NOW and money market accounts	30,662	813	2.65
Certificates of deposit	107,294	4,941	4.61

Total interest-bearing liabilities	$ 147,602	6,019	4.08
Net interest earning assets	$ 25,995		
Net interest income		$ 5,526	
Interest rate spread (2)			2.57%
Net yield on average interest-earning assets (3)			3.18%
Average interest-earning assets to average interest-bearing liabilities	117.61%		

</TABLE>

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(1) Total loans less deferred net loan fees and loans in process.

(2) Interest rate spread is calculated by subtracting average interest rate cost from average interest rate earned for the period indicated.

(3) The net yield on average interest-earning assets is calculated by dividing net interest income by average interest-earning assets for the period indicated.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL (Continued)

C. The following tables describes the extent to which changes in interest rates and changes in volume of interest-related assets and liabilities have affected MFB Corp.'s consolidated interest income and expense during the periods indicated. For each category of interest-earning asset and interest-bearing liability, information is provided on changes attributable to (1) changes in rate (i.e., changes in rate multiplied by old volume) and (2) changes in volume (i.e., changes in volume multiplied by old rate). Changes attributable to both rate and volume have been allocated proportionally to the change due to volume and the change due to rate.

<TABLE>
<CAPTION>

	Increase (Decrease) in Net Interest Income		
	Total Net Change	Due to Rate	Due to Volume
		(In thousands)	
Year ended September 30, 1996 compared to year ended September 30, 1995			
Interest-earning assets			
<S>	<C>	<C>	<C>
Interest-bearing deposits	$ (60)	$ 20	$ (80)
Securities	(114)	154	(268)
Mortgage-backed securities	533	97	436
Loans receivable	1,430	293	1,137
Stock in FHLB of Indianapolis	10	4	6
Total	1,799	568	1,231
Interest-bearing liabilities			
Savings accounts	(4)	(3)	(1)
NOW and money market accounts	(52)	(31)	(21)
Certificates of deposit	796	411	385
FHLB borrowings	529	-	529
Total	1,269	377	892
Change in net interest income	$ 530	$ 191	$ 339

</TABLE>

I. DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL (Continued)

	Total Net Change	Increase (Decrease) in Net Interest Income Due to Rate	Due to Volume
		(In thousands)	
Year ended September 30, 1995 compared to year ended September 30, 1994			
Interest-earning assets			
Interest-bearing deposits	$ (440)	$ 367	$ (807)
Securities	802	69	733
Mortgage-backed securities	106	4	102
Loans receivable	337	(278)	615
Stock in FHLB of Indianapolis	33	29	4
Total	838	191	647
Interest-bearing liabilities			
Savings accounts	9	5	4
NOW and money market accounts	50	164	(114)
Certificates of deposit	710	744	(34)
Total	769	913	(144)
Change in net interest income	$ 69	$ (722)	$ 791

II. INVESTMENT PORTFOLIO

A. The following table sets forth the amortized cost and fair value of securities available for sale:

	At September 30, 1996 Amortized Cost	Fair Value	1995 Amortized Cost	Fair Value	1994 Amortized Cost	Fair Value
			(In thousands)			
Debt securities						
U.S. Government and federal agencies	$ 40,160	$ 40,207	$ -	$ -	$ -	$ -
Mortgage-backed	24,473	24,074	-	-	-	-
	64,633	64,281	-	-	-	-

Marketable equity securities	2,494	2,482	-	-	-	-
	$ 67,127	$ 66,763	$ -	$ -	$ -	$ -

</TABLE>

The following table sets forth the amortized cost and fair value of securities held to maturity:

<TABLE>
<CAPTION>

	At September 30, 1996		1995		1994	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
			(In thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Debt securities						
U.S. Government and federal agencies	$ -	$ -	$ 40,117	$ 40,180	$ -	$ -
Mortgage-backed	-	-	11,905	11,524	-	-
	$ -	$ -	$ 52,022	$ 51,704	$ -	$ -

</TABLE>

II. INVESTMENT PORTFOLIO (Continued)

A. The following table sets forth the amortized cost and estimated market value of investment securities and other securities:

<TABLE>
<CAPTION>

	At September 30, 1996		1995		1994	
	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value	Amortized Cost	Estimated Market Value
			(In thousands)			
Investment Securities						
U.S. Government and federal						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
agencies	$ -	$ -	$ -	$ -	$ 41,773	$ 40,792
Mortgage-backed	-	-	-	-	13,158	12,328
	$ -	$ -	$ -	$ -	$ 54,931	$ 53,120
Other securities						
FHLB stock, at cost	$ 1,336	$ 1,336	$ 1,271	$ 1,271	$ 1,176	$ 1,176

</TABLE>

B. The maturity distribution and weighted average interest rates of debt securities available for sale, excluding mortgage-backed securities, are as follows:

<TABLE>
<CAPTION>

Amount at September 30, 1996, which matures in
One One to Five to

	Year or Less		Five Years		Ten Years		Totals	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Government and federal agencies	$ 6,837	$ 6,849	$ 32,973	$ 33,019	$ 350	$ 339	$ 40,160	$ 40,207
Weighted average yield	5.88%		6.85%		6.50%		6.68%	

</TABLE>

The weighted average interest rates are based upon coupon rates for securities purchased at par value and on effective interest rates considering amortization or accretion if the securities were purchased at a premium or discount.

C. Excluding those holdings of the investment portfolio in U.S. Treasury securities and other agencies of the U.S. Government, there were no investments in securities of any one issuer which exceeded 10% of the shareholders' equity of the Company at September 30, 1996.

III. LOAN PORTFOLIO

A. The following table sets for the composition of MFB Corp.'s consolidated loan portfolio and mortgage-backed securities by loan type as of the dates indicated, including a reconciliation of gross loans receivable to net loans receivable after consideration of the allowance for loan losses, deferred net loan fees and loans in process:

<TABLE>
<CAPTION>

	September 30,					
	1996		1995		1994	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)					
Mortgage loans						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Residential	$ 143,751	92.87%	$ 119,720	97.60%	$113,770	97.25%
Commercial real estate	876	.57	206	.17	443	.38
Multi-family	163	.10	189	.15	192	.16
Residential construction	5,005	3.23	2,106	1.72	2,213	1.89
Consumer loans						
Home equity and second mortgage loans	3,790	2.45	375	.30	298	.26
Financing leases	1,125	.73	-	-	-	-
Other	83	.05	74	.06	69	.06
Gross loans receivable	154,793	100.00%	122,670	100.00%	%116,985	100.00%
Less						
Allowance for loan losses	(340)		(310)		(280)	
Deferred net loan fees	(440)		(370)		(447)	
Loans in process	(1,961)		(809)		(961)	
Net loans receivable	$ 152,052		$ 121,181		$115,297	

Mortgage-backed securities

FHLMC certificates	$ 5,013		$ 11,905		$ 13,158	
CMO - REMIC	19,061		-		-	
Net mortgage-backed securities	$ 24,074		$ 11,905		$ 13,158	
Mortgage loans						
Adjustable rate	$ 130,336	87.01%	$ 113,394	92.78%	$110,853	95.06%
Fixed rate	19,459	12.99	8,827	7.22	5,765	4.94
Total	$ 149,795	100.00%	$ 122,221	100.00%	$ 116,618	100.00%

</TABLE>

<TABLE>
<CAPTION>

	September 30,			
	1993		1992	
	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)			
Mortgage loans				
<S>	<C>	<C>	<C>	<C>
Residential	$ 107,168	97.87%	$ 110,338	97.08%
Commercial real estate	496	.45	607	.54
Multi-family	625	.57	691	.61
Residential construction	848	.78	1,333	1.17
Consumer loans				
Home equity and second mortgage loans	256	.24	434	.38
Financing leases	-	-	-	-
Other	106	.09	248	.22
Gross loans receivable	109,499	100.00%	113,651	100.00%
Less				
Allowance for loan losses	(250)		(58)	
Deferred net loan fees	(556)		(646)	
Loans in process	(481)		(721)	
Net loans receivable	$ 108,212		$ 112,226	
Mortgage-backed securities				
FHLMC certificates	$ -		$ -	
CMO - REMIC	-		-	
Net mortgage-backed securities	$ -		$ -	
Mortgage loans				
Adjustable rate	$ 102,837	94.23%	$ 104,034	92.09%
Fixed rate	6,300	5.77	8,935	7.91
Total	$ 109,137	100.00%	$ 112,969	100.00%

</TABLE>

III. LOAN PORTFOLIO (Continued)

B. Loan Maturity. The following table sets forth certain information at September 30, 1996, regarding the dollar amount of loans maturing in MFB Corp.'s consolidated loan portfolio based on the date that final payment is due under the terms of the loan. Demand loans having no stated schedule of repayments and no stated maturity and overdrafts are reported as due in one year or less. This schedule does not reflect the effects of possible prepayments or enforcement of due-on-sale clauses. Management expects prepayments will cause actual maturities to be shorter.

<TABLE>
<CAPTION>

	Balance Outstanding at September 30, 1996	Due during years ended September 30, 1997	1998	1999	2000 and 2001	2002 to 2006	2007 to 2011	2012 and Following
	(In thousands)							
Mortgage Loans								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Residential	$143,751	$ 24	$ 117	$ 201	$ 1,264	$ 8,027	$ 31,054	$103,064
Commercial real estate	876	--	--	--	314	259	303	--
Multi-family	163	7	--	--	--	91	21	44
Residential construction	5,005	1,430	--	--	--	--	339	3,236
Consumer Loans								
Home equity and second mortgage	3,790	--	--	--	212	3,476	48	54
Financing leases	1,125	--	--	--	--	1,125	--	--
Other	83	74	9	--	--	--	--	--
Total	$154,793	$ 1,535	$ 126	$ 201	$ 1,790	$ 12,978	$ 31,765	$106,398

</TABLE>

The following table sets forth, as September 30, 1996, the dollar amount of all loans due after one year which have fixed interest rates and floating or adjustable interest rates.

<TABLE>
<CAPTION>

	Due After September 30, 1997 Fixed Rates	Variable Rates	Total
	(In thousands)		
Mortgage loans			
<S>	<C>	<C>	<C>
Residential	$ 17,095	$126,632	$143,727
Commercial real estate	266	610	876
Multi-family	21	135	156
Residential construction	1,488	2,087	3,575
Consumer loans			
Home equity and second mortgage	388	3,402	3,790
Financing leases	1,125	--	1,125
Other	9	--	9
Total	$ 20,392	$132,866	$153,258

</TABLE>

III. LOAN PORTFOLIO (Continued)

C. Risk Elements

1. Nonacrual, Past Due and Restructured Loans

The table below sets forth the amounts and categories of MFB Corp.'s consolidated non-performing assets (accruing loans delinquent more than 90 days, non-accrual loans, troubled debt restructurings and real estate owned). It is the policy of MFB Corp. that all earned but uncollected interest on all loans be reviewed quarterly to determine if any portion thereof be classified as uncollectible for any loan past due in excess of 90 days.

<TABLE>
<CAPTION>

	At September 30,				
	1996	1995	1994	1993	1992
	(Dollars in thousands)				
Accruing loans delinquent					
<S>	<C>	<C>	<C>	<C>	<C>
more than 90 days	$ 198	$ 308	$ 107	$ 223	$ 177
Non-accruing loans (1)	-	-	-	-	-
Troubled debt restructurings	-	-	-	-	-
Total non-performing loans	198	308	107	223	177
Real estate owned, net	-	18	22	50	-
Total non-performing assets	$ 198	$ 326	$ 129	$ 273	$ 177
Non-performing loans to total loans, net (2)	.13%	.25%	.09%	.21%	.16%
Non-performing assets to total assets	.09%	.17%	.07%	.16%	.11%

</TABLE>

Management believes that the allowance for loan losses balance at September 30, 1996 is adequate to absorb any losses on nonperforming loans, as the allowance balance is maintained by management at a level considered adequate to cover losses that are currently anticipated based on past loss experience, general economic conditions, information about specific borrower situations including their financial position and collateral values, and other factors and estimates which are subject to change over time.

---

(1) MFB Corp. generally places mortgage loans on a nonaccrual status when serious doubt exists as to theri collectibility. At September 30, 1996, there were no loans on nonaccrual.

(2) Total lonas less deferred net loan fees an loans in process.

III. LOAN PORTFOLIO (Continued)

C. Risk Elements (Continued)

2. Potential Problem Loans

As of September 30, 1996, there are no loans where there are serious doubts as to the ability of the borrower to comply with present loan repayment terms, which may result in disclosure of such loans pursuant to Item III.C.1. Consideration was given to loans classified for regulatory purposes as loss, doubtful, substandard, or special mention that have not been disclosed in Section 1 above. Management believes that these loans do not represent or result from trends or uncertainties which management reasonably expects will materially impact future operating results, liquidity, or capital resources, or management believes that these loans do not represent material credits about which management is aware of any information which causes management to have serious doubts as to the ability of such borrowers to comply with the loan repayment terms.

3. Foreign Outstandings

None

4. Loan Concentrations

MFB Corp. historically has concentrated its lending activities on the origination of loans secured by first mortgage liens for the purchase, construction or refinancing of one- to four-family residential real property. These loans continue to be the major focus of MFB Corp.'s loan origination activities, representing 96.10% of MFB Corp.'s total loan portfolio at September 30, 1996.

D. Other Interest-Earning Assets

There are no other interest-earning assets as of September 30, 1996 which would be required to be disclosed under Item III. C.1 or 2 if such assets were loans.

IV. SUMMARY OF LOAN LOSS EXPERIENCE

A. The allowance for loan losses is maintained through the provision for loan losses, which is charged to earnings. The provision for loan losses is determined in conjunction with management's review and evaluation of current economic conditions (including those of MFB Corp.'s lending area), changes in the characteristic and size of the loan portfolio, loan delinquencies (current status as well as past and anticipated trends) and adequacy of collateral securing loan delinquencies, historical and estimated net charge-offs, and other pertinent information derived from a review of the loan portfolio. In management's opinion, MFB Corp.'s allowance for loan losses is adequate to absorb anticipated future losses from loans at September 30, 1996.

The following table analyzes changes in the consolidated allowance for loan losses during the past five years ended September 30, 1996.

<TABLE>
<CAPTION>

	Years Ended September 30, (Dollars in thousands)				
	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
Balance of allowance at beginning of period	$310	$280	$250	$ 58	$ 31
Add					
Recoveries of loans previously charged-off--residential real estate loans	--	--	--	--	--
Less charge offs					
Residential real estate loans	--	--	--	--	--
Commercial real estate loans	--	--	--	--	--
Consumer loans	--	--	--	--	--
Net charge-offs	--	--	--	--	--
Provisions for loan losses	30	30	30	192	27
Balance of allowance at end of period	$340	$310	$280	$250	$ 58

Net charge-offs to total

average loans outstanding for period	-%	-%	-%	-%	-%
Allowance at end of period to total loans, net at end of period (1)	.22%	.26%	.24%	.23%	.05%
Allowance to total non-performing loans at end of period	171.72%	100.65%	261.68%	112.11%	32.77%

</TABLE>

----

(1) Total loans less deferred net loan fees and loans in process.

IV. SUMMARY OF LOAN LOSS EXPERIENCE (Continued)

Allocation of Allowance for Loan Losses. The following table presents an analysis of the allocation of MFB Corp.'s allowance for loan losses at the dates indicated.

<TABLE>
<CAPTION>

	September 30, 1996		September 30, 1995	
	Amount	Percent of loans in each category to total Loans	Amount	Percent of loans in each category to total Loans
Balance at end of period applicable to				
Residential	$ 311	92.87%	$ 281	97.60%
Commercial real estate	1	.57	1	.17
Multi-family	1	.10	1	.15
Residential construction	1	3.23	1	1.72
Consumer loans (1)	1	3.23	1	.36
Unallocated	25	-	25	-
Total	$ 340	100.0%	$ 310	100.00%

</TABLE>

<TABLE>
<CAPTION>

	September 30, 1994		September 30, 1993		September 30, 1992	
	Amount	Percent of loans in each category to total Loans	Amount	Percent of loans in each category to total Loans	Amount	Percent of loans in each category to total Loans
	(Dollars in thousands)					
Balance at end of period applicable to						
Residential	$ 251	97.25%	$ 221	97.87%	$ 33	97.08%
Commercial real estate	1	.38	1	.45	-	.54

Multi-family	1	.16	1	.57	-	.61
Residential construction	1	1.89	1	.78	-	1.17
Consumer loans (1)	1	.32	1	.33	-	.60
Unallocated	25	-	25	-	25	-
Total	$ 280	100.00%	$ 250	100.00%	$ 58	100.00%

</TABLE>

(1) Includes home equity and second mortgage lonas, financing leases, and other loans including, education loans and loans secured by deposits.

V. DEPOSITS

The average amount of deposits and average rates paid are summarized as follows for the years ended September 30:

<TABLE>
<CAPTION>

	1 9 9 6		1 9 9 5		1 9 9 4	
	Average Amount	Average Rate	Average Amount	Average Rate	Average Amount	Average Rate
			(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Savings accounts	$ 9,746	2.77%	$ 9,774	2.80%	$ 9,646	2.75%
Now and money market accounts	26,006	3.12	26,672	3.24	30,662	2.65
Certificates of deposit	113,570	5.68	106,556	5.30	107,294	4.61
Demand deposits (noninterest-bearing)	816		839		625	
	$ 150,138		$ 143,841		$ 148,227	

</TABLE>

Maturities of time certificates of deposit and other time deposits of $100,000 or more outstanding at September 30, 1996 is summarized as follows:

	Amount (In thousands)
Three months or less	$ 3,946
Over three months and through six months	3,942
Over six months and through twelve months	6,379
Over twelve months	10,221
	$ 24,488

VI. RETURN ON EQUITY AND ASSETS

The ratio of net income to average total assets and average shareholders' equity and certain other ratios are as follows:

<TABLE>
<CAPTION>

	September 30,		
	1996	1995	1994

(Dollars in thousands)

<S> <C> <C> <C>

Average total assets	$ 200,583	$ 183,869	$ 177,143
Average shareholders' equity	$ 37,407	$ 38,029	$ 27,341
Net income	$ 975	$ 1,236	$ 1,532
Return on average total assets	.49%	.67%	.86%
Return on average shareholders' equity	2.61%	3.25%	5.60%
Dividend payout ratio (dividends declared per share divided by net income per share)	12.24%	-%	-%
Average shareholders' equity to average total assets	18.65%	20.68%	15.43%

</TABLE>

VII. SHORT-TERM BORROWINGS

The Company did not have any category of short-term borrowings for which the average balance outstanding during the reported periods was 30 percent or more of shareholders' equity at the end of the reported periods.

COMPETITION

MFB Financial originates most of its loans to and accepts most of its deposits from residents of St. Joseph County, Indiana.

MFB Financial is subject to competition from various financial institutions, including state and national banks, state and federal savings associations, credit unions, certain non-banking consumer lenders, and other companies or firms, including brokerage houses and mortgage brokers, that provide similar services in St.. Joseph County with significantly larger resources than MFB Financial. In total, there are 13 financial institutions located in Mishawaka, Indiana, including MFB Financial. These financial institutions consist of three commercial banks, three savings banks and seven credit unions. MFB Financial must also compete with banks and savings institutions in Elkhart and South Bend since media advertising from these cities reaches the Mishawaka community. MFB Financial also competes with money market funds with respect to deposit accounts and with insurance companies with respect to individual retirement accounts.

Under current law, bank holding companies may acquire savings associations. Savings associations may also acquire banks under federal law. To date, several bank holding company acquisitions of healthy savings associations in Indiana have been completed. Affiliations between banks and healthy savings associations based in Indiana may also increase the competition faced by the Company.

In addition, The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Riegle-Neal Act") permits bank holding companies to acquire banks in other states and, with state consent and subject to certain limitations, allows banks to acquire out-of-state branches either through merger or de novo expansion. The State of Indiana recently passed a law establishing interstate branching provisions for Indiana state-chartered banks consistent with those established by the Riegle-Neal Act (the "Indiana Branching Law"). The Indiana Branching Law authorizes Indiana banks to branch interstate by merger or de novo expansion and authorizes out-of-state banks meeting certain requirements to branch into Indiana by merger de novo expansion. The Indiana Branching Law became effective March 15, 1996, provided that prior to June 1, 1997 interstate mergers and de novo branches are not permitted to out-of-state banks unless the laws of their home states permit Indiana banks to merge or establish de novo branches on a reciprocal basis. This new legislation may also result in increased competition for the Holding Company and the Bank.

The primary factors influencing competition for deposits are interest rates, service and convenience of office locations. MFB Financial competes for loan originations primarily through the efficiency and quality of services it provides borrowers, builders and realtors, and through interest rates and loan fees it charges. Competition is affected by, among other things, the general availability of lendable funds, general and local economic conditions, current interest rate levels, and other factors that are not readily predictable.

REGULATION

General

The Bank is a federally chartered savings bank, the deposits of which are federally insured and backed by the full faith and credit of the United States Government. Accordingly, the Bank is subject to broad federal regulation and oversight extending to all its operations. The Bank is a member of the FHLB of Indianapolis and is subject to certain limited regulation by the Board of Governors of the Federal Reserve System ("Federal Reserve Board"). As the savings and loan holding company of the Bank, the Company also is subject to federal regulation and oversight. The purpose of the regulation of the Company and other holding companies is to protect subsidiary savings associations. The Bank is a member of the Savings Association Insurance Fund ("SAIF") which together with the Bank Insurance Fund (the "BIF") are the two deposit insurance funds administered by the FDIC, and the deposits of the Bank are insured by the FDIC. As a result, the FDIC has certain regulatory and examination authority over the Bank. Certain of these regulatory requirements and restrictions are discussed below or elsewhere in this document.

The OTS has extensive authority over the operations of savings associations. As part of this authority, the Bank is required to file periodic reports with the OTS and is subject to periodic examinations by the OTS and the FDIC. The last regular OTS examination of the Bank was as of June 10, 1996 . When these examinations are conducted by the OTS, the examiners may require the Company to provide for higher general or specific loan loss reserves. All savings associations are subject to a semi-annual assessment, based upon the savings association's total assets, to fund the operations of the OTS. Currently, the assessment rates range from .0172761% of assets for associations with assets of $67 million or less to .0045864% for associations with assets in excess of $35 billion. The Bank's OTS assessment for the fiscal year ended September 30, 1996, was approximately $57,000.

The OTS also has extensive enforcement authority over all savings institutions and their holding companies, including the Bank and the Company. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with the OTS. Except under certain circumstances, public disclosure of final enforcement actions by the OTS is required.

In addition, the investment, lending and branching authority of the Bank is prescribed by federal laws and it is prohibited from engaging in any activities not permitted by such laws. For instance, no savings institution may invest in non-investment grade corporate debt securities. In addition, the permissable level of investment by federal associations in loans secured by non-residential real property may not exceed 400% of total capital, except with approval of the OTS. The Bank is in compliance with the noted restrictions.

Congress is considering legislation that would consolidate the supervision and regulation of all U.S. financial institutions into one or two administrative bodies, would expand the powers of financial institutions, and would provide regulatory relief to financial institutions ("the legislation"). It cannot be predicted whatever or when the legislation will be enacted or the extent to which the Bank or the Holding Company would be affected thereby.

Safety and Soundness Standards

The OTS, as well as the other federal banking agencies, has adopted guidelines establishing safety and soundness standards on such matters as loan underwriting and documentation, asset quality, earnings standards, internal controls and audit systems, interest rate risk exposure and compensation and other employee benefits. In general the standards are designed to assist the federal banking agencies in identifying and addressing problems at insured institutions before capital becomes impaired. Any institution which fails to comply with these standards must submit a compliance plan. Failure to submit a plan or to comply with an approved plan will subject the institution to further enforcement action.

Federal Home Loan Bank System

The Bank is a member of the FHLB system, which consists of 12 regional banks. The federal Housing Finance Board ("FHFB"), an independent agency, controls the FHLB System including the FHLB of Indianapolis. The FHLB System provides a central credit facility primarily for member savings associations and other member financial institutions. The Bank is required to hold shares of capital stock in the FHLB of Indianapolis in an amount at least equal to the greater of 1% of the aggregate principal amount of its unpaid residential mortgage loans, home purchase contracts and similar obligations at the end of each calendar year, .3% of its assets or 1/20 (or such greater fraction established by the FHLB) of outstanding FHLB advances, commitments, lines of credit and letters of credit. The Bank is currently in compliance with this requirement. At September 30, 1996, the Bank's investment in stock of the FHLB of Indianapolis was $1.3 million.

In past years, the Bank received substantial dividends on its FHLB stock. All 12 FHLB's are required to provide funds for the resolution of troubled savings associations and to establish affordable housing programs through direct loans or interest subsidies on advances to members to be used for lending at subsidized interest rates for low-and moderate-income, owner-occupied housing projects, affordable rental housing, and certain other community projects. These contributions and obligations could adversely affect the value of FHLB stock in the future. A reduction in value of such stock may result in a corresponding reduction in the Bank's capital.

The FHLB of Indianapolis serves as a reserve or central bank for member institutions within its assigned region. It is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes advances to members in accordance with policies and procedures established by the FHLB and the Board of Directors of the FHLB of Indianapolis.

All FHLB advances must be fully secured by sufficient collateral as determined by the FHLB. Eligible collateral includes first mortgage loans less than 90 days delinquent or securities

evidencing interests therein, securities (including mortgage-backed securities) issued, insured or guaranteed by the federal government or any agency thereof, FHLB deposits and, to a limited extent, real estate with readily ascertainable value in which a perfected security interest may be obtained. Other forms of collateral may be accepted as over collateralization or, under certain circumstances, to renew outstanding advances. All long-term advances are required to provide funds for residential home financing and the FHLB has established standards of community service that members must meet to maintain access to long-term advances.

Interest rates charged for advances vary depending upon maturity, the cost of funds to the FHLB of Indianapolis and the purpose of the borrowing. Under current law, savings associations which cease to be Qualified Thrift Lenders are ineligible to receive advances from their FHLB.

Insurance of Deposits

The FDIC administers two separate insurance funds, which are not commingled: one primarily for federally insured banks ("BIF") and one primarily for federally insured savings associations ("SAIF"). As the federal insurer of deposits of savings associations, the FDIC determines whether to grant insurance to newly-chartered savings associations, has authority to prohibit unsafe or unsound activities and has enforcement powers over savings associations (usually in conjunction with the OTS or on its own if the OTS does not undertake enforcement action).

Deposit accounts in the Bank are generally insured by the SAIF to a maximum of $100,000 for each insured depositor. As a condition to such insurance, the FDIC is authorized to issue regulations and, in conjunction with OTS, conduct examinations and generally supervise the operations of its insured members. This supervision extends to a comprehensive regulatory scheme governing, among other things, the form of deposit instruments issued by savings associations, and certain aspects of their lending activities, including appraisal requirements, private mortgage insurance coverage and lending authority.

The FDIC's deposit insurance premiums are assessed through a risk-based system under which all insured depository institutions are placed into one of nine categories and assessed insurance premiums based upon their level of capital and supervisory evaluation. Under the system, institutions classified as well-capitalized (i.e. a core capital ratio of at least 5%, a ratio of Tier 1 or core capital to risk-weighted assets ("Tier 1 risk-based capital") of at least 6% and a risk-based capital ratio of at least 10%) pay the lowest premium while institutions that are less than adequately capitalized (i.e. core or Tier 1 risk-based capital ratio of less than 4% or a risk- based capital ratio of less than 8%) and considered of substantial supervisory concern pay the highest premium. Risk classification of all insured institutions is made by the FDIC semi-annually.

The FDIC is authorized to increase assessment rates, on a semiannual basis, if it determines that the reserve ratio of the SAIF will be less than the designated reserve ratio of 1.25% of SAIF insured deposits. In setting these increased assessments, the FDIC must seek to restore the reserve ratio to that designated reserve level, or such higher reserve ratio as established by the FDIC. The FDIC may also impose special assessments on SAIF members to repay amounts

borrowed from the United States Treasury or for any other reason deemed necessary by the FDIC.

For the first six months of 1995, the assessment schedule for BIF members and SAIF members ranged from .23% to .31% of deposits. As is the case with the SAIF, the FDIC is authorized to adjust the insurance premium rates for banks that are insured by the BIF of the FDIC in order to maintain the reserve ratio of the BIF at 1.25% of BIF insured deposits. As a result of the BIF reaching its statutory reserve ratio, the FDIC revised the premium schedule for BIF insured institutions to provide a range of .04% to .31% of deposits. The revisions became effective in the third quarter of 1995. In addition BIF rates were further revised, effective January 1996, to provide a range of .0% to .27%. The SAIF rates, however, were not adjusted. At the time the FDIC revised the BIF premium schedule, it noted that, absent legislative action (as discussed below) , the SAIF would not attain its designated reserve ratio until the year 2002. As a result, SAIF insured members would continue to be generally subject to higher deposit insurance premiums than BIF insured institutions until, all things being equal, the SAIF attained its required reserve ratio.

In order to eliminate this disparity and any competitive disadvantage between BIF and SAIF member institutions with respect to deposit insurance premiums, legislation to recapitalize the SAIF was enacted in September, 1996. The legislation provided for a one-time assessment to be imposed on all deposits assessed at the SAIF rates, as of March 31, 1995, in order to recapitalize the SAIF. It also provides for the merger of the BIF and the SAIF on January 1, 1999 if no savings associations then exist. The special assessment rate was established at .657% of assessable deposits by the FDIC and the resulting assessment on the Bank of $955,000 was paid in November, 1996. This special assessment significantly increased noninterest expense and adversely affected the Company's results of operations for the year ended September 30, 1996. See "Management's Discussion and Analysis of Financial Condition and Results of Operations. " As a result of the special assessment, the Bank's annual deposit insurance premiums beginning in 1997 will be reduced to approximately $102,000 based upon its current risk classification and the new assessment schedule for SAIF insured institutions. These premiums are subject to change in future periods.

Prior to the enactment of the legislation, a portion of the SAIF assessment imposed on savings associations was used to repay obligations issued by a federally chartered corporation to provide financing ("FICO") for resolving the thrift crisis in the 1980's. Although the FDIC has proposed that the SAIF assessment be equalized with the BIF assessment schedule, effective, October 1, 1996, SAIF-insured institutions will continue to be subject to a FICO assessment as a result of this continuing obligation. Although the legislation also now requires assessments to be made on BIF-assessable deposits for this purpose, effective January 1, 1997, that assessment will be limited to 20% of the rate imposed on SAIF assessable deposits until the earlier of December 31, 1999 or when no savings association continues to exist, thereby imposing a greater burden on SAIF member institutions such as the Bank. Thereafter, however, assessments on BIF-member institutions will be made on the same basis as SAIF-member institutions. The rates to be established by the FDIC to implement this requirement for all FDIC- insured institutions are uncertain at this time, but are anticipated to be about a 6.5 basis points assessment on SAIF deposits and 1.5 basis points assessment on BIF deposits until BIF insured institutions participate fully in the assessment.

Regulatory Capital

Currently, savings associations are subject to three separate minimum capital-to-assets requirements: (i) a leverage limit, (ii) a tangible capital requirement, and (iii) a risk-based capital requirement. The leverage limit requires that savings associations maintain "core capital" of at least 3% of total assets. Core capital is generally defined as common stockholders' equity (including retained income), noncumulative perpetual preferred stock and related surplus, certain minority equity interests in subsidiaries, purchased mortgage servicing rights and purchased credit card relationships (which may be included in an amount up to 25% of core capital, but which are to be reported on an association's balance sheet at the lesser of 90% of their fair market value, 90% of their original price, or 100% of their remaining unamortized book value), less nonqualifying intangibles. Under the tangible capital requirement, a savings bank must maintain tangible capital (core capital less all intangible assets except purchased mortgage servicing rights and purchased credit card relationships which may be included after making the above-noted adjustments) of at least 1.5% of total assets. Under the risk-based capital requirements, a minimum amount of capital must be maintained by a savings bank to account for the relative risks inherent in the type and amount of assets held by the savings bank. The risk-based capital requirement requires a savings bank to maintain capital (defined generally for these purposes as core capital plus general valuation allowances and permanent or maturing capital instruments such as preferred stock and subordinated debt less assets required to be deducted) equal to 8.0% of risk-weighted assets. Assets are ranked as to risk in one of four categories (0-100%) with a credit risk-free asset such as cash requiring no risk-based capital and an asset with a significant credit risk such as a non-accrual loan being assigned a factor of 100%. At September 30, 1996, based on the capital standards then in effect, the Bank was in compliance with its fully phased-in capital requirements.

The Comptroller of the Currency requires minimum leverage ratio of 3% Tier 1 capital-to-total assets for the highest rated national banks, with an additional requirement of 100 to 200 basis points for all other national banks. Current law requires that the capital standards for savings associations be no less stringent than those applicable to national banks. Accordingly, the OTS has proposed revised capital regulations imposing a minimum core capital requirement of 3% for the highest rated savings associations, with an additional requirement of 100 to 200 basis points for all other savings associations. These regulations have not become effective and there can be no assurance as to whether, or in what form, such regulations will be adopted.

The OTS has delayed indefinitely implementation of a final rule which sets forth the methodology for calculating an interest rate risk component to be incorporated into the OTS regulatory capital rule. Under the new rule, only savings associations with "above normal" interest rate risk (institutions whose portfolio equity would decline in value by more than 2% of assets in the event of a hypothetical 200-basis-point move in interest rates) will be required to maintain additional capital for interest rate risk under the risk-based capital framework. In addition, most institutions with less than $300 million in assets and a risk-based capital ratio in excess of 12%, such as the Bank, are subject to less stringent reporting requirements and are

exempt from the new interest rate component of the new rule. Although the OTS has decided to delay implementation of this rule, it will continue to monitor the level of interest rate risk at individual institutions and it retains the authority, on a case-by-case basis, to impose additional capital requirements for individual institutions with significant interest rate risk.

If an association is not in compliance with its capital requirements, the OTS is required to prohibit asset growth and to impose a capital directive that may restrict, among other things, the payment of dividends and officers' compensation. In addition, the OTS and the FDIC generally are authorized to take enforcement actions against a savings bank that fails to meet its capital requirements, which actions may include restrictions on operations and banking activities, the imposition of a capital directive, a cease and desist order, civil money penalties or harsher measures such as the appointment of a receiver or conservator or a forced merger into another institution.

Prompt Corrective Action

Certain regulatory action is mandated or recommended for savings associations that are deemed to be well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. At each successively lower capital category, an institution is subject to more restrictive and numerous mandatory or discretionary regulatory actions or limits, and the OTS has less flexibility in determining how to resolve the problems of the institution. OTS regulations define these capital levels as follows: (1) well-capitalized associations must have total risk-based capital of at least 10%, core risk-based capital (consisting only of items that qualify for inclusion in core capital) of at least 6% and a leverage ratio of at least 5% and are not subject to any order or written directive of the OTS to maintain a specific capital level for any capital measure; (2) adequately capitalized associations are those that meet the regulatory minimum of total risk-based capital of 8%, core risk-based capital of 4% and a leverage ratio of 4% (except for institutions receiving the highest examination rating, in which case the requirement is 3%), but which are not well capitalized; (3) undercapitalized associations are those that do not meet the requirements for adequately capitalized associations, but that are not significantly undercapitalized; (4) significantly undercapitalized associations have total risk- based capital of less than 6%, core risk-based capital of less than 3% and a leverage ratio of less than 3%; and (5) critically undercapitalized associations are those with tangible capital of less than 2% of total assets. In addition, the OTS can downgrade an association's designation notwithstanding its capital level, based on less than satisfactory examination ratings in areas other than capital or if the institution is deemed to be in an unsafe or unsound condition. Each undercapitalized association must submit a capital restoration plan to the OTS within 45 days after it becomes undercapitalized. Such institution will be subject to increased monitoring and asset growth restrictions and will be required to obtain prior approval for acquisitions, branching and engaging in new lines of business. Significantly undercapitalized institutions must restrict the payment of bonuses and raises to their senior executive officers. Furthermore, a critically undercapitalized institution must be placed in conservatorship or receivership within 90 days after reaching such capitalization level, except under limited circumstances. It will also be prohibited from making payments on any subordinate debt securities without the prior approval of the FDIC and will be subject to significant additional operating restrictions. The Bank's capital at September 30, 1996, meets the standards for a well-capitalized association.

Federal law prohibits an insured institution from making a capital distribution to anyone or paying management fees to any person having control of the institution if, after such distribution or payment, the institution would be undercapitalized. In addition, each company controlling an undercapitalized institution must guarantee that the institution will comply with its capital plan until the institution has been adequately capitalized on an average during each of four consecutive calendar quarters and must provide adequate assurances of performance. The aggregate liability pursuant to such guarantee is limited to the lesser of (a) an amount equal to 5% of the institution's total assets at the time the institution became undercapitalized, or (b) the amount which is necessary to bring the institution into compliance with all capital standards applicable to such institution at the time the institution fails to comply with its capital restoration plan.

Capital Distributions Regulation

An OTS regulation imposes limitations upon all "capital distributions" by savings associations, including cash dividends, payments by an institution to repurchase or otherwise acquire its shares, payments to shareholders of another institution in a cash-out merger and other distributions charged against capital. The regulation establishes a three-tiered system of regulation, with the greatest flexibility being afforded to well-capitalized institutions. A savings bank which has total capital (immediately prior to and after giving effect to the capital distribution) that is a least equal to its fully phased-in capital requirements would be a Tier 1 institution ("Tier 1 Institution"). An institution that has total capital at least equal to its minimum capital requirements, but less than its fully phased-in capital requirements, would be a Tier 2 institution ("Tier 1 Institution"). An institution having total capital that is less than its minimum capital requirements would be a Tier 3 institution ("Tier 3 Institution"). However, an institution which otherwise qualifies as a Tier 1 institution may be designated by the OTS as a Tier 2 or Tier 3 institution if the OTS determines that the institution is "in need of more than normal supervision." The Bank is currently a Tier 1 Institution.

A Tier 1 Institution could, after prior notice but without the approval of the OTS, make capital distributions during a calendar year up to 100% of its net income to date during the calendar year plus an amount that would reduce by one-half its "surplus capital ratio" (the excess over its Fully Phased-in Capital Requirements) at the beginning of the calendar year. Any additional amount of capital distributions would require prior regulatory approval.

The OTS has proposed revisions to these regulations which would permit savings associations to declare dividends in amount which would assure that they remain adequately capitalized following the dividend declaration. Savings associations in a holding company system which are rated Camel 1 or 2 and which are not in troubled condition would need to file a prior notice with the OTS concerning such dividend declaration.

Real Estate Lending Standards

OTS regulations require savings associations to establish and maintain written internal real estate lending policies. Each association's lending policies must be consistent with safe and

sound banking practices and appropriate to the size of the association and the nature and scope of its operations. The policies must establish loan portfolio diversification standards; establish prudent underwriting standards, including loan-to-value limits, that are clear and measurable; establish loan administration procedures for the association's real estate portfolio; and establish documentation approval, and reporting requirements to monitor compliance with the association's real estate lending policies.

The association's written real estate lending policies must be reviewed and approved by the association's board of directors at least annually. Further, each association is expected to monitor conditions in its real estate market to ensure that its lending policies continue to be appropriate for current market conditions.

Federal Reserve System

Under FRB regulations, the Bank is required to maintain reserves against its transaction accounts (primarily checking and NOW accounts) and non-personal money market deposit accounts. The effect of these reserve requirements is to increase the Bank's cost of funds. The Bank is in compliance with its reserve requirements.

A federal savings bank, like other depository institutions maintaining reservable accounts, may borrow from the Federal Reserve Bank "discount window," but the FRB's regulations require the savings bank to exhaust other reasonable alternative sources, including borrowing from its regional FHLB, before borrowing from the Federal Reserve Bank. Certain limitations are imposed on the ability of undercapitalized depository institutions to borrow from Federal Reserve Banks.

Transactions with Affiliates

Transactions between savings associations and any affiliate are governed by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a savings bank is any company or entity which controls, is controlled by or is under common control with the savings bank. In a holding company context, the parent holding company of a savings bank (such as MFB) and any companies controlled by such parent holding company are affiliates of the savings bank. The subsidiaries of a savings bank, however, are not deemed affiliates under Section 23A and 23B; however, transactions between a subsidiary of a savings bank and any of the affiliates of a savings bank are subject to the requirements and limitations of Sections 23A and 23B.

Generally, Sections 23A and 23B (i) limit the extent to which the savings bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of such association's capital stock and surplus, and contain an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus and (ii) require that all such transactions be on terms substantially the same, or at least as favorable, to the association or subsidiary as those provided to a non-affiliate. The term "covered transaction" includes the making of loans, purchase of assets, issuance of a guarantee and similar types of transactions.

In addition to the restrictions imposed by Sections 23A and 23B, no savings bank may (i) loan or otherwise extend credit to an affiliate, except for any affiliate which engages only in activities which are permissible for bank holding companies, or (ii) purchase or invest in any stocks, bonds, debentures, notes, or similar obligations of any affiliate, except for affiliates which are subsidiaries of the savings bank.

The restrictions contained in Section 22(h) of the Federal Reserve Act on loans to executive officers, directors and principal shareholders also apply to savings associations. Under Section 22(h), loans to an executive officer and to a greater than 10% shareholder of a savings bank (18% in the case of institutions located in an area with less than 30,000 in population), and certain affiliated entities of either, may not exceed together with all other outstanding loans to such person and affiliated entities the association's loan-to-one-borrower limit (generally equal to 15% of the institution's unimpaired capital and surplus and an additional 10% of such capital and surplus for loans fully secured by certain readily marketable collateral). Section 22(h) also prohibits certain loans, above amounts prescribed by the appropriate federal banking agency, to directors, executive officers and greater than 10% shareholders of a savings bank, and their respective affiliates, unless such loan is approved in advance by a majority of the board of directors of the association with any "interested" director not participating in the voting. Currently, the FRB requires board of director approval for certain loans to directors, officers, and 10% shareholders (including all other outstanding loans to such persons) above the greater of $25,000 or 5% of capital and surplus (up to $500,000). Further, the FRB requires that loans to directors, executive officers and principal shareholders be made on terms substantially the same as offered in comparable transactions to other unaffiliated parties. Section 22(g) of the Federal Reserve Act, which imposes limitations on loans made to executive officers, also applies to savings associations.

Holding Company Regulation

MFB is regulated as a "non-diversified unitary savings and loan holding company" within the meaning of the Home Owners' Loan Act, as amended ("HOLA"), and subject to regulatory oversight of the Director of the OTS. As such, MFB is registered with the OTS and thereby subject to OTS regulations, examinations, supervision and reporting requirements. As a subsidiary of a savings and loan holding company, the Bank is subject to certain restrictions in its dealings with MFB and with other companies affiliated with MFB.

HOLA generally prohibits a savings and loan holding company, without prior approval of the Director of the OTS, from (i) acquiring control of any other savings bank or savings and loan holding company or controlling the assets thereof or (ii) acquiring or retaining more than 5 percent of the voting shares of a savings bank or holding company thereof which is not a subsidiary. Additionally, under certain circumstances a savings and loan holding company is permitted to acquire, with the approval of the Director of the OTS, up to 15 percent of previously unissued voting shares of an under-capitalized savings bank for cash without that savings bank being deemed controlled by the holding company. Except with the prior approval of the Director of the OTS, no director or officer of a savings and loan holding company or person owning or controlling by proxy or otherwise more than 25% of such company's stock, may also acquire control of any savings institution, other than a subsidiary institution, or any other savings and loan holding company.

MFB's Board of Directors presently intends to operate MFB as a unitary savings and loan holding company. There are generally no restrictions on the permissible business activities of a unitary savings and loan holding company. However, if the Director of OTS determines that there is reasonable cause to believe that the continuation by a savings and loan holding company of an activity constitutes a serious risk to the financial safety, soundness, or stability of its subsidiary savings bank, the Director of the OTS may impose such restrictions as deemed necessary to address such risk and limiting (i) payment of dividends by the savings bank, (ii) transactions between the savings bank and its affiliates, and (iii) any activities of the savings bank that might create a serious risk that the liabilities of the holding company and its affiliates may be imposed on the savings bank.

Notwithstanding the above rules as to permissible business activities of unitary savings and loan holding companies, if the savings bank subsidiary of such a holding company fails to meet the Qualified Thrift Lender ("QTL") test, then such unitary holding company would become subject to the activities restrictions applicable to multiple holding companies. (Additional restrictions on securing advances from the FHLB also apply). See "--Qualified Thrift Lender." At September 30, 1996, the Bank's asset composition was in excess of that required to qualify the Bank as a Qualified Thrift Lender.

If MFB were to acquire control of another savings institution other than through a merger or other business combination with the Bank, MFB would thereupon become a multiple savings and loan holding company. Except where such acquisition is pursuant to the authority to approve emergency thrift acquisitions and where each subsidiary savings bank meets the QTL test, the activities of MFB and any of its subsidiaries (other than the Bank or other subsidiary savings associations) would thereafter be subject to further restrictions. HOLA provides that, among other things, no multiple savings and loan holding company or subsidiary thereof which is not a savings bank shall commence or continue for a limited period of time after becoming a multiple savings and loan holding company or subsidiary thereof, any business activity other than (i) furnishing or performing management services for a subsidiary savings bank, (ii) conducting an insurance agency or escrow business, (iii) holding, managing, or liquidating assets owned by or acquired from a subsidiary savings institution, (iv) holding or managing properties used or occupied by a subsidiary savings institution, (v) acting as trustee under deeds of trust, (vi) those activities previously directly authorized by the FSLIC by regulation as of March 5, 1987, to be engaged in by multiple holding companies or (vii) those activities authorized by the FRB as permissible for bank holding companies, unless the Director of the OTS by regulation prohibits or limits such activities for savings and loan holding companies. Those activities described in (vii) above must also be approved by the Director of the OTS prior to being engaged in by a multiple holding company.

The Director of the OTS may also approve acquisitions resulting in the formation of a multiple savings and loan holding company which controls savings associations in more than one state, if the multiple savings and loan holding company involved controls a savings bank which operated a home or branch office in the state of the association to be acquired as of March 5, 1987, or if the laws of the state in which the institution to be acquired is located specifically permit institutions to be acquired by state-chartered institutions or savings and loan holding companies located in the state where the acquiring entity is located (or by a holding company that controls such state-chartered savings institutions). Also, the Director of the OTS may

approve an acquisition resulting in a multiple savings and loan holding company controlling savings associations in more than one state in the case of certain emergency thrift acquisitions.

Indiana law permits acquisitions of certain federal and state SAIF-insured savings banks and their holding companies ("Savings Banks") located in Indiana, Ohio, Kentucky, Illinois, and Michigan (the "Region") by other savings banks located in the Region. Savings Banks with their principal place of business in one of the states in the Region (other than Indiana) may acquire Savings Banks with their principal place of business in Indiana if, subject to certain other conditions, the state of the acquiring Savings Bank has reciprocal legislation permitting the acquisition of savings banks and their holding companies in that state by Indiana Savings Banks. Each of the states in the Region has, at least to a certain degree, reciprocal legislation. The Indiana statute also authorizes Indiana Savings Banks to acquire other Savings Banks in the Region. Following the acquisition, an acquired Indiana Savings Bank and any other Indiana Savings Bank subsidiary owned by the acquirer must hold no more than 15% of the total Savings Bank deposits in Indiana.

No subsidiary savings bank of a savings and loan holding company may declare or pay a dividend on its permanent or nonwithdrawable stock unless it first gives the Director of the OTS 30 days advance notice of such declaration and payment. Any dividend declared during such period or without the giving of such notice shall be invalid.

Branching

The OTS has adopted regulations which permit nationwide branching to the extent permitted by federal statute. Federal statutes permit federal savings associations to branch outside of their home state if the association meets the domestic building and loan test in Section 7701(a)(19) of the Internal Revenue Code of 1986, as amended (the "Code") or the asset composition test of Section 7701(c) of the Code. Branching that would result in the formation of a multiple savings and loan holding company controlling savings associations in more than one state is permitted if the law of the state in which the savings bank to be acquired is located specifically authorizes acquisition of its state-chartered associations by state-chartered associations or their holding companies in the state where the acquiring association or holding company is located.

Federal Securities Law

The shares of Common Stock of MFB are registered with the SEC under the 1934 Act. MFB is subject to the information, proxy solicitation, insider trading restrictions and other requirements of the 1934 Act and the rules of the SEC thereunder. After the third anniversary of the Bank's conversion to stock form, if MFB has fewer than 300 shareholders, it may deregister its shares under the 1934 Act and cease to be subject to the foregoing requirements.

Shares of Common Stock held by persons who are affiliates of MFB may not be resold without registration or unless sold in accordance with the resale restrictions of Rule 144 under the 1933 Act. If MFB meets the current public information requirements under Rule 144, each affiliate of MFB who complies with the other conditions of Rule 144 (including the two-year holding period and those that require the affiliate's sale to be aggregated with those of certain other persons) would be able to sell in the public market, without registration, a number of shares not to exceed, in any three-month period, the greater of (i) 1% of the outstanding shares of MFB or (ii) the average weekly volume of trading in such shares during the preceding four calendar weeks.

Qualified Thrift Lender

Under current OTS regulations, the QTL test requires that a savings bank have at least 65 % of its portfolio assets invested in "qualified thrift investments" on a monthly average basis in 9 out of every 12 months. Qualified thrift investments under the QTL test include: (i) loans made to purchase, refinance, construct, improve or repair domestic residential housing or manufactured housing; (ii) home equity loans; (iii) mortgage-backed securities; (iv) direct or indirect existing obligations of either the FDIC or the FSLIC for ten years from the date of issuance, if issued prior to July 1, 1989; (v) obligations of the FDIC, FSLIC, FSLIC Resolution Fund and the Resolution Trust Corporation for a five year period from July 1, 1989, if issued after such date; (vi) FHLB stock; (vii) 50% of the dollar amount of residential mortgage loans originated and sold within 90 days of origination; (viii) investments in service corporations that derive at least 80% of their gross revenues from activities directly related to purchasing, refinancing, constructing, improving or repairing domestic residential real estate or manufactured housing; (ix) 200% of the dollar amount of loans and investments made to acquire, develop and construct one to four-family residences that are valued at no more than 60% of the median value of homes constructed in the area; (x) 200% of the dollar amount of loans for the acquisition or improvement of residential real property, churches, schools, and nursing homes located within, and loans for any purpose to any small business located within, an area where credit needs of its low and moderate income residents are determined not to have been adequately met; (xi) loans for the purchase, construction improvement or upkeep of churches, schools, nursing homes and hospitals not qualified under (x); (xii) up to 10% of portfolio assets held in consumer loans or loans for educational purposes; and (xiii) FHLMC and FNMA stock. However, the aggregate amount of investments in categories (vii)-(xiii) which may be taken into account for the purpose of whether an institution meets the QTL test cannot exceed 15% of portfolio assets. Portfolio assets under the QTL test include all of an association's assets less (i) goodwill and other intangibles, (ii) the value of property used by the association to conduct its business, and (iii) its liquid assets as required to be maintained under law up to 20% of total assets.

A savings bank which fails to meet the QTL test must either convert to a bank (but its deposit insurance assessments and payments will be those of and paid to SAIF) or be subject to the following penalties: (i) it may not enter into any new activity except for those permissible for a national bank and for a savings bank; (ii) its branching activities shall be limited to those of a national bank; (iii) it shall not be eligible for any new FHLB advances; and (iv) it shall be bound by regulations applicable to national banks respecting payment of dividends. Three years after failing the QTL test the association must (i) dispose of any investment or activity not permissible for a national bank and a savings bank and (ii) repay all outstanding FHLB advances. If such a savings bank is controlled by a savings and loan holding company, then such holding company must, within a prescribed time period, become registered as a bank holding company and become subject to all rules and regulations applicable to bank holding companies (including restrictions as to the scope of permissible business activities).

A savings bank failing to meet the QTL test may re-qualify as a QTL if it thereafter meets the QTL test. In the event of such re-qualification it shall not be subject to the penalties described above. A savings bank which subsequently again fails to qualify under the QTL test shall become subject to all of the described penalties without application of any waiting period.

At September 30, 1996, 96.20% of the Bank's portfolio assets (as defined on that date) were invested in qualified thrift investment (as defined on that date), and therefore the Bank's asset composition was in excess of that required to qualify the Bank as a QTL. Also, the Bank does not expect to significantly change its lending or investment activities in the near future, and therefore expects to continue to qualify as a QTL, although there can be no such assurance.

Community Reinvestment Act Matters

Under current law, ratings of depository institutions under the Community Reinvestment Act of 1977 ("CRA") must be disclosed. The disclosure includes both a four-unit descriptive rating-- using terms such as satisfactory and unsatisfactory--and a written evaluation of each institution's performance. Each FHLB is required to establish standards of community investment or service that its members must maintain for continued access to long-term advances from the FHLBs. The standards take into account a member's performance under the Community Reinvestment Act and its record of lending to first-time home buyers. The FHLBs have established an "Affordable Housing Program" to subsidize the interest rate of advances to member associations engaged in lending for long-term, low-and moderate-income, owner-occupied and affordable rental housing at subsidized rates. The Bank is participating in this program. The examiners have determined that the Bank has a satisfactory record of meeting community credit needs governing the classification of assets of insured institutions consistent with the requirements.

TAXATION

Federal Taxation

Historically, Savings associations, such as the Bank, have been permitted to compute bad debt deductions using either the bank experience method or the percentage of taxable income method. However, in future years, only the specified experience formula method will be allowed as, in August, 1996, legislation was enacted that repealed the reserve method of accounting for federal income tax purposes. As a result, the Bank must recapture that portion of the reserve that exceeds the amount that could have been taken under the experience method for post-1987 tax years. The recapture will occur over a six-year period, the commencement of which will be delayed until the first taxable year beginning after December 31, 1997, provided the institution meets certain residential lending requirements. In addition, the pre-1988 reserve, for which no deferred taxes have been recorded, will not have to be recaptured into income unless (i) the bank no longer qualifies as a bank under the Code, or (ii) excess dividends or distributions are paid out by the Bank. The total amount of bad debt to be recaptured is approximately $1,310,000.

Depending on the composition of its items of income and expense, a savings bank may be

subject to the alternative minimum tax. A savings bank must pay an alternative minimum tax equal to the amount (if any) by which 20% of alternative minimum taxable income ("AMTI"), as reduced by an exemption varying with AMTI, exceeds the regular tax due. AMTI equals regular taxable income increased or decreased by certain tax preferences and adjustments, including depreciation deductions in excess of that allowable for alternative minimum tax purposes, tax-exempt interest on most private activity bonds issued after August 7, 1986 (reduced by any related interest expense disallowed for regular tax purposes), the amount of the bad debt reserve deduction claimed in excess of the deduction based on the experience method and 75% of the excess of adjusted current earnings over AMTI (before this adjustment and before any alternative tax net operating loss). AMTI may be reduced only up to 90% by net operating loss carryovers, but alternative minimum tax paid can be credited against regular tax due in later years.

For federal income tax purposes, MFB reports its income and expenses on the accrual method of accounting. MFB, the Bank and Mishawaka Financial file a consolidated federal income tax return for each fiscal year ending September 30. The federal income tax returns filed by MFB (or previously by the Bank) have not been audited in the last five years.

The consolidated federal income tax return filed by MFB has the effect of eliminating intercompany distributions, including dividends, in the computation of consolidated taxable income. Income of MFB generally would not be taken into account in determining the bad debt deduction allowed to the Bank, regardless whether a consolidated tax return is filed. However, certain "functionally related" losses of MFB would be required to be taken into account in determining the permitted bad debt deduction, which, depending upon the particular circumstances, could reduce the bad debt deduction.

State Taxation

For its taxable period beginning January 1, 1990, the Bank became subject to Indiana's new Financial Institutions Tax ("FIT"), which is imposed at a flat rate of 8.5% on "adjusted gross income." "Adjusted gross income," for purposes of FIT, begins with taxable income as defined by Section 63 of the Code and, thus, incorporates federal tax law to the extent that it affects the computation of taxable income. Federal taxable income is then adjusted by several Indiana modifications. Other applicable state taxes include generally applicable sales and use taxes plus real and personal property taxes.

MFB's (or previously the Bank's) state income tax returns have not been audited in the last five years.

Item 2. Properties.

At September 30, 1996, MFB Financial conducted its business from its main office at 121 South Church Street, Mishawaka, Indiana 46544, three full service branch offices and an additional loan origination office The main office and the three branch offices are owned by MFB Financial, while the loan origination office is leased.

The following table provides certain information with respect to MFB Financial's offices as of September 30, 1996:

Description and Address	Year Opened	Approximate Square Footage
Main Office 121 S. Church Street Mishawaka, IN 46544	1961	13,738
Branch Office 411 W. McKinley Ave. Mishawaka, IN 46545	1975	4,800
Branch Office 402 W. Cleveland Rd. Mishawaka, IN 46545	1977	2,540
Branch Office 2427 Mishawaka Ave. South Bend, IN 46615	1978	2,600
Loan Origination Office 227 S. Main St. Suite 110 Elkhart, In. 46516	1996	600

MFB Financial operates two automatic teller machines (ATMs), one at its McKinley branch and the other at its Cleveland Road branch. MFB Financial's ATMs participate in the nationwide CIRRUS ATM network.

MFB Financial owns computer and data processing equipment which is used for transaction processing and accounting.

MFB Financial also has contracted for the date processing and reporting services of BISYS, Inc. in Houston, Texas. The cost of these date processing services is approximately $17,000 per month.

Item 3. Legal Proceedings.

The Bank is involved in various legal actions arising in the normal course of its business. In the opinion of management, the resolutions of these legal actions are in the aggregate not expected to have a material adverse effect on the Company's results of operations.

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

No matter was submitted to a vote of MFB's shareholders during the quarter ended September 30, 1996.

Item 4.5. Executive Officers of MFB.

Presented below is certain information regarding the executive officers of MFB and MFB Financial:

Name	Position
Charles J. Viater	President and Chief Executive Officer of MFB and MFB Financial
M. Gilbert Eberhart	Secretary of MFB and MFB Financial
Timothy C. Boenne	Vice President and Controller of MFB Financial
Michael J. Portolese	Vice President of MFB Financial
William L. Stockton, Jr.	Vice President of MFB Financial

Charles J. Viater (age 42) has served as President and Chief Executive Officer of MFB Financial since September 1, 1995. For the previous he served as Chief Financial Officer of Amity Bancshares and Executive Vice President of Amity Federal Savings in Tinley Park, Illinois.

M. Gilbert Eberhart (age 62) has served as Secretary of MFB Financial since 1987 and of MFB since its organization. He is also a dentist based in Mishawaka.

Timothy C. Boenne (age 50) has served as Vice President and Controller of MFB Financial since 1992. Until 1992, he also served as Branch Manager for MFB Financial's McKinley Branch.

Michael J. Portolese (age 45) has served as Vice President of MFB Financial since 1977. He also serves as MFB Financial's Savings Administrator, Security Director and Compliance Coordinator.

William L. Stockton, Jr. (age 49) has served as Vice President of MFB Financial since 1988 and has been in charge of lending operations at MFB Financial since 1992.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters.

The Bank converted from a federally-chartered mutual savings and loan association to a federally-chartered stock savings bank effective March 24, 1994 (the "Conversion") and simultaneously formed a savings and loan holding company, MFB. MFB's common stock, without par value ("Common Stock"), is quoted on the National Association of Security Dealers Automated Quotation System ("NASDAQ"), National Market System, under the symbol "MFBC." The following table sets forth the high and low bid prices as reported by NASDAQ, and dividends paid per share for Common Stock for the quarters indicated. Such over-the-counter quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not necessarily represent actual transactions.

Quarter Ended	High Bid	Low Bid	Dividends Declared
December 31, 1994	$13.75	$10.625	None
March 31, 1995	14.50	12.50	None
June 30, 1995	14.25	13.00	None
September 30, 1995	16.25	13.00	None
December 31, 1995	16.25	14.75	None
March 31, 1996	15.25	13.75	None
June 30, 1996	14.75	13.75	$ .06/share
September 30, 1996	19.00	13.75	None

As of September 30, 1996, there were approximately 728 shareholders of record of MFB's Common Stock. MFB estimates that, as of that date, there were approximately 914 additional shareholders in "street name".

Since MFB has no independent operations or other subsidiaries to generate income, its ability to accumulate earnings for the payment of cash dividends to its shareholders is directly dependent upon the earnings on its investment securities and ability of the Bank to pay dividends to MFB.

Under OTS regulations, a converted savings bank may not declare or pay a cash dividend if the effect would be to reduce net worth below the amount required for the liquidation account created at the time it converted. In addition, under OTS regulations, the extent to which a savings bank may make a "capital distribution," which includes, among other things, cash dividends, will depend upon which one of three categories, based upon levels of capital, that savings bank is classified. The Bank is now and expects to continue to be a "tier one institution" and therefore would be able to pay cash dividends to MFB during any calendar year up to 100% of its net income during that calendar year plus the amount that would reduce by one-half its "surplus capital ratio" (the excess over its fully phased-end capital requirements) at the beginning of the calendar year. Prior notice of any dividend to be paid by the Bank will have to be given to the OTS.

Under current federal income tax law, dividend distributions with respect to the Common Stock, to the extent that such dividends paid are from the current or accumulated earnings and profits of the Bank (as calculated for federal income tax purposes), will be taxable as ordinary income to the recipient and will not be deductible by the Bank. Any dividend distributions in excess of current or accumulated earnings and profits will be treated for federal income tax purposes as a distribution from the Bank's accumulated bad debt reserves, which could result in increased federal income tax liability for the Bank.

Unlike the Bank, generally there is no restriction on the payment of dividends by MFB, subject to the determination of the director of the OTS that there is reasonable cause to believe that the payment of dividends constitutes a serious risk to the financial safety, soundness or stability of the Bank. Indiana law, however, would prohibit MFB from paying a dividend if, after giving effect to the payment of that dividend, MFB would not be able to pay its debts as they become due in the ordinary course of business, or if MFB's total assets would be less than the sum of its total liabilities plus preferential rights of holders of preferred stock, if any.

Item 6. Selected Financial Data.

The information required by this item is incorporated by reference to the material under the heading "Selected Consolidated Financial Data of MFB Corp. and Subsidiary" on page 4 of MFB's Annual Report to Shareholders for its fiscal year ended September 30, 1996 (the "Annual Report").

Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations.

The information required by this item is incorporated by reference to pages 5 through 15 of the Annual Report.

Item 8. Financial Statements and Supplementary Data.

MFB's Consolidated Financial Statements and Notes thereto contained on pages 16 through 46 of the Annual Report are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not Applicable.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required by this item with respect to directors is incorporated by reference to pages 2 through 3 of MFB's Proxy Statement for its 1997 Annual Shareholder Meeting (the "Proxy Statement"). Information concerning MFB's executive officers is included in Item 4.5 in Part 1 of this report. Information concerning compliance by such persons with Section 16(a) of the 1934 Act is incorporated by reference to page 7 of the Proxy Statement.

Item 11. Executive Compensation

The information required by this item with respect to executive compensation is incorporated by reference to pages 4 through 6 of the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this item is incorporated by reference to pages 1 through 3 of the Proxy Statement.

Item 13. Certain Relationships and Related Transactions.

The information required by this item is incorporated by reference to page 6 of the Proxy Statement.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

(a) The following financial statements are included in this report:

(b) MFB filed three Form 8-K reports during the quarter ended September 30, 1996.

Date of report: September 13, 1996
Item reported : News release dated September 13, 1996 regarding the announcement of its annual meeting date and amendment to the Code of Bylaws.

Date of report: August 5, 1996
Item reported : News release dated July 17, 1996 regarding the declaration of a $ .06 per share cash dividend payable on August 20, 1996 to holders of record on August 6, 1996.

Date of report: July 11, 1996
Item reported : News release dated July 11, 1996 regarding the announcement of third quarter earnings and the Board of Director's approval of plan to repurchase up to 5% of the outstanding shares of the Company's stock.

MFB filed one Form 8-K report during the quarter ended June 30, 1996.
Date of report: April 19, 1996
Item reported : News release dated April 9, 1996 announcing second quarter 1996 earnings and the Board of Director's approval of a plan to repurchase up to 5% of the outstanding shares of the company's stock.

(c) The exhibits filed herewith or incorporated by reference herein are set forth on the Exhibit Index on page E-1

(d) All schedules are omitted as the required information either is not applicable or is included in the consolidated Financial Statements or related notes.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act 9f 1934, as amended, the Registrant had duly caused this report to be signed on behalf of the undersigned, thereto duly authorized.

MFB CORP.

Date: December 30, 1996

By:/s/ Charles J. Viater

Charles J. Viater, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on this 30th day of December, 1996.

/s/ Charles J. Viater
Charles J. Viater
President, Chief Executive Officer
and Director
(Principal Executive Officer)

/s/ M. Gilbert Eberhart
M. Gilbert Eberhart, Director

/s/ Thomas F. Hums
Thomas F. Hums, Director

/s/ Timothy C. Boenne
Timothy C. Boenne
Vice President and Controller
(Principal Financial and Accounting Officer)

/s/ Jonathan E. Kintner
Jonathan E. Kintner, Director

/s/ Michael J. Marien
Michael J. Marien, Director

/s/ Marian K. Torian
Marian K. Torian,
Chairman of the Board

/s/ Reginald H. Wagle
Reginald H. Wagle, Director

EXHIBIT LIST

Exhibit Index		Page
3(1)	The Articles of Incorporation of the Registrant is incorporated by Reference to Exhibit 3(1) to the Registration Statement on Form S-1 (Registration No. 33-73098).	
3(2)	The Code of By-Laws of Registration is incorporated by reference to Item 7-Exhibit 3 of the October 15, 1995 Securities and Exchange Commission Form 8K Report.	
10(1)	MFB Corp. Stock Option Plan is incorporated by reference to Exhibit A to the Registrant's definitive Proxy Statement in respect of its 1996 Annual Shareholder Meeting.	*
10(2)	Mishawaka Federal Savings Recognition and Retention Plans and Trusts are incorporated by reference to Exhibit B to the Registrant's definitive Proxy Statement in respect of its 1996 Annual Shareholder Meeting.	*
10(3)	Employment Agreement between Mishawaka Federal Savings and Charles J. Viater is incorporated by reference to Exhibit 10(3) to the September 30, 1995 Form 10-K filed on December 27, 1995.	
10(4)	Employment Agreement between Mishawaka Federal Savings and Timothy C. Boenne is incorporated by reference to Exhibit 10(8) to the Registration on Form S-1 (Registration No. 33-73098).	*
10(5)	Employment Agreement between Mishawaka Federal Savings and Michael J. Portolese is incorporated by reference to Exhibit 10(10) to the Registration Statement on Form S-1 (Registration No. 33-73098).	*
10(6)	Employment Agreement between Mishawaka Federal Savings and	

	William L. Stockton, Jr. is incorporated by reference to Exhibit 10(11) to the Registration Statement on Form S-1 (Registration No. 33-73098).	*
21	Subsidiaries of the Registrant is incorporated by reference to Exhibit 22 to the Registration Statement on Form S-1 (Registration No. 33-73098).	
23	Consent of Crowe, Chizek and Company.	97
27	Financial Data Schedule	98

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* Management contracts and plans required to be filed as exhibits are included as Exhibits 10(1)-10(6).

ANNUAL REPORT
TO SHAREHOLDERS

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DESCRIPTION OF BUSINESS

MFB Corp. is an Indiana corporation organized in December, 1993, to become a unitary savings and loan holding company. MFB Corp. became a unitary savings and loan holding company upon the conversion of Mishawaka Federal Savings (the "Bank") from a federal mutual savings and loan association to a federal stock savings bank in March, 1994. MFB Corp. is the sole shareholder of the Bank. MFB Corp. and the Bank (collectively referred to as the "Company") conduct business from their main office in Mishawaka, Indiana, and three branch locations in St. Joseph County, Indiana. The Bank offers a variety of lending, deposit and other financial services to its retail and commercial customers. The Bank's wholly-owned subsidiary, Mishawaka Financial Services, Inc., is engaged in the sale of credit life, general fire and accident, car, home, and life insurance as agent for the Bank's customers and the general public.

MFB CORP.

P.O. Box 528 Mishawaka, IN 46546-0528 219/255-3146 Fax 219/255-3044

TO OUR SHAREHOLDERS:

On behalf of myself and the entire Board of Directors, it is a pleasure to provide you with the 1996 Annual Report of MFB Corp., the holding company for Mishawaka Federal Savings (the "Bank"). In March of 1994, after the formation of MFB Corp., the Bank converted to a federal stock savings bank and this report depicts only the second full year of operations as a stock company.

This past year has been one of many changes for our company. The emphasis has been on growth within our market that allows us to effectively utilize our capital, generate improved returns on your investment and enhance the value of the company's stock. We have improved our product and service offerings which has created opportunities to attract new customers and secure our relationship with existing customers. As we look at the financial highlights of the past year, I believe you will agree that the changes we've instituted are propelling the Company and the Bank forward toward the achievement of the above goals.

In 1996, the Company began offering a wider array of loan products to meet the needs of the community we serve. These products, combined with a concerted effort to increase the awareness level of the Bank in the marketplace, resulted in net loan portfolio growth of $30.9 million, the greatest single year of such growth in our 106 year history. At the same time, asset quality has not just remained unchanged, but has improved over the prior year. The Bank also began to develop a small business banking division that will allow us to attract local businesses that desire to receive a level of personal service that is critical to their success. Growth of this segment of our business in the coming years will be an important focus.

Deposit based product offerings have also been enhanced. The emphasis on core relationships, competitive terms and the highest quality service to customers has resulted in an increase in our deposit base of $14.4 million during the year. Non-interest bearing demand accounts increased significantly as did our certificate of deposit account base.

In addition to the growth discussed above, the Company undertook a leveraging strategy during this past year designed to further enhance earnings. The success of this strategy contributed to net earnings and helped improve the overall return on equity during the year.

A major legislative event effecting our Company took place on September 30, 1996. President Clinton signed into law a bill that included a provision to recapitalize the Savings Association Insurance Fund ("SAIF"). This bill resulted in a one time special assessment to all SAIF insured institutions equivalent to .657% of total assessable deposits as of March 31, 1995. This one time assessment amounted to $955,000 for our Company, or $577,000 on an after tax basis. Had this assessment not been incurred, the net income for the year would have been $1.5 million or $.76 per share. This assessment will result in a reduction in future insurance premiums and is expected to result in a payback period of approximately 3.6 years.

In April and May of 1996, the Company repurchased over 103,000 shares of its common stock. This activity resulted in a reduction of the total shares outstanding., an improvement in the book value of the remaining outstanding shares and had a positive impact on our return on equity. In addition, I am sure you are aware of the payment of our initial dividend in August, 1996 in the amount of $.06 per outstanding share. These events are part of our systematic approach to enhancing the long term value of your investment in our Company.

It has indeed been a year of change. The following pages of this report provide more details about the past year's results. Management will remain vigilant in our effort to identify additional opportunities to serve the financial needs of our community effectively and profitably. We are committed to growing the long term value of your investment in a prudent, intelligent fashion. We appreciate the confidence you have shown in MFB Corp. and we will continue to operate the Company in an effort to reward that confidence.

/s/ Charles J. Viater
Charles J. Viater
President and Chief Executive Officer

SELECTED CONSOLIDATED FINANCIAL DATA OF
MFB CORP. AND SUBSIDIARY

The following selected consolidated financial data of MFB Corp. and its subsidiary is qualified in its entirety by, and should be read in conjunction with, the consolidated financial statements, including notes thereto, included elsewhere in this Annual Report.

<TABLE>
<CAPTION>

	At September 30, (In Thousands)				
	1996	1995	1994	1993	1992
Summary of Financial Condition:					
<S>	<C>	<C>	<C>	<C>	<C>
Total assets	$225,809	$187,065	$183,753	$168,581	$164,554
Loans receivable, net	152,052	121,181	115,297	108,212	112,226
Cash and cash equivalents	1,734	7,454	6,153	20,820	7,888
Securities	68,099	53,293	56,107	16,624	21,714
Interest-bearing time deposits in other financial institutions	495	1,880	3,365	20,469	20,108
Deposits	158,964	144,552	143,604	149,220	146,681
FHLB advances	24,500	--	--	--	--
Shareholders' equity	37,599	37,999	37,705	16,964	15,677

</TABLE>

<TABLE>
<CAPTION>

	Years Ended September 30, (In Thousands)				
	1996	1995	1994	1993	1992
Summary of Operating Results:					
<S>	<C>	<C>	<C>	<C>	<C>
Interest income	$ 14,182	$ 12,383	$ 11,545	$ 11,931	$ 13,684
Interest expense	8,057	6,788	6,019	6,559	8,445
Net interest income	6,125	5,595	5,526	5,372	5,239
Provision for loan losses	30	30	30	192	27
Net interest income after provision for loan losses	6,095	5,565	5,496	5,180	5,212
Noninterest income					
Insurance commissions	127	128	127	126	133
Net gain from sales of securities	3	--	--	10	--
Other	232	189	151	159	160
Total noninterest income	362	317	278	295	293
Noninterest expense					
Salaries and employee benefits	2,153	2,336	1,969	1,600	1,483
Occupancy and equipment expense	422	406	379	378	409
SAIF deposit insurance premium	1,291	332	341	280	321
Other expense	969	753	666	621	580
Total noninterest expense	4,835	3,827	3,355	2,879	2,793
Income before income taxes and cumulative effect of change in accounting principles	1,622	2,055	2,419	2,596	2,712
Income tax expense	647	819	887	1,121	1,011
Income before cumulative effect of change in accounting principles	975	1,236	1,532	1,475	1,701
Cumulative effect of change in accounting for income taxes	--	--	--	(188)	--
Net income	$ 975	$ 1,236	$ 1,532	$ 1,287	$ 1,701
Supplemental Data:					
Return on assets (1)	.49%	.67%	.86%	.77%	1.04%
Return on equity (2)	2.61	3.25	5.60	7.75	11.30
Interest rate spread (3)	2.13	2.12	2.57	2.85	2.74
Net yield on average interest-earning assets (4)	3.11	3.10	3.18	3.28	3.26
Dividend pay-out ratio (5)	12.24	--	--	--	--
Net interest income to operating expenses (6)	126.68	146.20	164.71	186.59	187.58
Equity-to-assets (7)	16.65	20.31	20.52	10.06	9.53
Average interest-earning assets to average interest-bearing liabilities	123.95	126.12	117.61	110.73	109.68
Non-performing assets to total assets	.09	.17	.07	.16	.11
Non-performing loans to total loans	.13	.25	.09	.21	.16
Allowance for loan losses to total loans, net	.22	.26	.24	.23	.05
Allowance for loan losses to non-performing loans	171.72	100.65	261.68	112.11	32.77
Earnings per share (8)	$ .49	$ .59	$ .43	$--	$--
Earnings per share fully diluted (8)	$ .48	$ .59	$ .43	$--	$--
Dividends declared per share	$ .06	$--	$--	$--	$--
Book value per share	$ 19.05	$ 18.29	$ 17.24	$--	$--
Number of offices	4	4	4	4	4

</TABLE>

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(1) Net income divided by average total assets.
(2) Net income divided by average total equity.
(3) Interest rate spread is calculated by subtracting average interest rate cost from average interest rate earned.
(4) Net interest income divided by average interest-earning assets.
(5) Dividends declared per share divided by earnings per share.
(6) Operating expenses consist of other expenses less taxes.
(7) Total equity divided by total assets.
(8) Earnings per common and common equivalent share subsequent to conversion.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The principal business of the Bank has historically consisted of attracting deposits from the general public and making loans secured by residential and other real estate. The Bank is significantly affected by prevailing economic conditions as well as government policies and regulations concerning, among other things, monetary and fiscal affairs, housing and financial institutions. Deposit flows are influenced by a number of factors, including interest rates paid on competing investments, account maturities and level of personal income and savings. In addition, deposit growth is affected by how customers perceive the stability of the financial services industry amid various current events such as regulatory changes and financing of the deposit insurance fund. Lending activities are influenced by the demand for and supply of housing lenders, the availability and cost of funds and various other items. Sources of funds for lending activities of the Bank include deposits, borrowings, payments on loans and income provided from operations. The Company's earnings are primarily dependent upon the Bank's net interest income, the difference between interest income and interest expense.

Interest income is a function of the balances of loans and investments outstanding during a given period and the yield earned on such loans and investments. Interest expense is a function of the amount of deposits and borrowings outstanding during the same period and interest rates paid on such deposits and borrowings. The Company's earnings are also affected by the Bank's provisions for loan and real estate losses, service charges, income from subsidiary activities, operating expenses and income taxes.

ASSET/LIABILITY MANAGEMENT

The Company is subject to interest rate risk to the degree that its interest-bearing liabilities, primarily deposits with short and medium-term maturities, mature or reprice at different rates than its interest-earning assets. Although having liabilities that mature or reprice less frequently on average than assets will be beneficial in times of rising interest rates, such an asset/liability structure will result in lower net income during periods of declining interest rates, unless offset by other factors such as noninterest income.

A key element of the Company's asset/liability plan is to protect net earnings from changes in interest rates by reducing the maturity or repricing mismatch between its interest-earning assets and rate-sensitive liabilities. The Company's one year interest rate gap has been between a negative 36.01% and a positive 9.14% at the end of each year from September 30, 1992, to September 30, 1996. This assumes that deposit accounts reprice based on assumptions indicated below the following table. The Company's interest rate gap was a negative 36.01% as of September 30, 1996. A negative interest rate gap leaves the Company's earnings vulnerable to periods of rising interests rates because during such periods the interest expense paid on liabilities will generally increase more rapidly than the interest income earned on assets. Conversely, in a falling interest rate environment, the total expense paid on liabilities will generally decrease more rapidly than the interest income earned on assets. A positive interest rate gap would have the opposite effect. The Company's management believes that the Company's interest rate gap in recent periods has generally been maintained within an acceptable range in view of the prevailing interest rate environment.

The Office of Thrift Supervision (the "OTS") also provides a Net Portfolio Value ("NPV") approach to the measurement of interest rate risk. In essence, this approach calculates the difference between the present value of expected cash flows from assets and the present value of expected cash flows from liabilities, as well as cash flows from off-balance sheet contracts. The difference is the NPV. As of June 30, 1996, (the most recently available data), after a 200 basis point rate change, the Bank's NPV ratio was 13.34%. Management reviews the quarterly OTS measurements on a quarterly basis as the implementation of the Company's interest rate risk policy is done within limits established by the Board of Directors on the amount of change in NPV which is acceptable given certain interest rate changes.

In addition to monitoring selected measures on NPV, management also monitors effects on net interest income resulting from increases or decreases in rates. This measure is used in conjunction with NPV measures to identify excessive interest rate risk. In managing its asset/liability mix, the Company, depending on the relationship between long and short term interest rates, market conditions and consumer preference, may place somewhat greater emphasis on maximizing its net interest margin than on strictly matching the interest rate sensitivity of its assets and liabilities. Management believes that the increased net income which may result from an acceptable mismatch in the actual maturity or repricing of its asset and liability portfolios can, during periods of declining or stable interest rates, provide sufficient returns to justify the increased exposure to sudden and unexpected increases in interest rates which may result from such a mismatch. Management believes that the Company's level of interest rate risk is acceptable under this approach as well.

The following table illustrates the projected maturities and repricing of the major consolidated asset and liability categories of the Company as of

September 30,1996. Maturity and repricing dates have been projected by applying the assumptions set forth below to contractual maturity, call dates and repricing dates. The information presented in the following table is derived from data maintained by the Company and is not adjusted for prepayments. Since most of the loans are adjustable rate loans which are due to reprice within five years or less, management feels that loan prepayments will not have a significant impact on the results of the table below.

<TABLE>
<CAPTION>

	At September 30, 1996 maturing or Repricing Within					
	Less Than 3 Months	3 to 6 Months	6 Months to 1 Year	1 to 3 Years	3 to 5 Years	5 to 10 Years
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Adjustable rate mortgages	$ 16,671	$ 12,613	$ 35,427	$ 33,223	$ 16,551	$ 15,851
Fixed rate mortgages	4	11	10	202	625	1,787
Equity Loans	3,522	--	--	--	91	177
Financing leases	--	--	37	--	190	898
Consumer loans	22	17	35	9	--	--
Securities	15,509	6,038	5,789	13,515	1,838	--
Mortgage-backed securities	4,537	--	--	5,013	--	--
Interest -earning time deposits	297	198				
Stock in FHLB of Indianapolis						
Deferred loan fees	(16)	(14)	(22)	(9)	(15)	(21)
Loans in process	(441)	(12)	(9)	(402)	(420)	(269)
	40,105	18,851	41,267	51,551	18,860	18,423
Interest-bearing Liabiliites						
Certificates of deposit	25,426	20,163	39,940	32,923	3,466	325
Savings acoounts	9,695	--	--	--	--	--
NOW and money market accounts	25,085	--	--	--	--	--
FHLB advances	15,000	1,000	--	8,500	--	--
	75,206	21,163	39,940	41,423	3,466	325
Excess (deficiency) of interest-earning assets over interest bearing liabilities	(35,101)	(2,312)	1,327	10,128	15,394	18,098
Cumulative excess (deficiency) of interest-earning assets over interest bearing liabilities	(35,101)	(37,413)	(36,086)	(25,958)	(10,564)	7,534
Cumulative interest rate gap to total interest-earning assets	-87.52%	-63.46%	-36.01%	-17.10%	-6.19%	3.99%
Off balance sheet assets (1)	2,771	7,303	2,994	402	727	6,625

</TABLE>

	At September 30, 1996 maturing or Repricing Within		
	10 to 20 Years	Over 20 Years	Total
Adjustable rate mortgages	$---	$---	$130,336
Fixed rate mortgages	13,448	3,372	19,459
Equity Loans	--	--	3,790
Financing leases	--	--	1,125
Consumer loans	--	--	83
Securities	--	--	42,689
Mortgage-backed securities	5,007	9,517	24,074
Interest -earning time deposits			495
Stock in FHLB of Indianapolis		1,336	1,336
Deferred loan fees	(180)	(163)	(440)
Loans in process	(408)	--	(1,961)
	17,867	14,062	220,986
Interest-bearing Liabiliites			
Certificates of deposit	--	--	122,243
Savings acoounts	--	--	9,695
NOW and money market accounts	--	--	25,085
FHLB advances	--	--	24,500
	--	--	181,523
Excess (deficiency) of interest-earning assets over interest bearing liabilities	17,867	14.062	39,463

	======	======	======
Cumulative excess (deficiency) of interest-earning assets over interest bearing liabilities	25,401	39,463	39,463
Cumulative interest rate gap to total interest-earning assets	12.28%	17.86%	17.86%
Off balance sheet assets (1)	408	--	21,230

----

(1) Includes loan commitments and loans in process

It is assumed that fixed maturity deposits are not withdrawn prior to maturity, that other deposits are withdrawn or reprice in three months or less due to the likelihood that such deposits will reprice in the event of significant changes in the overall level of interest rates available in the marketplace and that callable securities are repricing at the call date.

In evaluating the Company's exposure to interest rate movements, certain shortcomings inherent in the method of analysis presented in the foregoing table must be considered. 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 interest rates. Additionally, certain assets, such as ARM's, have features which restrict changes in interest rates on a short-term basis and over the life of the asset. Further, in the event of a significant change in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed above. Finally, the ability of many borrowers to service their debt may decrease in the event of an interest rate increase. The Company considers all of these factors in monitoring its exposure to interest rate risk.

The adjustable rate first mortgage loans the Bank holds in its portfolio are primarily indexed to the National Median Cost of Funds and interest rate adjustments on these loans may lag behind changes in market rates. At September 30,1996, these loans totaled $130.3 million, or 84.2% of the Bank's total loan portfolio. In August, 1996 the Bank began originating adjustable rate mortgage loans using the One Year Treasury Index. As a general rule, market rate adjustments on loans indexed to the National Median Cost of Funds lag behind changes in market rates due to the fact that the index is tied to variables that may not reprice on a basis as quickly as market rates (e. g., the One Year Treasury). In a period of rising interest rates, the Bank's adjustable rate residential loans may not adjust upward as quickly as market rates thereby adversely affecting the Company's net interest income. Conversely, in a period of declining interest rates, the Bank's adjustable rate residential loans may not adjust downward as quickly as market rates thereby positively affecting the Company's net interest income. In any case, such adjustments may be limited by loan terms which restrict changes in interest rates on a short-term basis and over the life of the loan.

AVERAGE BALANCE SHEETS

The following are the average balance sheets for the years ended September 30:

<TABLE>
<CAPTION>

	1996 Average Outstanding Balance	1995 Average Outstanding Balance	1994 Average Outstanding Balance
	-------	-------	-------
Assets:		(In thousands)	
Interest-earning assets:			
<S>	<C>	<C>	<C>
Interest-bearing deposits	$ 6,709	$ 7,995	$ 24,117
Securities (1)	35,392	39,841	27,093
Mortgage-backed securities (1)	19,717	12,558	10,698
Loans receivable (2)	133,670	118,735	110,540
Stock in FHLB of Indianapolis	1,303	1,223	1,149
	-------------	------------	------------
Total interest-earning assets	196,791	180,352	173,597
Non-interest earning assets, net of allowance for loan losses	3,792	3,517	3,546
	-------------	------------	------------
Total assets	$ 200,583	$ 183,869	$ 177,143
	=============	============	============

Liabilities and shareholders' equity:			
Interest-bearing liabilities:			
Savings accounts	$ 9,746	$ 9,774	$ 9,646
NOW and money market accounts	26,006	26,672	30,662
Certificates of deposit	113,570	106,556	107,294
FHLB borrowings	9,625	-	-
Total interest-bearing liabilities	158,947	143,002	147,602
Other liabilities	4,229	2,838	2,200
Total liabilities	163,176	145,840	149,802
Shareholders' equity			
Common stock	19,064	20,527	10,524
Retained earnings	19,718	19,117	17,802
Less common stock acquired by:			
Employee stock ownership plan	(1,007)	(1,208)	(675)
Recognition and retention plans	(235)	(407)	(310)
Unrealized gain (loss) on securities available for sale	(133)	-	-
Total shareholders' equity	37,407	38,029	27,341
Total liabilities and shareholders' equity	$ 200,583	$ 183,869	$ 177,143

</TABLE>

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(1) Average outstanding balance reflects unrealized gain (loss) on securities available for sale.

(2) Total loans less deferred net loan fees and loans in process.

INTEREST RATE SPREAD

The following table sets forth the average effective interest rate earned by the Company on its consolidated loan and investment portfolios, the average effective cost of the Company's consolidated deposits and FHLB borrowings, the interest rate spread of the Company, and the net yield on average interest-earning assets for the periods presented. Average balances are based on daily average balances.

	Year ended September 30,		
	1996	1995	1994
Average interest rate earned on:			
Interest-earning deposits	6.29%	6.03%	3.82%
Securities(l)	6.17%	5.77%	5.53%
Mortage-backed securities(l)	6.15%	5.51%	5.48%
Loans receivable	7.67%	7.42%	7.67%
Stock in FHLB of Indianapolis	7.90%	7.60%	5.22%
Total interest-earning assets	7.20%	6.87%	6.65%
Average interst rate of:			
Savings accounts	2.77%	2.80%	2.75%
NOW and money market accounts	3.12%	3.24%	2.65%
Certificates of depoist	5.68%	5.30%	4.61%
FHLB advances	5.50%	---	---
Total interst-bearing liabilities	5.07%	4.75%	4.08%
Interst rate spread (2)	2.13%	2.12%	2.57%
Net yield on interest-eaming assets (3)	3.11%	3.10%	3.18%

----

(1) Yield is based on amortized cost without adjustment for unrealized gain (loss) on securities available for sale

(2) Interest rate spread is calculated by subtracting the average interest rate cost from the average interest rate earned for the period indicated.

(3) The net yield on average interest-earning assets is calculated by dividing net interest income by the average interest-earning assets for the period indicated.

The following table describes the extent to which changes in interest rates and changes in volume of interest-related assets and liabilities have affected the Company's consolidated interest income and expense during the periods indicated.

For each category of interest-earning asset and interest-bearing liability, information is provided on changes attributable to (1) changes in rate (i.e., changes in rate multiplied by old volume) and (2) changes in volume (i.e., changes in volume multiplied by old rate). Changes attributable to both rate and volume have been allocated proportionally to the change due to volume and the change due to rate.

<TABLE>
<CAPTION>

	Increase (Decrease) in Net Interest Income		
	Total Net Change	Due to Rate	Due to Volume
		(In thousands)	
Year ended September 30, 1996 compared to year ended September 30, 1995			
Interest-earning assets			
Interest-bearing deposits	$ (60)	$ 20	$ (80)
Securities	(114)	154	(268)
Mortgage-backed securities	533	97	436
Loans receivable	1,430	293	1,137
Stock in FHLB of Indianapolis	10	4	6
Total	1,799	568	1,231
Interest-bearing liabilities			
Savings accounts	(4)	(3)	(1)
NOW and money market accounts	(52)	(31)	(21)
Certificates of deposit	796	411	385
FHLB borrowings	529	-	529
Total	1,269	377	892
Change in net interest income	$ 530	$ 191	$ 339

</TABLE>

<TABLE>
<CAPTION>

	Increase (Decrease) in Net Interest Income		
	Total Net Change	Due to Rate	Due to Volume
		(In thousands)	
Year ended September 30, 1995 compared to year ended September 30, 1994			
Interest-earning assets			
Interest-bearing deposits	$ (440)	$ 367	$ (807)
Securities	802	69	733
Mortgage-backed securities	106	4	102
Loans receivable	337	(278)	615
Stock in FHLB of Indianapolis	33	29	4
Total	838	191	647
Interest-bearing liabilities			
Savings accounts	9	5	4
NOW and money market accounts	50	164	(114)
Certificates of deposit	710	744	(34)
Total	769	913	(144)
Change in net interest income	$ 69	$ (722)	$ 791

</TABLE>

COMPARISON OF FISCAL YEARS ENDED SEPTEMBER 30,1996 AND SEPTEMBER 30, 1995.

Consolidated net income for the Company for the year ended September 30,1996 was $975,000 compared to $1.2 million for the same period in 1995. The decrease of $261,000 resulted primarily from a one time special assessment to recapitalize the Savings Association Insurance Fund ("SAIF") of $955,000, partially offset by a $530,000 increase in net interest income from $5.6 million in 1995 to $6.1 million in 1996 and a $172,000 decrease in income tax expense. Had the special assessment not been incurred, net income for the year ended September 30, 1996 would have amounted to $1.6 million.

The increase in net interest income was due to increases in both the volume of interest-earning assets and higher rates earned which was partially offset by increases in the volume of interest-bearing liabilities and rates paid. The average rate paid on interest-bearing liabilities increased 32 basis points from 4.75% in 1995 to 5.07% in 1996, while the yield on interest-earning assets increased 33 basis points from 6.87% in 1995 to 7.20% in 1996. As a result, the interest rate spread increased one basis point from 2.12% in 1995 to 2.13% in 1996.

As of September 30, 1996 net loans were $152.1 million, $30.9 million more than net loans of $121.2 million as of September 30, 1995. Deposits increased $14.4 million to $159.0 million as of September 30, 1996 from $144.6 million as of September 30, 1995.

Cash and cash equivalents decreased $5.8 million from $7.5 million as of September 30, 1995 to $1.7 million as of September 30, 1996 primarily as a result of a $5.4 million decrease in interest-bearing time deposits in other financial institutions.

The securities portfolio consists of government, government agency and mortgage-related securities. Several changes occurred in this portfolio during the year ended September 30,1996. In November, 1995, the Financial Accounting Standards Board ("FASB") issued a special report, A Guide to Implementation of SFAS No.115 on Accounting for Certain Investments in Debt and Equity Securities ("Guide"). As permitted by the Guide, on November 30, 1995, the Company made a one-time reassessment and transferred securities from the held-to-maturity portfolio to the available-for-sale portfolio. At the date of transfer, these securities had an amortized cost of $47.9 million, and the transfer increased the unrealized appreciation on securities available-for-sale by $196,000 and increased shareholders' equity by $119,000 net of tax of $77,000. In addition, during the year ended September 30, 1996, the Company adopted a capital leveraging strategy that involved the purchase of mortgage related and other securities funded primarily with Federal Home Loan Bank ("FHLB") advances. This leveraging portfolio represented $26.6 million of the total securities portfolio at September 30, 1996. As of September 30, 1996 the total securities portfolio amounted to $66.8 million, an increase of $14.8 million from $52.0 million at September 30, 1995. This increase is primarily related to the $26.6 million increase in the leveraging portfolio, partially offset by net sales and maturities of other securities of $11.8 million during the year.

The $30.9 million increase in net loans was funded primarily from the $14.4 million increase in deposits, the $5.8 million decrease in cash and cash equivalents and the $11.8 million decrease in securities discussed above.

Total liabilities increased $39.1 million from $149.1 million as of September 30, 1995 to $188.2 million as of September 30, 1996 primarily due to the $14.4

million increase in deposits and a $24.5 million increase in FHLB borrowings used to fund the leveraged securities portfolio.

Total shareholders' equity decreased $400,000 from $38.0 million as of September 30, 1995 to $37.6 million as of September 30, 1996. The decrease was primarily attributable to the repurchase of the Company's common stock during the year in the amount of $1.5 million, partially offset by net income of $975,000 for the year ended September 30, 1996.

The book value of MFB Corp. Common stock, based on the actual number of shares outstanding at each period, increased from $18.29 as of September 30, 1995 to $19.05 as of September 30, 1996.

Interest income increased $1.8 million during the year ended September 30, 1996 compared to the same period one year ago. The increase was primarily related to increased volumes of loans receivable and mortgage-backed securities partially offset by a decrease in the volume of lower yielding interest-bearing deposits and securities. A general increase in rates also contributed to the increase. Interest expense increased $1.3 million during the most recently reported twelve month period primarily as a result of increased volumes of certificates of deposit and FHLB borrowings. Increased rates paid on certificates of deposit also contributed to the interest expense increase. Net interest income increased $530,00 for the year ended September 30, 1996 compared to the year ended September 30, 1995.

Noninterest income increased from $317,000 for the year ended September 30, 1995 to $362,000 for the twelve months ended September 30, 1996. The increase was primarily due to increased fee income related to demand deposit accounts. Non-interest expense increased to $4.8 million for the year ended September 30, 1996 from $3.8 million for the same period last year. This increase is primarily related to the one time special assessment to recapitalize the SAIF of $955,000.

COMPARISON OF FISCAL YEARS ENDED SEPTEMBER 30,1995 AND SEPTEMBER 30,1994.

Consolidated net income for the Company for the year ended September 30, 1995 was $1.2 million compared to $1.5 million for the same period in 1994. The decrease of $296,000 resulted primarily from a $472,000 increase in noninterest expense from $3.4 million to $3.8 million for the comparative twelve month periods, which was partially offset by a $69,000 increase in net interest income and a $68,000 decrease in income tax expense.

As of September 30, 1995, net loans receivable were $121.2 million, $5.9 million more than net loans of $115.3 million as of September 30, 1994. Deposits increased $947,000 to $144.6 million as of September 30, 1995 from $143.6 million as of September 30, 1994.

Cash and cash equivalents increased $1.3 million from $6.2 million as of September 30, 1994 to $7.5 million as of September 30, 1995 as a result of increasing the interest-bearing deposits in other financial institutions from $4.3 million to $5.4 million during the same period.

Total liabilities increased $3.1 million from $146.0 million as of September 30, 1994 to $149.1 million as of September 30, 1995 primarily due to the September, 1995 commitments to purchase $2.0 million in securities with settlement dates in

October, 1995. As a result of these security transactions, accrued expenses and other liabilities increased from $244,000 as of September 30, 1994 to $2.3 million as of September 30, 1995.

Total shareholders' equity increased from $37.7 million as of September 30, 1994 to $38.0 million as of September 30, 1995. This increase was primarily attributable to the $1.2 million in net income for the year ended September 30, 1995, along with the amortization of $250,000 relative to the recognition and retention plans contra equity account and $300,000 relative to the contribution to fund the Employee Stock Ownership Plan (ESOP) and market adjustment of ESOP shares. Offsetting these increases was the purchase and retirement of 109,361 shares of common stock for $1.5 million.

The book value of MFB Corp. Common stock, based on the actual number of shares outstanding at each period, increased from $17.24 as of September 30, 1994 to $18.29 as of September 30, 1995.

As the $20.3 million in net proceeds from the March, 1994 stock conversion was used primarily to purchase securities, $2.3 million in interest income was generated from securities, excluding mortgage-backed securities, for the year ended September 30, 1995 versus $1.6 million for the year ended September 30, 1994, an $802,000 increase for the comparative periods. Also contributing to the $838,000 total interest income increase from $11.5 million for the year ended September 30, 1994 to $12.4 million for the year ended September 30, 1995 was the increase in the volume of loans receivable and decrease in the volume of lower yielding interest-bearing deposits in other financial institutions.

Total noninterest expense increased $472,000 from $3.4 million for the year ended September 30, 1994 to $3.8 million for the year ended September 30, 1995. The increase was primarily due to a $367,000 increase in salaries and employee benefits. Higher legal and auditing fees associated with the conversion to a stock savings bank, and costs incurred in the search for a successor CEO, also contributed to increasing noninterest expense for the comparable periods.

BIF/SAIF FUND RESOLUTION

On September 30, 1996, the president signed into law a bill that included a measure to recapitalize the Savings Association Insurance Fund ("SAIF") with a one-time special assessment. The Company accrued the expense for this one-time assessment as of September 30, 1996 in the amount of $955,000, or 65.7 basis points of the Bank's deposits at March 31, 1995. Beginning January 1, 1997 the regular insurance premium decreases from 23 basis points to 6.4 basis points. Based on deposits at September 30, 1996 annualized insurance premiums will decreases approximately $264,000 from $366,000 to $102,000, resulting in a 3.6 year recovery period for the special assessment.

LIQUIDITY AND CAPITAL RESOURCES

A standard measure of liquidity for savings associations is the ratio of cash and eligible investments to a certain percentage of net withdrawable savings and

borrowings due within one year. The minimum required ratio is currently set by OTS regulation at 5%, of which at least 1% must be comprised of short-term investments (i.e., generally with a term of less than one year). At September 30, 1996, the Bank's liquidity ratio was 26.3% and the short-term liquidity ratio was 5.3%. Therefore, the Bank's liquidity is well above the minimum regulatory requirements.

Changes in the Bank's liquidity occur as a result of its operating, investing and financing activities. These activities are discussed below for the years ended September 30, 1996, 1995 and 1994.

Liquidity relates primarily to the Company's ability to fund loan demand, meet deposit customers' withdrawal requirements and provide for operating expenses. Assets used to satisfy these needs consist of cash, deposits with other financial institutions, overnight interest-bearing deposits in other financial institutions, interest-bearing time deposits in other financial institutions and securities, excluding FHLB stock. These assets are commonly referred to as liquid assets. Liquid assets totaled $69.0 million as of September 30, 1996 compared to $61.4 million as of September 30, 1995 and $64.4 million as of September 30, 1994. The $7.6 million increase in liquidity from September 30, 1995 to September 30, 1996 was primarily due to a $14.7 million increase in securities, partially offset by a $5.4 million decrease in short term interest-bearing deposits in other financial institutions. Management believes the liquidity level of $69.0 million as of September 30, 1996 is sufficient to meet anticipated future loan growth.

Liquidity levels decreased $3.0 million from September 30, 1994 to September 30, 1995 due to a $1.5 million decrease in interest-bearing time deposits in other financial institutions, a $1.6 million decrease in securities, a $1.2 million decrease in mortgage-backed securities and a $1.3 million increase in cash and cash equivalents. This decrease in liquidity, along with increased customer deposits, was primarily used to fund a $5.9 million increase in net loans during that year.

Short-term borrowings or long-term debt may be used to compensate for reduction in other sources of funds such as deposits and to assist in asset/liability management. The Bank has historically not borrowed significant amounts. However, during the year ended September 30, 1996 the Bank instituted a capital leveraging strategy that involved the purchase of earning assets funded primarily with FHLB borrowings. As of September 30, 1996, total FHLB borrowings amounted to $24.5 million, all of which were used as part of this strategy. The Bank has commitments to fund loan originations with borrowers totaling $21.2 million at September 30, 1996. In the opinion of management, the Company has sufficient cash flow to meet current and anticipated loan funding commitments, deposit customer withdrawal requirements and operating expenses. There were no short-term borrowings or long-term debt as of September 30, 1995.

The cash flow statements provide an indication of the Company's sources and uses of cash as well as an indication of the ability of the Company to maintain an adequate level of liquidity. A discussion of the changes in the cash flow statements for the years ended September 30, 1996, 1995 and 1994 follows.

During the year ended September 30, 1996, net cash decreased $5.8 million from $7.5 million at September 30, 1995 to $1.7 million at September 30, 1996.

The Company experienced a net increase in cash from operating activities of $2.2 million during the year that was primarily attributable to net income as adjusted

for accrual basis accounting. The $44.9 million net decrease in cash from investing activities for the year ended September 30, 1996 was primarily related to the net increase in loans of $30.9 million and net purchases of securities of $15.2 million.

Financing activities generated net cash of $37.0 million for the year ended September 30, 1996. The net cash was provided primarily from $24.5 million in new FHLB borrowings and a $14.4 million increase in net deposits, partially offset by the use of $1.5 million to repurchase the Company's stock during the year.

For the year ended September 30, 1995, net cash increased $1.3 million from $6.2 million at September 30, 1994 to $7.5 million at September 30, 1995. Net cash from operating activities totaled $3.8 million. Of this amount, $2.0 million was related to the September, 1995 commitment to purchase securities (settlement October, 1995), thereby increasing accrued expenses and other liabilities for 1995. The remaining $1.8 million increase for the year ended September 30, 1995 was a result of net income as adjusted for accrual basis accounting.

The Company experienced a $2.0 million net decrease in cash from investing activities for the year ended September 30, 1995. This decrease in cash resulted primarily from the net increase in loans exceeding the net decrease in securities and interest-bearing time deposits in other financial institutions.

The Company also experienced a $461,000 net decrease in cash from financing activities for the year ended September 30, 1995, as the purchases and retirement of $1.5 million of MFB Corp. common stock exceeded the net increases in deposits and advance payments by borrowers for taxes and insurance.

As of September 30, 1996 management is not aware of any current recommendations by regulatory authorities which, if they were to be implemented, would have, or are reasonably likely to have, a material adverse effect on the Company's liquidity, capital resources or operations.

CURRENT ACCOUNTING ISSUES

Several new accounting standards have been issued by the FASB that will apply for the year ending September 30, 1997. SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of, requires a review of long-term assets for impairment of recorded value and resulting write-downs if the value is impaired. SFAS No. 122, Accounting for Mortgage Servicing Rights, requires recognition of an asset when servicing rights are retained on in-house originated loans that are sold. SFAS No. 123, Accounting for Stock- Based Compensation, encourages, but does not require, entities to use "fair value based methods to account for stock-based compensation plans and requires disclosure of the pro forma effect on the net income and on earnings per share had the accounting been adopted. SFAS No. 125, Accounting for Transfer and Servicing of Financial Assets and Extinguishment of Liabilities, provides accounting and reporting standard for transfers and servicing of financial assets and extinguishments of liabilities when extinguished. SFAS No. 125 also supersedes SFAS No. 122, and requires that servicing assets and liabilities be subsequently measured by amortization in proportion to and over the period of estimated net servicing income or loss and requires assessment for asset impairment or increased obligation based on their fair values. SFAS No. 125 applies to transfers and extinguishments occurring after December 31, 1996, and early or retroactive application is not permitted. These

statements are not expected to have a material effect on the Company's consolidated financial position or results of operation.

IMPACT OF INFLATION

The audited consolidated financial statements presented herein have been prepared in accordance with generally accepted accounting principles. These principles require measurement of financial position and operating results in terms of historical dollars (except for securities available for sale which are reported at fair market value), without considering changes in the relative purchasing power of money over time due to inflation.

The primary assets and liabilities of the Bank are monetary in nature. As a result, interest rates have a more significant impact on the Company's performance than the effects of general levels of inflation. Interest rates, however, do not necessarily move in the same direction or with the same magnitude as the price of good and services, since such prices are affected by inflation.

In periods of rapidly rising interest rates, the liquidity and maturity structures of the Company's assets and liabilities are critical to the maintenance of acceptable performance levels. For a discussion of the Company's continuing efforts to reduce its vulnerability to changes in interest rates, see "Asset/Liability Management".

The principal effect of inflation, as distinct from levels of interest rates, on earnings is in the area of noninterest expense. Such expense items as employee compensation employee benefits, and occupancy and equipment costs may be subject to increases as a result of inflation. An additional effect of inflation is the possible increase in the dollar value of the collateral securing loans made by the Bank. Management is unable to determine the extent, if any, to which properties securing the Bank's loans have appreciated in dollar value due to inflation.

REPORT OF INDEPENDENT AUDITORS

Board of Directors
MFB Corp.
Mishawaka, Indiana

We have audited the accompanying consolidated balance sheets of MFB Corp. as of September 30, 1996 and 1995 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years ended September 30, 1996, 1995 and 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MFB Corp. as of September 30, 1996 and 1995, and the results of its operations and its cash flows for the years ended September 30, 1996, 1995 and 1994 in conformity with generally accepted accounting principles.

As discussed in Note 1, effective October 1, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards No. 115 and changed its method of accounting for its Employee Stock Ownership Plan to conform to new accounting guidance.

/s/ Crowe, Chizek and Company LLP
Crowe, Chizek and Company LLP

South Bend, Indiana
November 4, 1996

MFB CORP. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
September 30, 1996 and 1995

<TABLE>
<CAPTION>

	1996	1995
ASSETS		
<S>	<C>	<C>
Cash and due from financial institutions	$ 1,734,388	$ 2,063,229
Interest-bearing deposits in other financial institutions - short-term	-	5,390,822
Cash and cash equivalents	1,734,388	7,454,051
Interest- bearing time deposits in other financial institutions	495,000	1,880,000
Securities available for sale	66,762,558	-
Securities held to maturity (fair value: 1995 - $51,704,000)	-	52,022,355
Federal Home Loan Bank (FHLB) stock, at cost	1,336,100	1,270,800
Loans receivable, net of allowance for loan losses of $340,000 in 1996 and $310,000 in 1995	152,052,092	121,181,162

Accrued interest receivable	818,014	818,108
Premises and equipment, net	1,969,264	1,976,527
Other assets	641,707	462,236
Total assets $	$ 225,809,123	$ 187,065,239
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Noninterest-bearing demand deposits	$ 1,942,145	$ 743,000
Savings, NOW and MMDA deposits	34,779,548	34,687,208
Other time deposits	122,242,796	109,121,562
Total deposits	158,964,489	144,551,770
FHLB advances	24,500,000	-
Advances from borrowers for taxes and insurance	1,864,427	2,169,578
Accrued expenses and other liabilities	2,880,838	2,345,293
Total liabilities	188,209,754	149,066,641
Shareholders' equity		
Common stock, no par value, 5,000,000 shares authorized; shares issued and outstanding: 1996 - 1,973,980; 1995 - 2,077,873	18,316,651	19,656,664
Retained earnings - substantially restricted	20,588,797	19,732,086
Net unrealized depreciation on securities available for sale, net of tax benefit of $144,252 in 1996	(219,928)	-
Unearned Employee Stock Ownership Plan (ESOP) Shares	(893,651)	(1,100,000)
Unearned Recognition and Retention Plan (RRP) Shares	(192,500)	(290,152)
Total shareholders' equity	37,599,369	37,998,598
Total liabilities and shareholders' equity	$ 225,809,123	$ 187,065,239

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

MFB CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
Years ended September 30, 1996, 1995 and 1994

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>	1994 <C>
Interest income			
Loans receivable			
Mortgage loans	$ 9,956,394	$ 8,780,654	$ 8,452,229
Consumer and other loans	182,177	35,433	26,506
Financing leases and commercial loans	107,321	-	-
Securities - taxable	3,514,380	3,085,427	2,143,983
Other interest-earning assets	421,984	482,044	922,372
	14,182,256	12,383,558	11,545,090
Interest expense			
Deposits	7,528,321	6,788,376	6,019,113
FHLB advances	529,025	-	-
	8,057,346	6,788,376	6,019,113
Net interest income	6,124,910	5,595,182	5,525,977
Provision for loan losses	30,000	30,000	30,000
Net interest income after provision for loan losses	6,094,910	5,565,182	5,495,977
Noninterest income			
Insurance commissions	126,819	127,766	126,420
Net realized gains from sales of securities available for sale	3,731	-	-

Other income	231,766	189,648	151,349
	362,316	317,414	277,769
Noninterest expense			
Salaries and employee benefits	2,152,656	2,336,230	1,969,110
Occupancy and equipment expense	422,388	405,998	378,972
SAIF deposit insurance premium	1,291,288	332,175	340,511
Other expense	968,951	752,635	666,135
	4,835,283	3,827,038	3,354,728
Income before income taxes	1,621,943	2,055,558	2,419,018
Income tax expense	646,793	819,452	887,452
Net income	$ 975,150	$ 1,236,106	$ 1,531,566
Earnings per common and common equivalent share subsequent to conversion	$ .49	$ .59	$ .43
Earning per share-assuming full dilution-subsequent to conversion	.48	.59	.43

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

MFB CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY Years ended September 30, 1996, 1995 and 1994

<TABLE>
<CAPTION>

<S>	Common Stock <C>	Retained Earnings <C>	Net Unrealized Depreciation on Securities Available For Sale, Net of Tax <C>
Balances at September 30, 1993	$ -	$ 16,964,414	$ -
Issuance of 2,302,351 shares of common stock	22,426,665	-	
Purchase and retirement of 115,117 shares of common stock	(1,377,925)	-	
Common stock acquired by ESOP - 140,000 shares	-	-	
Common stock acquired by RRP - 70,000 shares	-	-	
Effect of contribution to fund ESOP	-	-	
Amortization of RRP contribution	-	-	
Net income for the year ended September 30, 1994	-	1,531,566	
Balance at September 30, 1994	21,048,740	18,495,980	
Purchase and retirement of 109,361 shares of common stock	(1,530,486)	-	
Effect of contribution to fund ESOP	-	-	
Market adjustment of 22,516 ESOP shares committed to be released	99,592	-	
Amortization of RRP contribution	-	-	
Tax benefit related to employee stock plans	38,818	-	
Net income for the year ended September 30, 1995	-	1,236,106	
Balance at September 30, 1995	19,656,664	19,732,086	
Purchase and retirement of 103,893 shares of common stock	(1,499,024)	-	-
Net unrealized appreciation on securities available for sale, net of tax $77,821 from transfer of securities	-	-	118,648
Cash dividends declared - $.06 per share	-	(118,439)	-
Effect of contribution to fund ESOP	-	-	-

Market adjustment of 21,515 ESOP shares committed to be released	117,247	-	-
Amortization of RRP contribution	-	-	-
Tax benefit related to employee stock plans	41,764	-	-
Net change in unrealized depreciation on securities available for sale, net of tax of ($222,073)	-	-	(338,576)
Net income for the year ended September 30, 1996	-	975,150	-
	----------------	----------------	--------------
Balance at September 30, 1996	$ 18,316,651	$ 20,588,797	$ (219,928)
	================	================	==============

</TABLE>

<TABLE>
<CAPTION>

	Unearned ESOP Shares	Unearned RRP Shares	Total Shareholders' Equity
<S>	<C>	<C>	<C>
Balances at September 30, 1993	$ -	$ -	$16,964,414
Issuance of 2,302,351 shares of common stock	-	-	22,426,665
Purchase and retirement of 115,117 shares of common stock	-	-	(1,377,925)
Common stock acquired by ESOP - 140,000 shares	(1,400,000)	-	(1,400,000)
Common stock acquired by RRP - 70,000 shares	-	(700,000)	(700,000)
Effect of contribution to fund ESOP	100,000	-	100,000
Amortization of RRP contribution	-	159,948	159,948
Net income for the year ended September 30, 1994	-	-	1,531,566
	--------------	------------	-----------
Balance at September 30, 1994	(1,300,000)	(540,052)	37,704,668
Purchase and retirement of 109,361 shares of common stock	-	-	(1,530,486)
Effect of contribution to fund ESOP	200,000	-	200,000
Market adjustment of 22,516 ESOP shares committed to be released	-	-	99,592
Amortization of RRP contribution	-	249,900	249,900
Tax benefit related to employee stock plans	-	-	38,818
Net income for the year ended September 30, 1995	-	-	1,236,106
	--------------	------------	-----------
Balance at September 30, 1995	(1,100,000)	(290,152)	37,998,598
Purchase and retirement of 103,893 shares of common stock	-	-	(1,499,024)
Net unrealized appreciation on securities available for sale, net of tax $77,821 from transfer of securities	-	-	118,648
Cash dividends declared - $.06 per share	-	-	(118,439)
Effect of contribution to fund ESOP	206,349	-	206,349
Market adjustment of 21,515 ESOP shares committed to be released	-	-	117,247
Amortization of RRP contribution	-	97,652	97,652
Tax benefit related to employee stock plans	-	-	41,764
Net change in unrealized depreciation on securities available for sale, net of tax of ($222,073)	-	-	(338,576)
Net income for the year ended September 30, 1996	-	-	975,150
	--------------	------------	----------
Balance at September 30, 1996	$ (893,651)	$ (192,500)	$37,599,369
	==============	============	===========

</TABLE>

MFB CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended September 30, 1996, 1995 and 1994

<TABLE>
<CAPTION>

	1996	1995	1994
Cash flows from operating activities			
<S>	<C>	<C>	<C>
Net income	$ 975,150	$ 1,236,106	$ 1,531,566
Adjustments to reconcile net income			

to net cash provided by operating activities			
Depreciation and amortization, net of accretion	272,595	315,899	330,675
Amortization of RRP contribution	97,652	249,900	159,948
Provision for loan losses	30,000	30,000	30,000
Net realized gains from sales of securities available for sale	(3,731)	-	-
Market adjustment of ESOP shares committed to be released	117,247	99,592	-
ESOP expense	206,349	200,000	100,000
Net change in:			
Accrued interest receivable	94	(70,836)	(365,179)
Other assets	(44,501)	(301,900)	100,176
Accrued expenses and other liabilities	586,591	2,050,282	(65,551)
Total adjustments	1,262,296	2,572,937	290,069
Net cash provided by operating activities	2,237,446	3,809,043	1,821,635
Cash flows from investing activities			
Net change in interest-bearing time deposits in other financial institutions	1,385,000	1,485,000	17,104,126
Net change in loans receivable	(30,900,930)	(5,914,327)	(7,114,736)
Proceeds from:			
Sales of securities available for sale	10,212,124	-	-
Principal payments of mortgage-backed and related securities	2,280,597	1,283,272	474,928
Maturities of securities available for sale	16,697,252	-	-
Maturities of securities held to maturity	4,300,000	14,350,000	-
Maturities of investment securities	-	-	16,300,000
Purchase of:			
Securities available for sale	(48,218,517)	-	-
Securities held to maturity	(500,000)	(12,910,926)	-
Investment securities	-	-	(56,479,171)
FHLB stock	(65,300)	(95,300)	-
Premises and equipment, net	(137,440)	(244,856)	(170,745)
Net cash used in investing activities	(44,947,214)	(2,047,137)	(29,885,598)

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

MFB CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended September 30, 1996, 1995 and 1994

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>	1994 <C>
Cash flows from financing activities			
Proceeds from stock issue, net of conversion costs and stock acquired by ESOP and RRP	$ -	$ -	20,326,665
Purchase of MFB Corp. common stock	(1,499,024)	(1,530,486)	(1,377,925)
Net change in deposits	14,412,719	947,319	(5,615,081)
Proceeds from FHLB advances	24,500,000	-	-
Net change in advances from borrowers for taxes and insurance	(305,151)	122,579	63,005
Cash dividends paid	(118,439)	-	-
Net cash provided by (used in) financing activities	36,990,105	(460,588)	13,396,664
Net change in cash and cash equivalents	(5,719,663)	1,301,318	(14,667,299)
Cash and cash equivalents at beginning of period	7,454,051	6,152,733	20,820,032
Cash and cash equivalents at end of period	$ 1,734,388	$ 7,454,051	$ 6,152,733

Supplemental disclosures of cash flow information

Cash paid during the year for			
Interest	$ 7,459,231	$ 6,786,274	$ 6,019,588
Income taxes	974,755	883,000	837,119
Supplemental schedule of noncash investing activities Transfer from:			
Investment securities to securities held to maturity	$ -	$ 54,931,715	$ -
Securities held to maturity to securities available for sale	47,898,025	-	-

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts of MFB Corp., Inc. and its wholly-owned subsidiary (together referred to as "the Company"), Mishawaka Federal Savings (the "Bank"), a federal stock savings bank, and Mishawaka Financial Services, Inc., a wholly-owned subsidiary of the Bank. Mishawaka Financial Services, Inc. is engaged in the sale of credit life, general fire and accident, car, home and life insurance as agent for the Bank's customers and the general public. All significant intercompany transactions and balances are eliminated in consolidation.

On November 1, 1996, the Bank changed its name to MFB Financial.

Nature of Business and Concentrations of Credit Risk: The primary source of income for the Company results from granting commercial and residential real estate loans in Mishawaka and the surrounding area. Loans secured by real estate mortgages comprise approximately 99% of the loan portfolio at September 30, 1996 and are primarily secured by residential mortgages. The Company operates primarily in the banking industry which accounts for more than 90% of its revenues, operating income and assets.

Use of Estimates In Preparing Financial Statements: The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period, as well as the disclosures provided. Areas involving the use of estimates and assumptions in the accompanying financial statements include the allowance for loan losses, fair values of securities and other financial instruments, determination and carrying value of impaired loans, the realization of deferred tax assets, and the determination of depreciation of premises and equipment recognized in the Company's financial statements. Actual results could differ from those estimates. Estimates associated with the allowance for loan losses and the fair values of securities and other financial instruments are particularly susceptible to material change in the near term.

Cash and Cash Equivalents: For purposes of reporting cash flows, cash and cash equivalents is defined to include the Company's cash on hand, due from financial institutions and short-term interest-bearing deposits in other financial institutions. The Company reports net cash flows for customer loan transactions, deposit transactions, advances from borrowers for taxes and insurance, and interest-bearing time deposits in other financial institutions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Securities: On October 1, 1994, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." The Company now classifies securities into held to maturity, available for sale and trading categories. Held to maturity securities are those which the Company has the positive intent and ability to hold to maturity, and are reported at amortized cost. Available for sale securities are those the Company may decide to sell if needed for liquidity, asset-liability management or other reasons. Available for sale securities are reported at fair value, with unrealized gains and losses included as a separate component of shareholders' equity, net of tax. Trading securities are bought principally for sale in the near term, and are reported at fair value with unrealized gains and losses included in earnings. Adoption of SFAS No. 115 had no impact on the equity of the Company because all investment securities held by the Company were classified as securities held to maturity as of October 1, 1994.

The Financial Accounting Standards Board ("FASB") issued a Special Report, "A Guide to Implementation of SFAS No. 115 on Accounting for Certain Investments in Debt and Equity Securities ("Guide")." As permitted by the Guide, on November 30, 1995, the Company made a one-time reassessment and transferred securities from the held to maturity portfolio to the available for sale portfolio. At the date of transfer, these securities had an amortized cost of $47,898,025, and the transfer increased the unrealized appreciation on securities available for sale by $196,469 and increased shareholders' equity by $118,648, net of tax of $77,821.

Gains and losses on the sale of securities are determined using the specific identification method based on amortized cost and are reflected in results of operations at the time of sale. Interest and dividend income, adjusted by amortization of purchase premium or discount over the estimated life of the security using the level yield method, is included in earnings.

Loans Receivable: Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balances adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs on originated loans, and unamortized premiums or discounts on purchased loans.

Premiums or discounts on mortgage loans are amortized to income using the level yield method over the remaining period to contractual maturity, adjusted for anticipated prepayments. Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using the interest method.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Because some loans may not be repaid in full, an allowance for loan losses is recorded. The allowance for loan losses is increased by a provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). Estimating the risk of loss and the amount of loss on any loan is necessarily subjective. Accordingly, the allowance is maintained by management at a level considered adequate to cover losses that are currently anticipated. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, periodic, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and current economic conditions. While management may periodically allocate portions of the allowance for specific problem loan situations, the whole allowance is available for any loan charge-offs that occur.

SFAS No. 114, "Accounting by Creditors for Impairment of a Loan," as amended by SFAS No. 118, was adopted effective October 1, 1995 and requires recognition of loan impairment. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual loan terms. Impaired loans are carried at the present value of expected future cash flows discounted at the loan's effective interest rate or at the fair value of the collateral if the loan is collateral dependent. A portion of the allowance for loan losses is allocated to impaired loans if the value of such loans is deemed to be less than the unpaid balance. If these allocations cause the allowance for loan losses to require increase, such increase is reported as a component of the provision for loan losses. The effect of adopting these standards was not material to the consolidated financial statements.

Smaller-balance homogeneous loans are evaluated for impairment in total. Such loans include residential first mortgage loans secured by one-to-four family residences, residential construction loans, automobile, manufactured homes, home equity and second mortgage loans. Commercial loans and mortgage loans secured by other properties are evaluated individually for impairment. When analysis of borrower operating results and financial condition indicates that underlying cash flows of the borrower's business are not adequate to meet its debt service requirements, the loan is evaluated for impairment. Often this is associated with a delay or shortfall in payments of 30 days or more. Nonaccrual loans are often also considered impaired. Impaired loans, or portions thereof, are charged off when deemed uncollectible. The nature of disclosures for impaired loans is considered generally comparable to prior nonaccrual and renegotiated loans and non-performing and past due asset disclosures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income on loans is accrued over the term of the loans based upon the principal outstanding. The accrual of interest on impaired loans in discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent that cash payments are received until, in management's judgment, the borrower has the ability to make contractual interest and principal payments, in which case the loan is returned to accrual status.

Foreclosed Real Estate: Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at fair value at the date of acquisition, establishing a new cost basis. Any reduction to fair value from the carrying value of the related loan at the time of acquisition is accounted for as a loan loss and charged against the allowance for loan losses. Valuations are periodically performed by management and valuation allowances are adjusted through a charge to income for changes in fair value or estimated selling costs. Foreclosed real estate amounted to approximately $-0- and $18,000 at September 30, 1996 and 1995, respectively, and is included in other assets in the consolidated balance sheets.

Income Taxes: Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through income tax expense.

Premises and Equipment: Land is carried at cost. Buildings and improvements and furniture and equipment are carried at cost, less accumulated depreciation and amortization computed principally by using the straight-line method over the estimated useful lives of the assets.

Employee Stock Ownership Plan (ESOP): Effective October 1, 1994, the Company began to account for its ESOP under AICPA Statement of Position (SOP) 93-6. The cost of shares issued to the ESOP, but not yet allocated to participants, are presented as a reduction of shareholders' equity. Compensation expense is recorded based on the average market price of the shares committed to be released for allocation to participant accounts. The difference between the market price and the cost of shares committed to be released is recorded as an adjustment to common stock. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings; dividends on unearned ESOP shares are reflected as a reduction of debt and accrued interest.

ESOP shares are outstanding for earnings per share calculations as they are committed to be released; unearned shares are not considered outstanding.

Prior to the adoption of SOP 93-6, the expense was limited to the principal repayment on the loan and the earnings per share calculation included as outstanding all 140,000 ESOP shares.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Instruments with Off-Balance-Sheet Risk: The Company, in the normal course of business, makes commitments to make loans which are not reflected in the consolidated financial statements. A summary of these commitments is disclosed in Note 11.

Earnings Per Share: Earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding and common share equivalents which would arise from considering dilutive stock options. The weighted average number of shares for calculating earnings per common share is:

	1996	1995	1994
Primary	2,008,323	2,083,528	2,232,132
Fully diluted	2,035,087	2,106,785	2,229,058

Reclassifications: Certain amounts in the 1995 and 1994 consolidated financial statements were reclassified to conform with the 1996 presentation.

NOTE 2 - SECURITIES

The amortized cost and fair value of securities available for sale are as follows:

<TABLE>
<CAPTION>

	.........................September 30, 1996.........................			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<S>	<C>	<C>	<C>	<C>
Debt securities				
U.S. Government and federal agencies	$ 40,159,602	$ 142,886	$ (95,325)	$40,207,163
Mortgage-backed	24,473,181	-	(399,246)	24,073,935
	64,632,783	142,886	(494,571)	64,281,098
Marketable equity securities	2,493,955	-	(12,495)	2,481,460
	$ 67,126,738	$ 142,886	$ (507,066)	$ 66,762,558

</TABLE>

MFB CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1996, 1995 and 1994

NOTE 2 - SECURITIES (Continued)

The amortized cost and fair value of securities held to maturity are as follows:
<TABLE>
<CAPTION>

	.........................September 30, 1995.........................			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<S>	<C>	<C>	<C>	<C>
Debt securities				
U.S. Government and federal agencies	$ 40,116,970	$ 216,334	$ (153,304)	$ 40,180,000
Mortgage-backed	11,905,385	-	(381,385)	11,524,000
	$ 52,022,355	$ 216,334	$ (534,689)	$ 51,704,000

</TABLE>

The amortized cost and fair value of debt securities by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<TABLE>
<CAPTION>

	.........September 30, 1996........	
	Amortized Cost	Fair Value
<S>	<C>	<C>
Due in one year or less	$ 6,836,633	$ 6,849,522
Due after one year through five years	32,972,969	33,019,125
Due after five years through ten years	350,000	338,516
	40,159,602	40,207,163
Mortgage-backed securities	24,473,181	24,073,935
	$ 64,632,783	$ 64,281,098

</TABLE>

Proceeds from sales of securities available for sale were $10,212,124 during the year ended September 30, 1996. Gross gains of $25,154 and gross losses of $21,423 were realized on these sales. The Company did not sell any securities during the years ended September 30, 1995 and 1994.

MFB CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1996, 1995 and 1994

NOTE 3 - LOANS RECEIVABLE, NET

Loans receivable, net at September 30 are summarized as follows:

<TABLE>
<CAPTION>

	1996	1995
First mortgage loans (principally conventional)		
Principal balances		
<S>	<C>	<C>
Secured by one-to-four family residences	$ 143,750,857	$ 119,719,473
Construction loans	5,004,730	2,106,358
Commercial	876,348	206,363
Other	162,643	189,189
	149,794,578	122,221,383
Less undisbursed portion of construction and other mortgage loans	(1,961,107)	(809,280)
Net deferred loan-origination fees	(439,921)	(369,870)
Total first mortgage loans	147,393,550	121,042,233
Consumer and other loans:		
Principal balances		
Home equity and second mortgage	3,790,075	375,102
Financing leases	1,124,624	-
Other	83,843	73,827
Total consumer and other loans	4,998,542	448,929
Allowance for loan losses	(340,000)	(310,000)
	$ 152,052,092	$ 121,181,162

</TABLE>

Activity in the allowance for loan losses is summarized as follows for the years ended September 30:

<TABLE>
<CAPTION>

	1996	1995	1994
<S>	<C>	<C>	<C>
Balance at beginning of year	$ 310,000	$ 280,000	$ 250,000
Provision for loan losses	30,000	30,000	30,000
Charge-offs	-	-	-
Recoveries	-	-	-
Balance at end of year	$ 340,000	$ 310,000	$ 280,000

</TABLE>

MFB CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1996, 1995 and 1994

NOTE 3 - LOANS RECEIVABLE, NET (Continued)

At September 30, 1996, no portion of the allowance for loan losses was allocated to impaired loan balances as there were no loans considered impaired loans as of, or for the year ended September 30, 1996.

Certain directors and executive officers of the Company and its subsidiary, including associates of such persons, were loan customers during the year ended September 30, 1996. A summary of the related party loan activity, for loans aggregating $60,000 or more to any one related party, is as follows for the year ended September 30, 1996:

Balance - October 1, 1995	$ 592,367
New loans	494,208
Repayments	(54,081)
Balance - September 30, 1996	$ 1,032,494

NOTE 4 - PREMISES AND EQUIPMENT, NET

Premises and equipment at September 30 are summarized as follows:

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Land	$ 558,681	$ 558,681
Buildings and improvements	1,618,722	1,729,322
Real estate held for future expansion	128,885	128,885
Furniture and equipment	868,737	731,307
Total cost	3,175,025	3,148,195
Accumulated depreciation and amortization	(1,205,761)	(1,171,668)
	$ 1,969,264	$ 1,976,527

</TABLE>

Depreciation and amortization of premises and equipment, included in occupancy and equipment expense was approximately $145,000, $129,000 and $110,000 for the years ended September 30, 1996, 1995 and 1994, respectively.

NOTE 5 - DEPOSITS

The aggregate amount of short-term jumbo certificates of deposit in denomination of $100,000 or more was approximately $24,488,000 and $20,333,000 at September 30, 1996 and 1995, respectively.

At September 30, 1996, the scheduled maturities of certificates of deposit are as follows for the years ended September 30:

1997	$ 85,529,043
1998	27,132,879
1999	5,789,996
2000	3,233,687
2001 and thereafter	557,191
	$ 122,242,796

NOTE 6 - FEDERAL HOME LOAN BANK ADVANCES

At September 30, 1996, advances from the Federal Home Loan Bank of Indianapolis with fixed and variable rates ranging from 5.01% to 5.74% mature in the year ending September 30 as follows:

1997	$ 15,000,000
1998	3,000,000
1999	6,500,000
	$ 24,500,000

FHLB advances are secured by all FHLB stock, qualifying first mortgage loans, government agency and mortgage backed securities. At September 30, 1996, collateral of approximately $206,000,000 is pledged to the FHLB to secure advances outstanding.

NOTE 7 - EMPLOYEE BENEFITS

Employee Pension Plan: The Bank is part of a qualified noncontributory multiple-employer defined benefit pension plan covering substantially all of its employees. The plan is administered by the trustees of the Financial Institutions Retirement Fund (Retirement Fund). There is no separate valuation of plan benefits nor segregation of plan assets specifically for the Bank because the plan is a multiple-employer plan and separate actuarial valuations are not made with respect to each employer nor are the plan assets so segregated. As of July 1, 1996, the latest actuarial valuation date, total plan assets exceeded the actuarially determined value of total vested benefits. The cost of the plan is set annually as an established percentage of wages. Pension plan expense for the years ended September 30, 1996, 1995 and 1994 was approximately $3,000, $179,000 and $140,000, respectively. Pension plan expense for the year ended September 30, 1996 was reduced due to a change in the benefit formula from 2% of high 5 year average salary for each year of benefit service to 1.5%

401(k) Plan: On July 1, 1996, the Company adopted a retirement savings 401(k) plan which covers all full time employees who are 21 or older and have completed one year of service. Beginning August 1, 1996, participants may defer up to 15% of compensation. The Company matches 50% of elective deferrals on 6% of the participants' compensation. Expense for the 401(k) was approximately $5,000 for the year ended September 30, 1996.

Employee Stock Ownership Plan (ESOP): In conjunction with its stock conversion, the Company established an ESOP for eligible employees. Employees with at least one year of employment and who have attained agetwenty-one are eligible to participate. The ESOP borrowed $1,400,000 from the Company to purchase 140,000 shares of common stock issued in the conversion at $10 per share. Collateral for the loan is the unearned shares of common stock purchased by the ESOP with the loan proceeds. The loan will be repaid principally from the Company's discretionary contributions to the ESOP over a period of seven years. The interest rate for the loan is 6.25%. Shares purchased by the ESOP will be held in suspense until allocated among ESOP participants as the loan is repaid.

ESOP expense was approximately $324,000, $300,000 and $100,000 for the years ended September 30, 1996, 1995 and 1994, respectively. Contributions to the ESOP was approximately $206,000, $200,000 and $100,000 during the years ended September 30, 1996, 1995 and 1994, respectively.

Company contributions to the ESOP and shares released from suspense proportional to the repayment of the ESOP loan are allocated among ESOP participants on the basis of compensation in the year of allocation. Benefits generally become 100% vested after five years of credited service. A participant who terminates employment for reasons other than death, normal retirement (or early retirement), or disability prior to the completion of five years of credited service does not receive any benefits under the ESOP. Forfeitures are reallocated among the remaining participating employees, in the same proportion as contributions. Benefits are payable in the form of stock except for fractional shares which are paid in cash upon termination of employment. The Company's contributions to the ESOP are not fixed, so benefits payable under the ESOP cannot be estimated.

ESOP participants receive distributions from their ESOP accounts only upon termination of service.

At September 30, 1996 and 1995, 21,515 and 22,516 shares with an average fair value of $15.04 and $13.31 per share, respectively, were committed to be released.

NOTE 7 - EMPLOYEE BENEFITS PLANS (Continued)

The ESOP shares as of September 30 were as follows:

	1996	1995
Allocated shares	55,692	34,177
Unearned shares	84,308	105,823
Total ESOP shares	140,000	140,000
Fair value of unearned shares at September 30	$ 1,560,000	$ 1,720,000

Recognition and Retention Plans (RRPs): In conjunction with its stock conversion, the Company established RRPs as a method of providing directors, officers and other key employees of the Company with a proprietary interest in the Company in a manner designed to encourage such persons to remain with the Company. Eligible directors, officers and other key employees of the Company become vested in awarded shares of common stock at a rate of 20% per year commencing March 24, 1994. The RRPs acquired, in the aggregate, 70,000 shares of common stock issued in the conversion at $10 per share and 70,000 shares were awarded to RRP participants at no cost to them. RRP expense for the years ended September 30, 1996, 1995 and 1994 was approximately $98,000, $250,000 and $160,000, respectively.

Stock Option Plan: The Board of Directors of the Company adopted the MFB Corp. Stock Option Plan (the "Option Plan"). The number of options authorized under the Plan is 200,000 shares of common stock. Officers, employees and outside directors of the Company and its subsidiary are eligible to participate in the Option Plan. The option exercise price must be no less than 85% of the fair market value of common stock on the date of the grant, and the option term cannot exceed ten years and one day from the date of the grant.

NOTE 7 - EMPLOYEE BENEFITS PLANS (Continued)

Activity in the Option Plan for the years ended September 30 is summarized as follows:

	Number of Options Available For Grant	Number of Options Outstanding	Option Exercise Price
Balance at September 30, 1994	30,000	170,000	$10
Options granted during the year	(20,000)	20,000	$15
Balance at September 30, 1995	10,000	190,000	$10-$15
Options granted during the year	(10,000)	10,000	$15.25
Balance at September 30, 1996	-	200,000	$10-$15.25

NOTE 8 - INCOME TAXES

The Company files consolidated federal income tax returns. If certain conditions are met in determining taxable income as reported on the consolidated federal income tax return, the Bank is allowed a special bad debt deduction based on a percentage of taxable income (presently 8%) or on specified experience formulas. The Bank used the percentage of taxable income method for its tax return as of September 1994. For its tax return as of September 30, 1995, the Bank did not use the percentage of taxable income method. The Bank is not expected to be able to use the percentage of taxable income method for the tax year ended September 30, 1996. In future years, only the specified experience formula method will be allowed as, in August 1996, legislation was enacted that repealed the reserve method of accounting for federal income tax purposes. As a result, the Bank must recapture that portion of the reserve that exceeds the amount that could have been taken under the experience method for post-1987 tax years. The recapture will occur over a six-year period, the commencement of which will be delayed until the first taxable year beginning after December 31, 1997, provided the institution meets certain residential lending requirements. The total amount of bad debt to be recaptured is approximately $1,310,000.

NOTE 8 - INCOME TAXES (Continued)

Income tax expense for the years ended September 30 are summarized as follows:

	1996	1995	1994
Federal			
Current	$ 725,920	$ 622,992	$ 630,399
Deferred	(225,467)	12,487	67,652
	500,453	635,479	698,051
State			
Current	225,213	176,270	195,220
Deferred	(78,873)	7,703	(5,819)
	146,340	183,973	189,401
Total income tax expense	$ 646,793	$ 819,452	$ 887,452

Total income tax expense differed from the amounts computed by applying the U.S. Federal income tax rate of 34% to income before income taxes for the years ended September 30 as a result of the following:

	1996	1995	1994
Expected income tax expense at federal tax rate	$ 551,461	$ 698,890	$ 822,466
State taxes based on income, net of federal tax benefit	96,584	121,422	125,005
Excess of fair value of ESOP shares released over cost	39,864	33,861	-
Other	(41,116)	(34,721)	(60,019)
Total income tax expense	$ 646,793	$ 819,452	$ 887,452

The components of the net deferred tax asset (liability) recorded in the consolidated balance sheets as of September 30 are as follows:

	1996	1995
Deferred tax assets		
RRP expense	$ 16,363	$ 78,985
Net deferred loan fees	186,966	157,195
Net unrealized depreciation on securities available for sale	144,252	-
SAIF assessment	405,235	-
Other	-	24,596
	752,816	260,776
Deferred tax liabilities		
Accretion	(28,817)	(48,161)
Depreciation	(42,807)	(39,288)
Bad debt deduction	(300,895)	(248,232)
Other	(27,354)	(20,744)
	(399,873)	(356,425)
Valuation allowance	-	-
Net deferred tax asset (liability)	$ 352,943	$ (95,649)

NOTE 8 - INCOME TAXES (Continued)

Retained earnings at September 30, 1996 and 1995 includes approximately $4,596,000, for which no deferred federal income tax liability has been recognized as it represents bad debt deductions for tax purposes only for pre-1987 tax years. Reduction of amounts so allocated for purposes other than tax bad debt losses would create tax return income, which would be taxed at current income tax rates. The unrecorded deferred income tax liability on the above amount was approximately $1,563,000 at September 30, 1996 and 1995.

NOTE 9 - CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS

The Bank is subject to various regulatory capital requirements. Failure to meet minimum capital requirements can initiate certain mandatory or discretionary actions by regulators that could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific quantitative capital guidelines using the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's requirements are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth below) of tangible capital, leverage capital, and risk-based capital. Management believes, as of September 30, 1996, that the Bank meets the capital adequacy requirements.

The following is a reconciliation of the Bank's capital under generally accepted accounting principles (GAAP) to regulatory capital at September 30, 1996 and 1995.

MFB CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1996, 1995 and 1994

NOTE 9 - CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS (Continued)

<TABLE>
<CAPTION>

	Tangible Capital	Leverage Capital	Risk-Based Capital
	(Dollars in thousands)		
GAAP capital at September 30, 1996	$ 31,108	$ 31,108	$ 31,108
Additional capital items and capital adjustments			
Net unrealized depreciation on securities available for sale	220	220	220
Includable allowance for loan losses	-	-	340
Regulatory capital at September 30, 1996	$ 31,328	$ 31,328	$ 31,668
GAAP capital at September 30, 1995	$ 29,844	$ 29,844	$ 29,844
Additional capital items			
Includable allowance for loan losses	-	-	306
Regulatory capital at September 30, 1995	$ 29,844	$ 29,844	$ 30,150

</TABLE>

The Bank's actual capital and required capital amounts and ratios are presented below:

<TABLE>
<CAPTION>

	Actual		Requirement for Capital Adequacy Purposes		Requirement to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
As of September 30, 1996						
Tangible Capital	$ 31,328	13.85%	$ 3,392	1.50%	$ 6,785	3.00%
Leverage Capital	31,328	13.85	6,785	3.00	13,570	6.00
Risk-Based Capital	31,668	32.69	7,749	8.00	9,686	10.00
As of September 30, 1995						
Tangible Capital	29,844	16.06	2,787	1.50	5,574	3.00
Leverage Capital	29,844	16.06	5,574	3.00	11,148	6.00
Risk-Based Capital	30,150	40.77	5,916	8.00	7,395	10.00

</TABLE>

MFB CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1996, 1995 and 1994

NOTE 9 - CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS (Continued)

Regulations of the Office of Thrift Supervision limit the amount of dividends and other capital distributions that may be paid by a savings institution without prior approval of the Office of Thrift Supervision. The regulatory restriction is based on a three-tiered system with the greatest flexibility being afforded to well-capitalized (Tier 1) institutions. The Bank is currently a Tier 1 institution. Accordingly, the Bank can make, without prior regulatory approval, distributions during a calendar year up to 100% of its net income to date during the calendar year plus an amount that would reduce by one-half its "surplus capital ratio" (the excess over its capital requirements) at the beginning of the calendar year. Accordingly, at September 30, 1996 approximately $12,000,000 of the Bank's retained earnings is potentially available for distribution to the Company under this calculation. See also Note 15.

NOTE 10 - OTHER NONINTEREST INCOME AND EXPENSE

Other noninterest income and expense amounts are summarized as follows for the years ended September 30:

<TABLE>
<CAPTION>

	1996	1995	1994
Other noninterest income			
<S>	<C>	<C>	<C>
Service charges and fees	$ 174,315	$ 124,232	$ 87,835
Loan late charges	3,808	4,762	5,282
Rental income	32,989	39,725	35,975
Other	20,654	20,929	22,257
	$ 231,766	$ 189,648	$ 151,349
Other noninterest expense			
Advertising and promotion	$ 190,614	$ 15,000	$ 59,000
Data processing	200,940	175,734	163,918
Professional fees	175,341	116,008	76,030
Printing, postage, stationery, and supplies	123,215	87,229	95,563
Telephone	33,110	24,433	23,142
Directors fees	70,186	56,940	57,411
Direct loan origination costs deferred	(203,332)	(99,228)	(104,034)
Other	378,877	376,519	295,105
	$ 968,951	$ 752,635	$ 666,135

</TABLE>

MFB CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1996, 1995 and 1994

NOTE 11 - COMMITMENTS AND CONTINGENCIES AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

In the ordinary course of business, the Company has various outstanding commitments and contingent liabilities that are not reflected in the accompanying consolidated financial statements. In addition, the Company is involved in legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material adverse effect on the consolidated financial position of the Company and Subsidiary. The principal commitments of the Company are as follows:

Loan Commitments

At September 30, 1996, excluding loans in process, the Company had outstanding firm commitments to originate loans as follows:

<TABLE>
<CAPTION>

<S>	Fixed Rate Loans <C>	Variable Rate Loans <C>	Total <C>
First mortgage loans	$ 1,680,256	$ 7,500,852	$ 9,181,108
Unused lines of credit	307,028	7,059,117	7,366,145
Unused construction loan lines of credit	-	2,721,545	2,721,545
	$ 1,987,284	$ 17,281,514	$ 19,268,798

</TABLE>

Fixed rate loan commitments at September 30, 1996 are at rates primarily ranging from 7.625% to 10.95%. These fixed rate loan commitments are primarily for terms ranging from 15 to 30 year terms. Rates on variable rate loans range from 6.50% to 10.75% and are tied primarily to the National Monthly Median Cost of Funds Ratio to SAIF - Insured Institutions.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since commitments to make loans and fund lines of credit may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the counterparty. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. No losses are anticipated as a result of these transactions.

NOTE 11 - COMMITMENTS AND CONTINGENCIES AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (Continued)

The deposits of savings associations such as the Bank are presently insured by the Savings Association Insurance Fund (SAIF). A recapitalization plan formulated by the Treasury Department, the FDIC, the OTS and the Congress in September 1996 required a one-time assessment of approximately $955,000 which has been accrued for as of September 30, 1996 and is included in the Company's noninterest expense for the year ended September 30, 1996.

Under employment agreements with certain executive officers, certain events leading to separation from the Company could result in cash payments totaling approximately $969,000 as of September 30, 1996.

NOTE 12 - PARENT COMPANY FINANCIAL STATEMENTS

Presented below are the condensed financial statements for the parent company, MFB Corp.

CONDENSED BALANCE SHEETS

<TABLE>

<CAPTION>

ASSETS	September 30, 1996	September 30, 1995
Cash and cash equivalents	$ 887,580	$ 68,948
Interest-bearing deposits in other financial institutions	-	948,366
Investment in Bank subsidiary	31,108,173	29,843,715
Note receivable from Bank subsidiary	4,750,000	5,750,000
Loan receivable from ESOP	893,651	1,100,000
Other assets	31,501	319,160
Total assets	$ 37,670,905	$ 38,030,189
LIABILITIES		
Accrued expenses and other liabilities	$ 71,536	$ 31,591
SHAREHOLDERS' EQUITY	37,599,369	37,998,598
Total liabilities and shareholders' equity	$ 37,670,905	$ 38,030,189

</TABLE>

MFB CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1996, 1995 and 1994

NOTE 12 - PARENT COMPANY FINANCIAL STATEMENTS (Continued)

CONDENSED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

	Year Ended September 30, 1996	Year Ended September 30, 1995	Period From March 24 to September 30, 1994
Interest income	$ 74,390	$ 85,212	$ 53,924
Other expenses	153,973	132,605	68,230
Loss before income taxes and equity in undistributed net income of Bank subsidiary	(79,583)	(47,393)	(14,306)
Income tax benefit	32,887	19,326	5,667
Loss before equity in undistributed net income of Bank subsidiary	(46,696)	(28,067)	(8,639)
Equity in undistributed net income of Bank subsidiary	1,021,846	1,264,173	971,161
Net income	$ 975,150	$ 1,236,106	$ 962,522

</TABLE>

NOTE 12 - PARENT COMPANY FINANCIAL STATEMENTS (Continued)

CONDENSED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Year Ended September 30, 1996	Year Ended September 30, 1995	Period From March 24 to September 30, 1994
Cash flows from operating activities			
<S>	<C>	<C>	<C>
Net income	$ 975,150	$ 1,236,106	$ 962,522
Adjustments to reconcile net income to net cash from operating activities			
Amortization, net of accretion	-	(4,237)	-
Equity in undistributed net income of Bank subsidiary	(1,021,846)	(1,264,173)	(971,161)
Net change in other assets	287,659	(317,424)	(1,736)
Net change in accrued expenses and other liabilities	40,417	27,738	3,853
Net cash provided by (used in) operating activities	281,380	(321,990)	(6,522)
Cash flows from investing activities			
Net change in interest-bearing deposits in other financial institutions	948,366	-	-
Loan to ESOP	-	-	(1,400,000)
Principal repayments on loan receivable from ESOP	206,349	200,000	
100,000			
Loan to Bank subsidiary	-	-	(6,750,000)
Principal repayments on note receivable from Bank subsidiary	1,000,000	1,000,000	-
Investment in Bank subsidiary	-	-	(9,226,665)
Purchase of securities	-	(4,945,231)	(12,490,918)
Proceeds from maturities of securities	-	5,400,000	11,092,020
Net cash provided by (used in) investing activities	2,154,715	1,654,769	(18,675,563)
Cash flows from financing activities			
Proceeds from stock issue, net of conversion costs and stock acquired by ESOP and RRP	-	-	20,326,665
Purchase of MFB Corp. common stock	(1,499,024)	(1,530,486)	(1,377,925)
Cash dividends paid	(118,439)	-	-
Net cash provided by (used in) financing activities	(1,617,463)	(1,530,486)	18,948,740
Net change in cash and cash equivalents	818,632	(197,707)	266,655
Cash and cash equivalents at beginning of period	68,948	266,655	-
Cash and cash equivalents at end of period	$ 887,580	$ 68,948	$ 266,655

</TABLE>

MFB CORP. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1996, 1995 and 1994

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table shows the estimated fair values and the related carrying amounts of the Company's financial instruments at September 30, 1996 and 1995. Items which are not financial instruments are not included.

	1996 Carrying Amount	1996 Estimated Fair Value	1995 Carrying Amount	1995 Estimated Fair Value
Cash and cash equivalents	$ 1,734,388	$ 1,734,000	$ 7,454,051	$ 7,454,000
Interest-bearing time deposits in other financial institutions	495,000	495,000	1,880,000	1,882,000
Securities available for sale	66,762,558	66,763,000	-	-
Securities held to maturity	-	-	52,022,355	51,704,000
FHLB stock	1,336,100	1,336,000	1,270,800	1,271,000
Loans receivable, net of allowance for loan losses	152,052,092	152,341,000	121,181,162	121,857,000
Accrued interest receivable	818,014	818,000	818,108	818,000
Noninterest bearing demand deposits	(1,942,145)	(1,942,000)	(743,000)	(743,000)
Savings, NOW and MMDA deposits	(34,779,548)	(34,780,000)	(34,687,208)	(34,687,000)
Other time deposits	(122,242,796)	(122,579,000)	(109,121,562)	(109,607,000)
FHLB advances	(24,500,000)	(24,337,000)	-	-

For purposes of the above disclosures of estimated fair value, the following assumptions were used as of September 30, 1996 and 1995. The estimated fair value for cash and cash equivalents is considered to approximate cost. The estimated fair value of interest-bearing time deposits in other financial institutions is based upon estimates of the rate the Company would receive on such deposits at September 30, 1996 and 1995, applied for the time period until maturity. The estimated fair value for securities available for sale and securities held to maturity, is based upon quoted market values for the individual securities or for equivalent securities. The estimated fair value for loans receivable is based upon estimates of the difference in interest rates the Company would charge the borrowers for similar such loans with similar maturities made at September 30, 1996 and 1995, applied for an estimated time period until the loan is assumed to reprice or be paid. In addition, when computing the estimated fair value for loans receivable, the allowance for loan losses was subtracted from the calculated fair value for consideration of credit issues. The estimated fair value for FHLB stock, accrued interest receivable, noninterest bearing demand deposits, savings, NOW and MMDA deposits is based upon their carrying value. The estimated fair value for other time deposits as well as FHLB advances is based upon estimates of the rate the Company would pay on such deposits or borrowings at September 30, 1996 and 1995, applied for the time period until maturity. The estimated fair value of other financial instruments and off-balance-sheet loan commitments approximate cost and are not considered significant to this presentation.

NOTE 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

While these estimates of fair value are based on management's judgment of the most appropriate factors, there is no assurance that were the Company to have disposed of such items at September 30, 1996 and 1995, the estimated fair values would necessarily have been achieved at that date, since market values may differ depending on various circumstances. The estimated fair values at September 30, 1996 and 1995 should not necessarily be considered to apply at subsequent dates.

In addition, other assets and liabilities of the Company that are not defined as financial instruments are not included in the above disclosures, such as property and equipment. Also, nonfinancial instruments typically not recognized in financial statements nevertheless may have value but are not included in the above disclosures. Excluded, among other items, are the estimated earning power of core deposit accounts, the trained work force, customer goodwill and similar items.

NOTE 14 - IMPACT OF NEW ACCOUNTING STANDARDS

Several new accounting standards have been issued by the FASB that will apply for the year ending September 30, 1997. SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets To Be Disposed Of," requires a review of long-term assets for impairment of recorded value and resulting write-downs if the value is impaired. SFAS No. 122, "Accounting for Mortgage Servicing Rights," requires recognition of an asset when servicing rights are retained on in-house originated loans that are sold. SFAS No. 123, "Accounting for Stock-Based Compensation," encourages, but does not require, entities to use a "fair value based method" to account for stock-based compensation plans and requires disclosure of the pro forma effect on net income and on earnings per share had the accounting been adopted. SFAS No. 125, "Accounting for Transfer and Servicing of Financial Assets and Extinguishment of Liabilities," provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities and requires a consistent application of a financial-components approach that focuses on control. Under that approach, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred and derecognizes liabilities when extinguished. SFAS No. 125 also supersedes SFAS No. 122, and requires that servicing assets and liabilities be subsequently measured by amortization in proportion to and over the period of estimated net servicing income or loss and requires assessment for asset impairment or increased obligation based on their fair values. SFAS No. 125 applies to transfers and extinguishments occurring after December 31, 1996, and early or retroactive application is not permitted. Upon adoption, these statements are not expected to have a material effect on the Company's consolidated financial position or results of operations.

NOTE 15 - ADOPTION OF PLAN OF CONVERSION

The Bank completed a conversion from a mutual to a stock savings bank on March 24, 1994. Simultaneous with the conversion was the formation of the Company, incorporated in the State of Indiana. The initial issuance of shares of common stock in the Company on March 24, 1994 was 2,302,351 shares at $10 per share, resulting in proceeds net of costs of $22,426,665, and was accomplished through an offering to the Bank's tax-qualified ESOP, RRPs, eligible account holders of record, and other members of the Bank. Costs associated with the conversion and stock offering amounted to $596,845, and were accounted for as a reduction of the proceeds from the issuance of common stock of the Company. Upon closing of the stock offering, the Company purchased all common shares issued by the Bank.

At the time of the conversion, the Company established a liquidation account in an amount equal to its net worth as of the date of the latest consolidated financial statements contained in the final offering circular used to sell the common stock ($16,964,414 at September 30, 1993). The liquidation account will be maintained for the benefit of eligible depositors, with deposits of at least $50 as of the December 31, 1992 eligibility record date, who continue to maintain their deposits in the Bank after the conversion. In the event of a complete liquidation (and only in such an event), each eligible depositor will be entitled to receive a liquidation distribution from the liquidation account, in the proportionate amount of the then current adjusted balance of deposits then held, before any liquidation distribution may be made with respect to the stockholders. Except for the repurchase of stock and payment of dividends by the Bank, the existence of the liquidation account will not restrict the use or application of net worth. The Bank has not recalculated the liquidation account balance which would currently be less than the initial $16,964,414 amount. If the liquidation account balance was unchanged from the initial amount, the Bank would be subject to a divided limitation of approximately $3,800,000 as of September 30, 1996.

NOTE 16 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

<TABLE>
<CAPTION>

(In thousands, except per share data)	Year Ended September 30, 1996 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<S>	<C>	<C>	<C>	<C>
Interest income	$ 3,215	$ 3,400	$ 3,633	$ 3,934
Interest expense	1,834	1,932	2,050	2,241
Net interest income	1,381	1,468	1,583	1,693
Provision for loan losses	8	7	8	7
Net interest income after provision for loan losses	1,373	1,461	1,575	1,686
Noninterest income	83	121	91	67
Noninterest expense	871	924	963	2,077
Income before income taxes	585	658	703	(324)
Income tax expense	233	262	279	(127)
Net income	$ 352	$ 396	$ 424	$ (197)
Earnings per common and common equivalent share	$ .17	$ .20	$ .22	$ (.10)

</TABLE>

NOTE 16 - SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED) (Continued)

<TABLE>
<CAPTION>

(In thousands, except per share data)	Year Ended September 30, 1995 1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
<S>	<C>	<C>	<C>	<C>
Interest income	$ 3,051	$ 3,063	$ 3,125	$ 3,145
Interest expense	1,590	1,636	1,743	1,820
Net interest income	1,461	1,427	1,382	1,325
Provision for loan losses	8	8	7	7

Net interest income after provision for loan losses	1,453	1,419	1,375	1,318
Noninterest income	75	81	80	82
Noninterest expense	936	956	935	1,000
Income before income taxes	592	544	520	400
Income tax expense	235	217	207	161
Net income	$ 357	$ 327	$ 313	$ 239
Earnings per common and common equivalent share	$ .17	$ .16	$ .15	$ .11

</TABLE>

DIRECTORS AND OFFICERS

MFB Corp. and Mishawaka Federal Savings Directors

M. Gilbert Eberhart (age 62) has served as Secretary of the Bank since 1987. He is also a dentist based in Mishawaka.

Thomas F. Hums (age 63) served as President and Chief Executive Officer of the Bank from 1972 until September, 1995. He also served as President and Chief Executive Officer of Mishawaka Financial from 1975 until September, 1995.

Jonathan E. Kintner (Age 53) is an optometrist based in Mishawaka.

Michael J. Marien (Age 49) is a Sales Representative with Signode Corporation, a division of ITW.

Marian K. Torian (age 75) has served as Chairman of the Bank and of Mishawaka Financial since 1977. She also served as a teacher with School City of Mishawaka.

Charles J. Viater (age 41) has served as President and Chief Executive Officer of the Bank and Mishawaka Financial since September, 1995. He previously served as Executive Vice President for Amity Federal Bank and Chief Financial Officer of Amity Bancshares, Inc. beginning in December, 1990.

Reginald H. Wagle (age 54) has served as Vice President of Memorial Health Foundation since 1992. Until 1992, he was a free-lance political consultant and until 1991, he also served as District Director for the Office of United States Representative John P.
Hiler, Third Congressional District of Indiana.

MISHAWAKA FEDERAL SAVINGS OFFICERS

Charles J. Viater
President and Chief Executive Officer*

Timothy C. Boenne
Vice President and Controller

M. Gilbert Eberhart
Secretary*

Michael J. Portolese
Vice President

William L. Stockton, Jr.
Vice President

* Holds same position with MFB Corp.

SHAREHOLDER INFORMATION

Market Information

The common stock of MFB Corp. is traded on the National Association of Securities Dealers Automated Quotation System, National Market System, under the symbol "MFBC." As of September 30, 1996, there were approximately 900 shareholders of record and the Company estimates that, as of that date, there were an additional 811 beneficial shareholders in "street" name. The following table sets forth market price information for the Company's common stock for the periods indicated.

Fiscal Quarters Ended	High Bid	Low Bid
December 31, 1995	16.25	14.75
March 31, 1996	15.25	13.75
June 30, 1996	14.75	13.75
September 30, 1996	19.00	13.75

Transfer Agent and Registrar
Registrar and Transfer Co.
10 Commerce Drive
Cranford, New Jersey 07016

Special Counsel
Barnes & Thornburg
1313 Merchants Building
11 South Meridian Street
Indianapolis, Indiana 46204

Independent Auditors
Crowe, Chizek & Co.
330 E. Jefferson Boulevard
South Bend, Indiana 46624

Shareholder and General Inquiries

The Company is required to file an Annual Report on Form 10-K for its fiscal year ended September 30, 1996 with the Securities and Exchange Commission. Copies of this annual report may be obtained without charge upon written request to:

Charles J. Viater
President and Chief Executive Officer
MFB Corp.
121 South Church Street
P.O. Box 528
Mishawaka, Indiana 46546

Office Locations

Main Office	Branch Office	Mortgage Office
121 S. Church St.	411 W. McKinley Ave.	227 S. Main St. Suite 110
Mishawaka, IN 46544	Mishawaka, IN 46545	Elkhart, IN 46516

Branch Office	Branch Office
402 W. Cleveland Rd.	2427 Mishawaka Ave.
Mishawaka, IN 46545	South Bend, IN 46615

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference of our report, dated November 4, 1996, on the consolidated financial statements of MFB Corp. which appears in MFB Corp.'s Annual Report on Form 10-K for the year ended September 30, 1996 in MFB Corp.'s Registration Statement on Form S-8 (Registration No. 33-84340)

/s/ Crowe, Chizek and Company LLP
Crowe, Chizek and Company LLP

South Bend, Indiana
December 26, 1996

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE REGISTRANT'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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