SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

MFB CORP CIK:**916396**| IRS No.: **351907258** | State of Incorp.:**IN** | Fiscal Year End: **0930** Type: **8-K** | Act: **34** | File No.: **001-12279** | Film No.: **04970280** SIC: **6035** Savings institution, federally chartered	Mailing Address *121 SOUTH CHURCH ST* *MISHAWNA IN 46544*	Business Address *121 SOUTH CHURCH ST* *MISHAWAKA IN 46544* *5742553146*

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(b) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 6, 2004

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

INDIANA
(State or other jurisdiction of incorporation)

0-23374	35-1907258
(Commission File Number)	(IRS Employer Identification No.)

4100 Edison Lakes Parkway, Suite 300 P.O. Box 528 Mishawaka, Indiana	46546
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (574) 277-4200

Item 2. Acquisition or Disposition of Assets

On August 6, 2004, the Registrant completed the previously announced transaction whereby Registrant's wholly-owned subsidiary, MFB Financial, has acquired certain assets and assumed certain liabilities of Sobieski Bank (the "Acquisition").

Under the terms of the agreement, MFB Financial paid Sobieski Bank $1.156 million, subject to post closing adjustments to be finalized within the next 10 days.

As of June 30, 2004, Sobieski Bank, located in South Bend, Indiana, had approximately $105.1 million of assets and approximately $102.4 million of liabilities. Among items excluded from the Acquisition under the agreement were certain troubled and/or substandard assets, including certain commercial loans, real estate owned, assets seized in connection with litigation related to fraudulent activity affecting Sobieski Bank, and other items. The transaction was structured as an asset purchase and MFB Financial generally did not assume any of any of Sobieski's contingent liabilities. Sobieski Bank and its holding company, Sobieski Bancorp, Inc., have agreed to indemnify and protect MFB Financial against liabilities not assumed by MFB Financial in the transaction.

As a result of the transaction, Registrant is expected to increase its total assets to approximately $548 million. MFB Financial is now operating the three Sobieski retail offices, all located in South Bend, as branch facilities under the MFB Financial name. The acquisition expands MFB Financial's offering of retail and small business financial services to eleven banking centers in the St. Joseph and Elkhart county metropolitan area.

Pursuant to General Instruction F to Form 8-K, the press release issued August 6, 2004, concerning the closing of the Acquisition is attached hereto as Exhibit 99.1 and incorporated by reference herein.

When used in this Current Report on Form 8-K, the words or phrases "pro forma," "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including, among other things, the possibility that expected cost savings from the Acquisition cannot be fully realized or realized within the expected time frame, the possibility that revenues following the Acquisition may be lower than expected, changes in economic conditions in the Registrant's market area, changes in policies by regulatory agencies, fluctuations in interest rates, and demand for loans in Registrant's market area and competition, that could cause actual results to differ materially from historical results and those presently anticipated or projected. Readers should not place undue reliance on any such forward-looking statements, which speak only as of the date made. The factors listed above could affect the Registrant's financial performance and could cause the Registrant's actual results for future periods to differ materially from any opinions or statements expressed with respect to future periods in any current statements.

The Registrant does not undertake and specifically declines any obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

Item 7. Financial Statements and Exhibits

(a) Financial Statements or Business Acquired.

1. The financial statements of Sobieski Bancorp, Inc., including its consolidated statements of financial condition as of June 30, 2003 and 2002, and related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for each of the two years in the period ended June 30, 2003, are attached hereto as Exhibit 99.2.

2. The unaudited financial statements of Sobieski Bancorp, Inc., including its condensed consolidated statement of financial condition as of March 31, 2004, and related consolidated statements of income (loss) and comprehensive income (loss) for the three and nine months ending March 31, 2004 and 2003 and cash flows for the nine months ended March 31, 2004 and 2003 are attached hereto as Exhibit 99.3.

(b) Pro Forma Financial Statements.

The pro forma financial information required by this Item 7(b) will be filed by amendment to this Current Report on Form 8-K no later than 60 days after the date that this report is required to be filed with the Securities and Exchange Commission.

(c) Exhibits

Exhibit 2 -- Purchase and Assumption Agreement among MFB Financial, Sobieski Bank, and Sobieski Bancorp, Inc. dated April 25, 2004 (incorporated by reference from Exhibit A to the Registrant's Form 8-K filed with the Commission on April 26, 2004).

Exhibit 99.1 -- Press release dated August 6, 2004 announcing the closing of the Acquisition.

Exhibit 99.2 -- Audited Consolidated Statement Financial Condition as of June 30, 2003 and 2002 and Consolidated Statements of Operations and Comprehensive Loss, Changes in Stockholders' Equity, and Cash Flows for each of the two years in the period ended June 30, 2003, for Sobieski Bancorp, Inc.

Exhibit 99.3 -- Unaudited Condensed Consolidated Statement of Financial Condition as of March 31, 2004, and related consolidated statements of income (loss) and comprehensive income (loss) for the three and nine months ending March 31, 2004 and 2003 and cash flows for the nine months ended March 31, 2004 and March 31, 2003, of Sobieski Bancorp, Inc.

SIGNATURES

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

/s/ Charles J. Viater

Charles J. Viater, President and CEO

Dated: August 12, 2004

Exhibit 99.1

Contacts: Charles J. Viater, President/CEO
MFB Corp. (574) 273-7601

Friday, August 6, 2004

MFB Corp. Announces Acquisition Closing

Mishawaka, IN, MFB Corp. (Nasdaq: MFBC), headquartered in Mishawaka, Indiana ("MFB), announced today that its banking subsidiary, MFB Financial, has completed a transaction whereby MFB Financial has acquired certain assets and assumed certain liabilities of Sobieski Bank (the "Acquisition").

Under the terms of the agreement, MFB Financial paid Sobieski Bank $1.156 million, subject to post closing adjustments to be finalized within the next 15 days.

As of June 30, 2004, Sobieski Bank, located in South Bend, Indiana, had approximately $105.1 million of assets and approximately $102.4 million of liabilities. Among items excluded from the Acquisition under the agreement were certain troubled and/or substandard assets, including certain commercial loans, real estate owned, assets seized in connection with litigation related to fraudulent activity affecting Sobieski Bank, and other items. The transaction was structured as an asset purchase and MFB Financial generally did not assume any of any of Sobieski's contingent liabilities. Sobieski Bank and its holding company, Sobieski Bancorp, Inc., have agreed to indemnify and protect MFB against liabilities not assumed by MFB in the transaction.

The acquisition is expected to be accretive to MFB's earnings per share for the fiscal year beginning October 1, 2004. As a result of the transaction, MFB is expected to increase its total assets to approximately $538 million and to solidify MFB Financial's position as the second largest FDIC-insured institution headquartered in St. Joseph County, Indiana. MFB will operate the three Sobieski retail offices, all located in South Bend, as branch facilities under the MFB Financial name. The acquisition expands MFB's offering of retail and small business financial services to eleven banking centers in the St. Joseph and Elkhart county metropolitan area. MFB also recently moved into its new corporate headquarters in Mishawaka. Both Mishawaka and South Bend are in St. Joseph County. MFB Corp. shareholders' equity was $35.7 million at June 30, 2004.

"This is a carefully structured growth transaction consistent with our focus on community banking, asset quality and efficiency," said Charles J. Viater, President & CEO of MFB. "We are expanding and extending our market presence and service capability in a prudent and profitable manner. We will immediately benefit from the critical mass this will add to our organization while simultaneously providing Sobieski customers with enhanced product and service offerings."

Edelman & Co., Ltd. served as financial advisor to MFB for the transaction.

Statements contained in this press release that are not historical facts may constitute forward-looking statements (within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended) which involve significant risks and uncertainties. MFB intends such forward-looking statements to be covered in the Private Securities Litigation Reform Act of 1995, and is including this statement for purposes of invoking these safe harbor provisions. MFB's ability to predict results or the actual effect of future plans or strategies is inherently uncertain and involves a number of risks and uncertainties, some of which have been set forth in its most recent annual report on Form 10-K and quarterly report on Form 10-Q, which disclosures are incorporated by reference herein. The fact that there are various risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements.

Exhibit 99.2

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and Board of Directors
Sobieski Bancorp, Inc.
South Bend, Indiana

We have audited the accompanying consolidated statements of financial condition of Sobieski Bancorp, Inc. and Subsidiary as of June 30, 2003 and 2002 and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity and cash flows for the years then ended. These 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 the standards of the Public Company Accounting Oversight Board (United States). 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 Sobieski Bancorp, Inc. and Subsidiary as of June 30, 2003 and 2002 and the results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

South Bend, Indiana
September 8, 2003

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SOBIESKI BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
June 30, 2003 and 2002

<S>	<C> 2003	<C> 2002
ASSETS		
Cash and due from banks	$ 3,912,560	$ 2,217,805
Interest-bearing deposits in other financial institutions	9,589,566	1,915,394
Federal funds sold	-	1,900,000
Total cash and cash equivalents	13,502,126	6,033,199
Certificates of deposit in other financial institutions	-	594,000
Securities available for sale	20,520,012	19,232,280
Securities held to maturity (fair value of $4,794,210 and $7,057,158, respectively)	4,600,194	6,961,341
Other securities	1,925,183	1,900,383
Loans held for sale, net of valuation allowance of $-0-	1,402,005	46,714
Loans, net of allowance for loan losses of $1,894,536 for 2003 and $2,487,793 for 2002	70,831,426	96,399,833
Accrued interest receivable	686,183	736,685
Property and equipment, net	1,905,531	1,876,568
REO and repossessed assets	2,866,657	973,396
Other assets	3,206,461	3,999,575
Total assets	$ 121,445,778	$ 138,753,974

LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits	$ 74,561,647	$ 91,573,090
Federal Home Loan Bank advances	35,550,000	36,000,000
Advances from borrowers for taxes and insurance	184,570	304,200
Accrued interest payable	151,725	228,262
Accrued expenses and other liabilities	1,885,209	1,015,692
Total liabilities	112,333,151	129,121,244
Stockholders' equity		
Preferred stock, $.01 par value: 500,000 shares authorized; none issued	-	-
Common stock, $.01 par value: 3,500,000 shares authorized; 966,000 shares issued; 677,032 and 671,062 shares outstanding, respectively	9,660	9,660
Additional paid-in capital	9,299,016	9,280,419
Retained earnings	3,977,557	4,591,232
Accumulated other comprehensive income	64,287	65,985
Treasury stock, at cost, 288,968 and 294,938 shares, respectively	(3,964,295)	(4,044,935)
Unearned Recognition and Retention Plan (RRP) shares; 7,086 and 2,422 shares, respectively	(96,019)	(33,630)
Unallocated Employee Stock Ownership Plan (ESOP) shares; 17,758 and 23,600 shares, respectively	(177,579)	(236,001)
Total stockholders' equity	9,112,627	9,632,730
Total liabilities and stockholders' equity	$ 121,445,778	$ 138,753,974

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

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SOBIESKI BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
Years ended June 30, 2003 and 2002

<S>	2003 <C>	2002 <C>
Interest income		
Loans	$ 5,940,371	$ 7,291,731
Securities - taxable	1,207,592	1,343,722
Securities - tax exempt	43,430	43,743
Interest-bearing deposits	114,287	109,629
Total interest income	7,305,680	8,788,825
Interest expense:		
Interest on deposits	2,754,784	3,521,128
Interest on borrowings	2,011,712	1,880,420
Total interest expense	4,766,496	5,401,548
Net interest income	2,539,184	3,387,277
Provision for loan losses	1,183,173	7,071,252
Net interest income (loss) after provision for loan losses	1,356,011	(3,683,975)
Noninterest income		
Fees and service charges	291,591	313,342
Gain on sales and calls of securities	6,992	173,028
Gain on sale of loans	676,839	242,510

Loan servicing fees, net of amortization	(164,831)	(3,756)
Gain (loss) on sale and valuation allowance for REO and repossessed assets, net of lease income	(511,920)	49,532
Insurance benefits	1,525,000	99,202
Other income	342	305
Total noninterest income	1,824,013	874,163
Noninterest expense		
Compensation and benefits	1,897,915	1,488,044
Professional fees	521,948	183,640
Occupancy and equipment	319,012	336,200
Federal deposit insurance premiums	119,823	14,947
Advertising and promotion	38,400	71,863
Service bureau expense	220,290	195,648
Repossession expense	144,703	20,616
Supplies	95,092	95,453
Other operating expenses	490,704	496,015
Total noninterest expense	3,847,887	2,902,426
Loss before income taxes	(667,863)	(5,712,238)
Income tax benefit	(274,474)	(2,298,467)
Net loss	$ (393,389)	$ (3,413,771)
Basic and diluted loss per common share	$ (0.61)	$ (5.33)

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

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SOBIESKI BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
Years ended June 30, 2003 and 2002

<S>	<C> 2003	<C> 2002
Net loss	$ (393,389)	$ (3,413,771)
Other comprehensive income (loss):		
Unrealized gains on securities available for sale arising during the year	1,847	285,778
Reclassification adjustments for gains included in net loss	(6,992)	(173,028)
Tax effects	3,447	(43,399)
Total other comprehensive income (loss)	(1,698)	69,351
Comprehensive loss	$ (395,087)	$ (3,344,420)

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

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SOBIESKI BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years ended June 30, 2003 and 2002

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock
Balance, July 1, 2001	$ 9,660	$ 9,262,652	$ 8,213,706	$ (3,366)	$(4,026,100)
Net loss	-	-	(3,413,771)	-	-
Cash dividends declared ($.325 per share)	-	-	(208,703)	-	-
6,184 common shares committed to be released under the ESOP	-	23,481	-	-	-
3,251 shares issued to vested RRP participants	-	(582)	-	-	-
Proceeds from issuance of 4,830 shares of treasury stock due to stock option exercises	-	(5,132)	-	-	66,135
Purchase of treasury stock, 4,830 shares	-	-	-	-	(72,474)
Forfeiture of 900 shares by RRP participants	-	-	-	-	(12,496)
Net unrealized appreciation of available for sale securities	-	-	-	69,351	-
Balance, June 30, 2002	9,660	9,280,419	4,591,232	65,985	(4,044,935)
Net loss	-	-	(393,389)	-	-
Cash dividends declared ($0.34 per share)	-	-	(220,286)	-	-
5,842 common shares committed to be released under the ESOP	-	16,424	-	-	-
1,336 shares issued to vested RRP participants	-	2,173	-	-	-
Purchase of treasury stock, 30 shares	-	-	-	-	(300)
Grant of 6,000 shares to RRP participants	-	-	-	-	80,940
Net unrealized appreciation of available for sale securities	-	-	-	(1,698)	-
Balance, June 30, 2003	$ 9,660	$ 9,299,016	$ 3,977,557	$ 64,287	$ (3,964,295)

(TABLE CONTINUED BELOW)
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	Unearned RRP Shares	Unallocated ESOP Shares	Total Stockholders' Equity
Balance, July 1, 2001	$ (91,266)	$ (297,839)	$13,067,447
Net loss	-	-	(3,413,771)
Cash dividends declared ($.325 per share)	-	-	(208,703)
6,184 common shares committed to be released under the ESOP	-	61,838	85,319
3,251 shares issued to vested RRP participants	45,140	-	44,558
Proceeds from issuance of 4,830 shares of treasury stock due to stock option exercises	-	-	61,003
Purchase of treasury stock, 4,830 shares	-	-	(72,474)
Forfeiture of 900 shares by RRP participants	12,496	-	-
Net unrealized appreciation of available for sale securities	-	-	69,351
Balance, June 30, 2002	(33,630)	(236,001)	9,632,730
Net loss	-	-	(393,389)
Cash dividends declared ($0.34 per share)	-	-	(220,286)
5,842 common shares committed to be released under the ESOP	-	58,422	74,846
1,336 shares issued to vested RRP participants	18,551	-	20,724
Purchase of treasury stock, 30 shares	-	-	(300)
Grant of 6,000 shares to RRP participants	(80,940)	-	-
Net unrealized appreciation of available for sale securities	-	-	(1,698)
Balance, June 30, 2003	$ (96,019)	$ (177,579)	$ 9,112,627

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

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SOBIESKI BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2003 and 2002

<S>	2003 <C>	2002 <C>
Cash flows from operating activities		
Net loss	$ (393,389)	$ (3,413,771)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation	133,258	119,028
Provision for loan losses	1,183,173	7,071,252
(Gain) loss on sales of foreclosed and repossessed assets, net	38,094	(18,219)
Gain on sales and calls of securities	(6,992)	(173,028)
Gain on sales of loans	(676,839)	(242,510)
Deferred income taxes	2,903	(998,477)
Release of Employee Stock Ownership Plan shares	74,846	85,319
Vesting of Recognition and Retention Plan shares	21,343	26,042
Write down of other assets	672,305	97,354
Amortization of premiums and accretion of discounts, net	219,298	126,101
Stock dividends received on other securities	(24,800)	-
Proceeds from sales of loans held for sale	23,217,558	15,157,419
Loans originated for sale	(23,896,010)	(14,763,923)
Net change in		
Accrued interest receivable	50,502	2,497
Other assets	793,658	(2,274,798)
Accrued interest payable	(76,537)	(960,192)
Accrued expenses and other liabilities	868,898	205,923
Net cash from operating activities	2,201,269	46,017
Cash flows from investing activities		
Net change in certificates of deposit	594,000	794,000
Proceeds from calls and maturities of securities	2,000,000	400,000
Proceeds from sales of securities	1,015,495	8,951,159
Purchase of securities	(24,458,102)	(14,121,535)
Principal reductions of securities	22,298,571	6,995,366
Net change in loans	21,392,927	(16,092,329)
Proceeds from sale of foreclosed and repossessed assets	388,647	1,150,192
Purchase of property and equipment, net	(162,221)	(170,593)
Net cash from investing activities	23,069,317	(12,093,740)
Cash flows from financing activities		
Net change in deposits	(17,011,443)	12,578,060
Net change in advances from borrowers for taxes and insurance	(119,630)	(33,759)
Advances from Federal Home Loan Bank	-	13,000,000
Repayment of Federal Home Loan Bank advances	(450,000)	(11,000,000)
Proceeds from exercise of stock options	-	61,003
Purchase of treasury stock	(300)	(72,474)
Cash dividends paid	(220,286)	(208,703)
Net cash from financing activities	(17,801,659)	14,324,127
Net change in cash and cash equivalents	7,468,927	2,276,404
Cash and cash equivalents at beginning of year	6,033,199	3,756,795
Cash and cash equivalents at end of year	$ 13,502,126	$ 6,033,199
Supplemental disclosures of cash flow information Cash paid for:		
Interest	$ 4,843,033	$ 6,361,740
Income taxes	652,000	509,000

Transfer of loans to real estate owned and other assets	$ 2,992,307	$ 1,121,948

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

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SOBIESKI BANCORP, INC. AN SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2002, and 2001

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed in the preparation of the consolidated financial statements of Sobieski Bancorp, Inc. ("Sobieski") and its subsidiary, Sobieski Bank (the "Bank"), collectively referred to as the "Company".

Nature of Operations and Industry Segments: Sobieski is a savings and loan holding company and its business is concentrated in the banking industry segment. The business of commercial and retail banking accounts for more than 90% of its revenues, operating income and assets. While the Company's chief decision makers monitor the revenue stream of various company products and services, operations are managed and financial performance is evaluated on a company-wide basis. Accordingly, all of the Company's banking operations are considered by management to be aggregated into one operating segment. The Company offers individuals and businesses a full range of banking services primarily in St. Joseph County, Indiana and in the areas immediately surrounding known as Michiana. The Company grants commercial, real estate and consumer loans to customers. The majority of loans are secured by business assets, commercial and residential real estate and consumer assets. Commercial lending activities have been restricted under the terms of a supervisory agreement during fiscal 2003 as discussed in Note 10. There are no foreign loans.

Organization: The Bank is a federally chartered stock savings and loan association and as a member of the Federal Home Loan Bank System ("FHLB") is required to maintain an investment in the capital stock of the FHLB equal to at least 5% of outstanding advances. As of June 30, 2003 and 2002, the Bank was in compliance with this requirement.

Principles of Consolidation: The consolidated financial statements include the accounts of Sobieski and its wholly-owned subsidiary. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Certain estimates that are more susceptible to change in the near term include the allowance for loan losses, mortgage servicing rights, the valuation of other real estate owned and repossessed assets, the status of contingencies and the fair value of securities and other financial instruments.

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Securities: Management determines the appropriate classification of securities at the time of purchase. If management has the intent and the Company has the ability at the time of purchase to hold securities until maturity, they are classified as held to maturity and carried at amortized historical cost. Securities to be held for indefinite periods of time and not intended to be held to maturity are classified as available for sale and carried at fair value, with unrealized gains and losses reported in other comprehensive income (loss), net of tax. Securities classified as available for sale include securities that management intends to use as part of its asset/liability management strategy and that may be sold in response to changes in interest rates, resultant prepayment risk and other factors.

Premiums and discounts on securities are recognized in interest income using the level yield method over the estimated life of the security. Gains and losses on the sale of available for sale securities are determined using the specific identification method. Securities are written down to fair value when a decline in fair value is not temporary.

Loans: Loans that management has the positive intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs, and an allowance for loan losses. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. A majority of the Company's loan activity is with customers located in St. Joseph County in Northern Indiana with a concentration in single-family residential lending. Single-family residential loans comprise approximately 62% of the net loan portfolio as of June 30, 2003.

Most loans are collateralized by real estate. The loans are expected to be repaid from cash flow or proceeds from the sale of selected assets of the borrowers. The Company's policy for requiring collateral is dependent upon management's credit evaluation of the borrower.

Interest income is not reported when full loan repayment is in doubt, typically when payments are past due over 90 days, unless the loan is both well secured and in the process of collection. All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Payments received on such loans are reported as principal reductions. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans Held for Sale: The Company originates loans for sale in the secondary market. Loans held for sale are carried at the lower of cost or market in the aggregate with adjustments for unrealized losses recorded in a valuation account by a charge against current earnings. Sales in the secondary market are recognized when full acceptance and funding has been received. Gains and losses on the sale of loans are determined by the sum of the sales price and related servicing asset less the carrying basis of the loans sold. Servicing rights on originated loans sold with servicing retained are recorded as assets. Servicing assets are expensed in proportion to and over the period of estimated servicing revenue. Servicing asset impairment is evaluated on the basis of pricing of similar assets or discounted cash flows using market rates. At June 30, 2003 and 2002, servicing assets totaled approximately $233,000 and $237,000.

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses and is established through periodic provisions for loan losses charged to current operations based on management's evaluation of the risks inherent in the Bank's loan portfolio and changes in the nature and volume of its loan activity, including those loans which are specifically monitored by management. Estimating the risk of loss and the amount of loss on any loan is necessarily subjective and includes review when management determines that full collectability of a loan may not be reasonably assured. In establishing an allowance, reviews of an individual loan include among other risk factors, the classification of the loan, the estimated fair value of the underlying collateral and the discounted present value of expected future cash flows.

Management performs periodic evaluations of the adequacy of the allowance. Management determines the need to individually evaluate loans based on known information about the credit, including the financial condition of the borrower and the delinquency status of the loan. Management evaluates such loans using a process that considers specific factors affecting the individual borrower including the financial condition of the borrower and current regional and national economic conditions affecting the borrower, ability of the borrower to repay the loan and the underlying estimated fair value of collateral. All loans that are not individually evaluated are grouped. A percentage allocation requirement is applied based on historical loss factors and current regional and national economic factors. A higher percentage allocation requirement is applied to groups of consumer and commercial loans than to mortgage loans. Historical loss factors exclude the losses incurred during 2002 on the fraudulent loans that are discussed later. Management at times allocates specific allowance amounts for individual loans; however, the entire allowance is available for any loan charge-off. Charge-offs on specific loans are charged against the allowance for loan losses when uncollectability of the loan is confirmed.

Loan impairment is reported when full payment under the original loan terms is not expected. Impairment is evaluated in total for smaller-balance loans of similar nature such as residential mortgage and consumer loans and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Loans are evaluated for impairment when payments are delayed, typically 90 days or more, or when it is probable that all principal and interest amounts will not be collected according to the original terms of the loan.

Property and Equipment: Land is carried at cost. Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are determined using the straight-line method based on the estimated useful lives of the applicable assets which range from 3 to 39 years. These assets are reviewed for impairment when events indicate that their carrying value may not be recoverable from future undiscounted cash flows. Repairs and minor alterations are charged to expense. Major improvements are capitalized.

NOTE 1 - ORGANIZATION AND ACCOUNTING POLICIES (Continued)

Foreclosed Assets: Real estate and other foreclosed properties acquired through, or in lieu of, loan foreclosure are initially recorded at the lower of carrying amount or fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Any reduction to fair value less the cost to sell 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. Subsequent valuations are performed by management and valuation allowances are adjusted through a charge to operations for changes in fair value or estimated selling costs to reflect the lower of the current basis or the current fair value less cost to sell.

Income Taxes: Sobieski and its subsidiary file consolidated federal and state income tax returns. Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Loss Per Share: Basic loss per common share is based on net loss divided by the weighted average number of common shares outstanding during the period. ESOP shares are considered outstanding for basic loss per common share calculations as they are committed to be released; unearned shares are not considered outstanding. RRP shares are considered outstanding for basic loss per common share as they become vested. Diluted loss per common share includes the dilutive effect of additional potential common shares issuable under stock option plans and nonvested shares issued under the RRP.

Comprehensive Loss: Comprehensive loss consists of net loss and other comprehensive income (loss). Other comprehensive income (loss) includes the net changes in net unrealized gains and losses on securities available for sale, net of tax, which is also recognized as a separate component of stockholders' equity.

Company Owned Life Insurance: The Company has purchased life insurance policies on certain key executives and directors. Company owned life insurance is recorded at its cash surrender value, or the amount that can be realized.

NOTE 1 - ORGANIZATION AND ACCOUNTING PRINCIPLES (Continued)

Stock Compensation: Compensation expense under stock options is reported using the intrinsic value method. No stock-based compensation cost is reflected in net income, as all options granted had an exercise price equal to or greater than the market price of the underlying common stock at date of grant. The following table illustrates the effect on net loss and loss per share if expense was measured using the fair value recognition provision of FASB Statement No. 123, "Accounting for Stock-Based Compensation."

	2003	2002
Net loss as reported	$ (393,389)	$(3,413,771)
Less: Stock-based compensation expense determined under fair value based method	15,014	36,078
Proforma net loss	$ (408,403)	$(3,449,849)
Basic loss per share as reported	$(0.61)	$(5.33)
Proforma basic loss per share	(0.63)	(5.38)
Diluted loss per share as reported	(0.61)	(5.33)
Proforma diluted loss per share	(0.63)	(5.38)

No stock options were granted during the years ending June 30, 2003 and 2002.

Investments in Limited Partnerships: Investments in limited partnerships represent the Company's investments in affordable housing projects for the primary purpose of available tax benefits. The Company is a limited partner in these investments and as such, the Company is not involved in the management or operation of such investments. These investments are accounted for using the equity method of accounting. Under the equity method of accounting, the Company records its share of the partnership's earnings or losses in its income statement and adjusts the carrying amount of the investments on the balance sheet. These investments are reviewed for impairment when events indicate their carrying amounts may not be recoverable from future undiscounted cash flows. If impaired, the investments are reported at discounted amounts.

NOTE 1 - ORGANIZATION AND ACCOUNTING PRINCIPLES (Continued)

Employee Stock Ownership Plan: The Company accounts for its employee stock ownership plan (ESOP) in accordance with AICPA Statement of Position (SOP) 93-6. Under SOP 93-6, the cost of shares issued to the ESOP, but not yet allocated to participants, is presented in the consolidated statements of financial condition as a reduction of stockholders' equity. Compensation expense is recorded based on the market price of the shares as they are 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 additional paid-in capital. Dividends on allocated ESOP shares reduce retained earnings; dividends on unearned ESOP shares may be used to reduce debt and accrued interest.

Cash and Cash Equivalents: For purposes of reporting cash flows, cash and cash equivalents is defined to include the Company's cash on hand and in other banks, federal funds sold, and interest-earning deposits in other financial institutions with original maturities of 90 days or less.

Fair Values of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect such estimates.

Financial Instruments with Off-Balance Sheet Risk: The Company, in the normal course of business, makes commitments to extend credit which are not reflected in the consolidated financial statements.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation.

NOTE 2 - LOSS PER SHARE

A reconciliation of the numerators and denominators used in the computation of the basic loss per common share and diluted loss per common share is presented below:

	Year ended June 30, 2003	2002
Basic loss per common share		
Numerator		
Net loss	$(393,389)	$(3,413,771)
Denominator		
Weighted average common shares outstanding	673,686	671,962
Less: Average unallocated ESOP shares	(22,144)	(26,692)
Less: Average non-vested RRP shares	(4,334)	(4,350)
Weighted average common shares outstanding for basic loss per common share	647,208	640,920
Basic loss per common share	$ (0.61)	$ (5.33)
Diluted loss per common share		
Numerator		
Net loss	$(393,389)	$(3,413,771)
Denominator		

Weighted average common shares outstanding for basic loss per common share	647,208	640,920
Add: Dilutive effects of assumed exercises of stock options	-	-
Add: Dilutive effects of average non-vested RRP shares	-	-
Weighted average common shares and dilutive potential common shares outstanding	647,208	640,920
Diluted loss per common share	$ (0.61)	$ (5.33)

At June 30, 2003 and 2002, stock options not considered in computing diluted loss per share because they were antidilutive totaled 74,300 and 76,500 and non-vested RRP shares not considered in computing diluted loss per share because they were antidilutive totaled 7,086 and 2,422.

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SOBIESKI BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 3 - SECURITIES

The amortized cost and estimated fair value of securities at June 30, 2003 are as follows:

	Available For Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
U.S. Government and agency securities	$ 376,166	$ 2,274	$ -	$ 378,440
Mortgage-backed securities	18,329,679	87,798	(53,216)	18,364,261
Corporate obligations	1,691,062	86,249	-	1,777,311
	$ 20,396,907	$ 176,321	$ (53,216)	$ 20,520,012

	Held To Maturity			
	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Estimated Fair Value
U.S. Government and agency securities	$ 1,211,980	$ 56,237	$ -	$ 1,268,217
Municipal securities	995,126	52,336	-	1,047,462
Mortgage-backed securities	2,393,088	86,342	(899)	2,478,531
	$ 4,600,194	$ 194,915	$ (899)	$ 4,794,210

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SOBIESKI BANCORP, INC. AND SUBSIDIARY

NOTE 3 - SECURITIES (Continued)

The amortized cost and estimated fair value of securities at June 30, 2003, by contractual maturity, are shown in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available For Sale		Held To Maturity	
<S>	Amortized Cost <C>	Estimated Fair Value <C>	Carrying Value <C>	Estimated Fair Value <C>
Due after one year through five years	$ 433,725	$ 470,079	$ 1,358,007	$ 1,447,995
Due after five years through ten years	1,321,520	1,373,538	282,950	299,820
Due after ten years	311,983	312,134	566,149	567,864
Mortgage-backed securities	18,329,679	18,364,261	2,393,088	2,478,531
	$ 20,396,907	$ 20,520,012	$ 4,600,194	$ 4,794,210

The amortized cost and estimated fair value of securities at June 30, 2002 are as follows:

	Available For Sale			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government and agency securities	$ 501,434	$ 491	$ -	$ 501,925
Mortgage-backed securities	16,597,412	148,792	(27,294)	16,718,910
Corporate obligations	2,001,966	21,464	(11,985)	2,011,445
	$ 19,100,812	$ 170,747	$ (39,279)	$ 19,232,280

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NOTE 3 - SECURITIES (Continued)

	Held To Maturity			
<S>	Carrying Value <C>	Gross Unrecognized Gains <C>	Gross Unrecognized Losses <C>	Estimated Fair Value <C>
U.S. Government and agency securities	$ 1,495,844	$ 24,706	$ (8,003)	$ 1,512,547
Municipal securities	998,228	45,706	-	1,043,934
Mortgage-backed securities	4,467,269	41,894	(8,486)	4,500,677
	$ 6,961,341	$ 112,306	$ (16,489)	$ 7,057,158

</TABLE>

Sales of securities were as follows:

	2003	2002
Proceeds from sales of securities available for sale	$1,015,495	$8,951,159
Gross gains	12,828	173,028
Gross losses	5,836	-

There were no sales of securities held to maturity during 2003 and 2002.

The mortgage-backed securities consist primarily of FNMA, GNMA, SBA and FHLMC pass-through certificates which are issued by each of the respective agency programs, as sponsored by the United States Government.

Securities pledged at June 30, 2003 had carrying value of $23,981,000 and were pledged to secure Federal Home Loan Bank borrowings.

Other securities consist of the following:

	June 30, 2003	June 30, 2002
Federal Home Loan Bank stock, at cost	$1,900,300	$1,875,500
Marketable equity securities, at fair value	24,883	24,883
Total other securities	$1,925,183	$1,900,383

<TABLE>
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SOBIESKI BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 4 - LOANS, NET

Loans consist of the following:

<S>	June 30, 2003 <C>	June 30, 2002 <C>
Mortgage loans:		
Secured by one-to-four family properties	$ 44,092,400	$ 61,172,918
Commercial and other properties	17,999,976	19,991,839
	62,092,376	81,164,757
Commercial loans:		
Commercial loans	3,257,600	6,256,613
Commercial loans - participations	1,179,743	2,624,241
	4,437,343	8,880,854
Consumer loans:		
Home equity	3,765,145	4,365,126
Other	2,431,098	4,476,889
	6,196,243	8,842,015
Gross Total loans	72,725,962	98,887,626
Less: allowance for loan losses	(1,894,536)	(2,487,793)
Loans, net	$ 70,831,426	$ 96,399,833

Certain directors and executive officers of the Company and the Bank, including their associates and companies in which they are principal owners, were loan customers. The following is a summary of loans to these individuals and their associates.

	2003	2002
Balance at July 1	$ 1,234,795	$ 1,019,309
New loans	334,002	488,574
Repayments	(444,813)	(250,273)
Other changes, net	-	(22,815)
Balance at June 30	$ 1,123,984	$ 1,234,795

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SOBIESKI BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 4 - LOANS, NET (Continued)

The following is a summary of activity in the allowance for loan losses:

<S>	Years Ended June 30, 2003 <C>	2002 <C>
Balance, beginning of year	$ 2,487,793	$ 339,900
Provision charged to expense	1,183,173	7,071,252
Loan charge-offs	(1,783,963)	(4,923,359)
Recoveries	7,533	-
Balance, end of year	$ 1,894,536	$ 2,487,793

Information regarding impaired loans follows:

	2003	2002
Year end loans with no allowance for loan losses allocated	$ 3,614,000	$ -
Year end loans with allowance for loan losses allocated	3,480,000	13,516,000
Total impaired loans	$ 7,094,000	$ 13,516,000
Amount of allowance allocated to these loans	$ 1,315,000	$ 1,692,000
Average balance of impaired loans during the year	10,803,000	2,181,000
Cash basis interest income recognized during impairment	218,000	-
Interest income recognized during impairment	236,000	-

Nonperforming loans were as follows:

	2003	2002
Loans past due over 90 days still on accrual status	-	76,000
Nonaccrual loans	4,659,000	7,157,000
Total nonperforming loans	$ 4,659,000	$ 7,233,000

Nonperforming loans and impaired loans are defined differently. Some loans may be included in both categories, whereas other loans may only be included in one category.

</TABLE>

NOTE 4 - LOANS, NET (Continued)

In May of 2002, the Company's Audit Committee identified certain loans that were made by a former employee of the Bank that were unauthorized and fraudulently conveyed or otherwise made without properly following the Company's lending policies and procedures. Substantially all of these loans, totaling approximately $9.6 million, were made in the Company's fiscal year 2002.

Management believes these loans are primarily collateral dependent. Accordingly, at June 30, 2002, the Company considered all of these loans impaired, placed the loans on non-accrual and recorded provision for loan losses of approximately $4.3 million for these loans, based on the deficiency of the estimated collateral value as compared to the outstanding balance of these loans. In addition, during year ended June 30, 2002, the Company charged off approximately $3.3 million of these loans.

As of June 30, 2003 and 2002, the outstanding balance of these loans totaled approximately $2.6 and $6.3 million. As of June 30, 2003 and 2002, management allocated a specific allowance allocation of approximately $0 and $1.0 million for these loans. The Company is vigorously working with legal counsel and regulatory and federal authorities to pursue all available avenues for collection including the repossession of substantial assets. The estimated fair value less selling costs for these assets has been considered in management's determination of the allowance for loan losses. During the year ended June 30, 2003, the Company received bond claims of $1.5 million, stemming from the unauthorized and fraudulent loan activity by the former employee. As previously announced by the Company, this former employee pleaded guilty to charges of bank fraud stemming from his involvement in making these loans.

Also, as of June 30, 2003 and 2002, approximately $4.5 million and $7.8 million of additional loans, exclusive of the aforementioned unauthorized and fraudulent loans, were classified as impaired because of unauthorized lending activities, credit quality concerns and loan documentation issues, primarily attributable to the actions of the former employee involved in the bank fraud. As of June 30, 2003 and 2002, the Company has specific allowance for loan losses allocations on these additional impaired loans of approximately $1.3 million and $670,000.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment and related accumulated depreciation and amortization consisted of the following:

	June 30,	
	2003	2002
Land	$ 176,834	$ 121,787
Office buildings	1,764,097	1,710,133
Leasehold improvements	71,481	70,731
Furniture and equipment	870,633	855,371
	2,883,045	2,758,022
Less: Accumulated depreciation and amortization	(977,514)	(881,454)

Property and equipment, net	$ 1,905,531	$1,876,568

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SOBIESKI BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 6 - DEPOSITS

Deposits consisted of the following:

	June 30,			
	2003		2002	
	Amount	Percent of Total	Amount	Percent of Total
<S>	<C>	<C>	<C>	<C>
NOW and money market accounts	$ 9,247,539	12.4%	$ 9,805,818	10.7%
Passbook accounts	12,912,918	17.3	13,511,129	14.8
Certificates of deposit and IRA accounts	52,401,190	70.3	68,256,143	74.5
Total	$ 74,561,647	100.0%	$ 91,573,090	100.0%

The aggregate amount of certificates of deposit and IRA accounts with a minimum denomination of $100,000 was approximately $9,389,000 and $24,957,000 at June 30, 2003 and 2002, respectively.

At June 30, 2003, scheduled maturities of certificates of deposit and IRA accounts for the years ending June 30, are as follows:

2004	$18,727,988
2005	24,888,266
2006	4,478,831
2007	4,306,105
Totals	$52,401,190

Deposits from executive officers, directors, and their affiliates totaled approximately $1,226,000 and $1,305,000 at June 30, 2003 and 2002 respectively.

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SOBIESKI BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 7 - FEDERAL HOME LOAN BANK ADVANCES

Federal Home Loan Bank advances consist of the following at June 30:

	2003	2002
Fixed rate advances with interest rates ranging from 3.4% to 7.3%, maturing December 2003 to January 2012	$23,000,000	$23,000,000
Variable rate advances with interest rates ranging from 4.9% to 6.7%, maturing July		

2005 to December 2010	12,550,000	13,000,000
Total	$35,550,000	$ 36,000,000

The advances are required to be repaid in the years ending June 30, as follows:

2004	$ 2,450,000
2005	3,450,000
2006	3,450,000
2007	4,450,000
2008	150,000
Thereafter	21,600,000
	$35,550,000

At June 30, 2003, the advances are collateralized by all qualifying mortgage loans totaling $26,686,000, investment securities with a carrying value of $23,981,000 and deposits at the Federal Home Loan Bank of $4,400,000.

NOTE 8 - INCOME TAXES

Income taxes consist of the following:

	Years Ended June 30,	
	2003	2002
Current:		
Federal	$ (277,377)	$ (1,299,990)
State	-	-
	(277,377)	(1,299,990)
Deferred	2,903	(998,477)
Total income tax benefit	$ (274,474)	$ (2,298,467)

The provision for income taxes differs from the expected amounts (computed by applying the federal statutory corporate income tax rate of 34% to income before income taxes) as follows:

	Years Ended June 30,	
	2003	2002
Computed statutory tax provision	$(227,073)	$(1,942,161)
State income taxes, net of federal income tax benefit	(35,397)	(319,024)
Non-deductible portion of ESOP contributions	5,584	7,984
Tax-exempt interest	(12,206)	(12,041)
Tax-exempt insurance benefit	-	(33,488)
Other, net	(5,382)	263
	$(274,474)	$ (2,298,467)
Effective tax rate	41.1%	40.2%

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NOTE 8 - INCOME TAXES (Continued)

The components of the net deferred tax asset at June 30, 2003 and 2002 were as follows:

	June 30, 2003	June 30, 2002
<S>	<C>	<C>
Deferred tax asset (liabilities):		
Other asset write downs	$ 210,559	$ 37,764
Deferred loan costs	11,114	(5,942)
State tax NOL carryforward, net of federal effect	197,498	170,483
Allowance for loan losses	666,740	911,072
Depreciation and amortization	13,207	11,934
Net unrealized (appreciation)/depreciation of available for sale securities	(48,627)	(52,074)
Originated mortgage servicing rights	(90,088)	(94,916)
Accrued benefits	113,335	79,069
Federal Home Loan Bank stock dividend	(18,753)	-
Other, net	15,247	12,298
Net deferred tax asset	$ 1,070,232	$ 1,069,688

Based on Management's projections of future taxable income, no valuation allowance has been recorded for the net deferred tax asset.

Federal income tax laws provided savings associations with additional bad debt deductions through 1987, totaling $875,000 for the Bank. Accounting standards do not require a deferred tax liability to be recorded on this amount, which liability otherwise would total $298,500 at June 30, 2003 and 2002. If the Bank were liquidated or otherwise ceased to be a savings association or if tax laws were to change, the $298,500 would be recorded as expense.

</TABLE>

NOTE 9 -BENEFIT PLANS

Defined Contribution Plan:

The Company has a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. Substantially all employees of the Company are eligible to participate in the plan. Under the plan, the Company matches a percentage of participating employee contributions and may also provide an additional annual discretionary contribution. Plan expense for the years ended June 30, 2003 and 2002 was $7,476 and $8,113.

Employee Stock Ownership Plan:

The Company has an ESOP for the benefit of employees who meet certain eligibility requirements including having completed 1,000 hours of credited service within a twelve-month period. The ESOP trust originally acquired shares of Sobieski's common stock with proceeds from a loan from Sobieski. The Bank makes cash contributions to the ESOP on a semi-annual basis in amounts sufficient to enable the ESOP trustee to make its required debt service payments to Sobieski.

The promissory note payable to Sobieski by the ESOP bears interest at 7.78% with interest and principal payments due in twenty-four (24) consecutive semi-annual installments on the last day of June and December continuing until December 31, 2006. The note is collateralized by the unallocated shares of the Company's common stock held by the ESOP.

As the ESOP promissory note is repaid, shares of the Company's common stock are released from collateral and allocated to qualified ESOP participants based on the proportion of debt service paid during the period to total debt service. Sobieski accounts for the ESOP in accordance with AICPA Statement of Position 93-6. Accordingly, the unallocated shares pledged as collateral are reported as a reduction of stockholders' equity in the consolidated statements of financial condition. As shares are committed for release from collateral, the Company records expense equal to the average market value of the released shares, and the released shares become outstanding for earnings per common share computations. ESOP expense was $74,846 and $85,319 for the years ended June 30, 2003 and 2002. For the years ended June 30, 2003 and 2002, participants withdrew 1,824 and 1,266 allocated shares from the plan.

NOTE 9 -BENEFIT PLANS (Continued)

Following is a summary of shares held by the ESOP trust as of June 30:

	2003	2002
Allocated shares	53,226	49,208
Unallocated shares	17,758	23,600
Total ESOP shares	70,984	72,808
Fair value of unallocated shares at year end	$ 230,854	$ 318,364

Supplemental Retirement Plans:

Effective July 1, 1998, the Company established supplemental retirement plans for its directors and certain of its officers. These plans generally provide for the payment of supplemental retirement benefits over a period of ten (10) years, beginning with the later of (a) the officer's or director's attainment of a specified retirement age; or (b) upon termination of the officer's employment or the director's termination as a member of the Board of Directors subject to certain vesting conditions with payments to be made at the specified retirement age. The Company has established a liability in the amount of the present value of vested officer and director benefits under these plans. The Company also maintains life insurance contracts on the officers and directors. Compensation expense (income) associated with these supplemental retirement plans aggregated $(4,037) and $64,222 for the years ended June 30, 2003 and 2002.

Recognition and Retention Plan (RRP):

Under the RRP, an aggregate of 38,640 shares of Company's common stock have been reserved for awarding to directors, officers and employees. Awards of common stock granted under the RRP vest in five equal annual installments beginning on the first anniversary of the date of award and are subject to forfeiture in the event the recipient terminates employment with the Company for any reason other than death or disability. RRP shares become free of all restrictions and are distributed to recipients on the date on which they vest. As of June 30, 2003 and 2002, an aggregate of 35,602 and 29,602 shares of Company's common stock, with a market value of $445,272 and $364,332 at the respective dates of grant, have been awarded under the RRP. Expense recognized for the years ended June 30, 2003 and 2002 related to the award of RRP shares was $21,343 and $26,042.

Stock Option Plan:

Pursuant to the Stock Option Plan, an aggregate of 96,600 shares of the Company's common stock have been reserved for the granting of stock options and Stock Appreciation Rights (SARs) to the Company's directors, officers and employees. Incentive and non-qualified stock options may be granted under the Stock Option Plan at exercise prices of not less than the fair market value of the Company's common stock at the date of grant, become exercisable at the rate of 20% per year commencing on the first anniversary of the date of grant and have terms not exceeding ten years. At June 30, 2003 and 2002, no SARs had been granted.

The following is a summary of the activity with respect to the Stock Option Plan for the two years ended June 30, 2003.

	Number of Shares	Weighted-Average Exercise Price Per Share
Outstanding, July 1, 2001	87,630	$ 13.07
Forfeited	(6,300)	11.15
Exercised	(4,830)	12.63
Outstanding, June 30, 2002	76,500	13.39
Forfeited	(2,200)	11.63
Outstanding, June 30, 2003	74,300	13.44

Options outstanding and exercisable at June 30, 2003 were as follows:

	Outstanding		Exercisable		
Exercise Price	Number	Weighted Average Remaining Contractual Life (years)	Number	Weighted Average Exercise Price	Weighted Average Fair Value of Grants
$ 10.625	4,500	7.01	1800	$ 10.625	$ 2.80
11.625	6,500	6.33	2800	11.625	2.07
12.500	19,320	3.18	19,320	12.500	3.81
12.625	27,650	2.32	27,650	12.625	3.58
13.125	4,830	5.56	3,864	13.125	3.70
18.125	7,500	4.33	7,500	18.125	5.43
21.250	4,000	4.73	4,000	21.250	6.18
	74,300		66,934	$13.654	

<TABLE>
<CAPTION>

NOTE 10 - REGULATORY MATTERS

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

As of June 30, 2003, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios.

The following are details of the Bank's regulatory capital position and the related capital requirements.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)					
As of June 30, 2003						
Risk-Based Capital (to Risk-Weighted Assets)	$ 7,208	11.08%	$ 5,202	8.0%	$ 6,503	10.0%
Tier I Capital (to Risk-Weighted Assets)	6,382	9.81	2,601	4.0	3,902	6.0
Tier I Capital (to Adjusted Assets)	6,382	5.36	4,761	4.0	5,952	5.0
Tier I Capital (to Tangible Assets)	6,382	5.36	3,571	3.0	N/A	N/A
As of June 30, 2002						
Risk-Based Capital (to Risk-Weighted Assets)	$ 6,760	8.63%	$ 6,268	8.0%	$ 7,835	10.0%
Tier I Capital (to Risk-Weighted Assets)	5,762	7.35	3,134	4.0	4,701	6.0
Tier I Capital (to Adjusted Assets)	5,762	4.22	5,461	4.0	6,858	5.0
Tier I Capital (to Tangible Assets)	5,762	4.22	4,096	3.0	N/A	N/A

</TABLE>

NOTE 10 - REGULATORY MATTERS (Continued)

The Qualified Thrift Lender (QTL) test requires that approximately 65% of assets be maintained in housing-related finance and other specified areas. If the QTL test is not met, limits are placed on growth, branching, new investments, FHLB advances and dividends, or the Bank must convert to a commercial bank charter. Management believes that the QTL test has been met.

Under OTS regulations, limitations have been imposed on all "capital distributions" by savings institutions, including cash dividends. The regulation establishes a three-tiered system of restrictions, with the greatest flexibility afforded to thrifts which are both well-capitalized and given favorable qualitative examination ratings by the OTS. For example, a thrift which is given one of the two highest examination ratings and has "capital" equal to its fully phased-in regulatory capital requirements (a tier 1 institution) could make capital distributions in any year of 100% of its retained net income for the calendar year-to-date period plus net income for the previous two calendar years (less any dividends previously paid) as long as the thrift would remain "well capitalized", following the proposed distribution. Other thrifts would be subject to more stringent procedural and substantive requirements, the most restrictive being prior OTS approval of any capital distribution. At June 30, 2003, none of the Bank's retained earnings were available for distribution to the Company, without obtaining prior regulatory approval. Thus, without such regulatory approval, cash dividends to the Company's shareholders are limited as of June 30, 2003 to funds available at Sobieski Bancorp, Inc. (parent company).

The Bank established a liquidation account of approximately $5,800,000, which is equal to its total net worth as of the date of the latest audited balance sheet appearing in the final conversion prospectus for the Company's stock offering related to converting from a mutual to a stock ownership structure. The liquidation account is maintained for the benefit of eligible depositors who continue to maintain their accounts at the Bank after the conversion. The liquidation account is reduced annually to the extent that eligible depositors have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder's interest in the liquidation account. In the event of a complete liquidation, each eligible depositor will be entitled to receive a distribution from the liquidation account in an amount proportionate to the current adjusted qualifying balances for accounts then held. The Bank may not pay dividends that reduce stockholders' equity below the required liquidation account balance.

On October 21, 2002, the Company announced that a moratorium on granting new commercial loans had been instituted on the Bank as a result of a directive from the Office of Thrift Supervision (OTS). Accordingly, the Bank may not grant new commercial loans until further notice from the OTS; however, it may fund commercial loan commitments and renew commercial loans in existence at the time of the issuance of the OTS directive.

On February 5, 2003, the OTS notified the Bank that based on the preliminary findings of its September 9, 2002 examination of the Bank, the OTS deemed the Bank to be in "troubled condition", primarily as a result of concerns associated with the unauthorized and fraudulent loans made by a former employee. As a result, until further notice from the OTS, the Bank will be restricted significantly in its asset growth, will be subject to paying an increased deposit insurance premium and be subject to other regulatory restrictions.

On May 12, 2003, the Bank entered into a supervisory agreement (the "Supervisory Agreement") with the OTS requiring the Bank to take a number of actions and imposing a number of restrictions on the Bank's business activities. Actions the Bank is required to take include the following: (i) develop and submit to the OTS for its non-objection a two-year business plan; (ii) adopt and submit to the OTS a plan for improving internal controls consistent with the recommendations of the outside accounting firm previously engaged by the Company to review its internal controls; (iii) develop and submit to the OTS for non-objection a comprehensive internal audit program; (iv) develop and submit to the OTS a plan for reducing the level of nonperforming, classified and special mention assets as well as a plan to eliminate the basis of criticism of assets or aggregate lending relationships in excess of $250,000 criticized as "doubtful," substandard" or "special mention"; and (v) the adoption of new and/or the revision of existing policies and procedures in several other areas intended to ensure proper accounting and reporting and regulatory compliance, including reporting of classified assets, loans to one borrower, non-accrual loans, past due loans, loan documentation, internal asset review, allowance for loan losses, and interest rate risk.

Restrictions on the Bank's business activities imposed by the Supervisory Agreement include the following: (i) the continuation of the moratorium described above on making new commercial loans; (ii) a prohibition on the acceptance, renewal or rollover of brokered deposits without prior OTS approval: (iii) a prohibition on increasing the Bank's total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the quarter until the Bank's two-year business plan has been approved by the OTS; (iv) a prohibition on capital distributions (including the payment of dividends to the Company) without prior OTS approval; and (v) other operating restrictions, including a requirement that the Bank obtain OTS approval prior to entering into any employment contract with any senior executive officer or director or any third party contract for services that will occur outside the normal course of business and file a notice with the OTS (to which the OTS could object) prior to adding or replacing a director or hiring a senior executive officer or significantly changing the responsibilities of any senior executive officer.

The Bank will be subject to the Supervisory Agreement until notified otherwise by the OTS. It is therefore unknown for how long the Bank will be subject to the

Supervisory Agreement. The Bank has made all submissions to the OTS required to have been made to date.

NOTE 11 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

There are various contingent liabilities that are not reflected in the consolidated financial statements, including claims and 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 effect on the Company's consolidated financial position or results of operations.

The Company is a party to loan commitments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. The loan commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition.

The Company's exposure to credit loss in the event of nonperformance by the parties to the loan commitments is represented by the contractual dollar amounts of those commitments which generally have variable interest rates ($12.5 million and $9.8 million at June 30, 2003 and 2002, respectively). The Company uses the same credit policies in making loan commitments as it does for on-balance-sheet instruments.

Loan commitments are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Loan commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to 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 deemed necessary by the Company upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held consists primarily of the real estate being financed.

During the year ended June 30, 2002, the Company made a 14.691% investment in a limited partnership formed to construct, own and manage an affordable housing project. The Company is one of five investors. As of June 30, 2003, the Company had invested $250,000 and recorded an adjustment to decrease the original investment by $20,800. The Company receives its pro-rata share of the tax credits of the partnership. In addition, the Company has a commitment to make a $250,000 second mortgage loan to the partnership as the funds are needed to construct the project. As of June 30, 2003, no funds had been advanced on this loan.

<TABLE>
<CAPTION>

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of the Company's financial instruments as of June 30 are as follows:

	2003		2002	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Assets:				
Cash and cash equivalents	$ 13,502,126	$ 13,502,126	$ 6,033,199	$ 6,033,199

Certificates of deposit in other financial institutions	-	-	594,000	594,000
Securities available for sale	20,520,012	20,520,012	19,232,280	19,232,280
Securities held to maturity	4,600,194	4,794,210	6,961,341	7,057,158
Other securities	1,925,183	1,925,183	1,900,383	1,900,383
Loans held for sale	1,402,005	1,432,620	46,714	49,403
Loans, net	70,831,426	73,268,027	96,399,833	98,440,107
Accrued interest receivable	686,183	686,183	736,685	736,685
Liabilities:				
Deposits	74,561,647	76,707,000	91,573,090	92,758,000
Federal Home Loan Bank advances	35,550,000	38,106,000	36,000,000	36,333,000
Advances from borrowers for taxes and insurance	184,570	184,570	304,200	304,200
Accrued interest payable	151,725	151,725	228,262	228,262

The following methods and assumptions were used to estimate the fair value of the Company's financial instruments.

Cash and Cash Equivalents, Certificates of Deposit in Other Financial Institutions, Other Securities, Advances from Borrowers for Taxes and Insurance and Accrued Interest: The carrying amounts of cash and cash equivalents, certificates of deposit in other financial institutions, other securities, advances from borrowers for taxes and insurance and accrued interest are reasonable estimates of their respective fair values.

Securities Available for Sale and Securities Held to Maturity: Estimated fair values of securities available for sale and securities held to maturity are based on quoted market prices, where available. If quoted market prices are not available, fair values are estimated using quoted market prices for similar instruments.

</TABLE>

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Loans Held For Sale: The estimated fair value of loans held for sale is based on market quotes.

Loans, Net: Fair values are estimated for portfolios with similar financial characteristics. Loans are segregated by type, such as residential mortgages, nonresidential mortgages, commercial and consumer loans. Each loan category is further segmented into fixed and variable interest categories, with residential mortgage loans (the Company's largest category) further segregated by similar note rates and maturities. Future cash flows of these loans are discounted using the current rates at which similar loans would be made to borrowers with similar credit ratings for the same remaining maturities.

Deposits: The estimated fair value of passbook, money market accounts and negotiable orders of withdrawal are based on their carrying amount. Certificates of deposit and IRA accounts are segregated by original and remaining term and estimated future cash flows are discounted using rates currently offered for certificate and IRA accounts of similar remaining maturity.

Federal Home Loan Bank Advances: The estimated fair values of Federal Home Loan Bank advances are determined by discounting the future cash flows of outstanding advances using rates currently available on advances from the Federal Home Loan Bank of Indianapolis with similar characteristics.

Other Financial Instruments and Loan Commitments: The estimated fair value of other financial instruments and off-balance sheet loan commitments approximate cost and are not considered significant for this presentation.

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 June 30, 2003 and 2002, the estimated fair values would necessarily have been achieved at those dates, since market values may differ depending on various circumstances. The estimated fair values at June 30, 2003 and 2002 should not necessarily be considered to apply at subsequent dates.

SOBIESKI BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 13 - PARENT COMPANY FINANCIAL INFORMATION

Sobieski Bancorp, Inc.'s statements of financial condition at June 30, 2003 and 2002, and its related statements of operations and cash flows for the years ended June 30, 2003 and 2002 are as follows:

STATEMENTS OF FINANCIAL CONDITION
June 30, 2003 and 2002

	2003	2002
ASSETS		
Cash and cash equivalents	$ 114,919	$ 1,384,359
Other securities	9,883	9,883
Loans	801,611	1,156,209
Note receivable from subsidiary	260,182	289,800
Investment in subsidiary	7,439,563	6,422,456
Land held for sale	53,896	53,896
Other assets	534,495	419,287
Total assets	$9,214,549	$ 9,735,890
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities - Accrued expenses and other liabilities	$ 101,922	103,160
Stockholders' equity	9,112,627	9,632,730
Total liabilities and stockholders' equity	$9,214,549	$ 9,735,890

NOTE 13 - PARENT COMPANY FINANCIAL INFORMATION (Continued)

STATEMENTS OF OPERATIONS
Years ended June 30, 2003 and 2002

	2003	2002
Income		
Interest income on loans	$ 74,679	$ 119,910
Interest income on investments	6,175	29,098
Gain on sale of securities	-	24,541
Dividends received from subsidiary	-	498,000
Interest on note receivable from subsidiary	21,294	26,304
Total income	102,148	697,853
Expenses		
Compensation and benefits	72,090	104,393
Occupancy and equipment	6,088	6,000
Professional fees	47,597	15,783
Interest on note payable to subsidiary	-	11,071
Other operating expenses	80,029	47,305
Total expenses	205,804	184,552

Income (loss) before income taxes and excess distributed loss of subsidiary	(103,656)	513,301
Income tax expense (benefit)	(51,514)	7,519
Income (loss) before excess distributed loss of subsidiary	(52,142)	505,782
Excess distributed loss of subsidiary	(341,247)	(3,919,553)
Net loss	$ (393,389)	$ (3,413,771)

<TABLE>
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SOBIESKI BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2003 and 2002

NOTE 13 - PARENT COMPANY FINANCIAL INFORMATION (Continued)

STATEMENTS OF CASH FLOWS
Years ended June 30, 2003 and 2002

<S>	<C> 2003	<C> 2002
Cash flows from operating activities		
Net loss	$ (393,389)	$ (3,413,771)
Adjustments to reconcile net loss to net cash from operating activities		
Excess distributed net loss of subsidiary	341,247	3,919,553
Gain on sale of securities	-	(24,541)
Net change in other assets	(129,690)	(275,020)
Net change in accrued expenses and other liabilities	(1,238)	(9,870)
Net cash from operating activities	(183,070)	196,351
Cash flows from investing activities		
Proceeds from sale of securities	-	484,307
Capital investment in subsidiary	(1,250,000)	-
Payments received on note receivable from subsidiary	29,618	64,400
Net change in loans	354,598	746,700
Net cash from investing activities	(865,784)	1,295,407
Cash flows from financing activities		
Payments on note payable to subsidiary	-	(391,783)
Proceeds from exercise of stock options	-	61,003
Purchase of treasury stock	(300)	(72,474)
Cash dividends	(220,286)	(208,703)
Net cash from financing activities	(220,586)	(611,957)
Net change in cash and cash equivalents	(1,269,440)	879,801
Cash and cash equivalents at beginning of year	1,384,359	504,558
Cash and cash equivalents at end of year	$ 114,919	$ 1,384,359

</TABLE>

<TABLE>
<CAPTION>

Exhibit 99.3

Sobieski Bancorp, Inc. And Subsidiary
Condensed Consolidated Statements Of Financial Condition
March 31, 2004 and June 30, 2003

	March 31, 2004 (Unaudited)	June 30, 2003
Assets		
<S>	<C>	<C>
Cash and due from banks	$ 2,619,188	$ 3,912,560
Interest-bearing deposits in other financial institutions	7,153,346	9,589,566
Total cash and cash equivalents	9,772,534	13,502,126
Securities available for sale	27,758,823	20,520,012
Securities held to maturity	-	4,600,194
Other securities	1,997,283	1,925,183
Loans held for sale, net of valuation allowance of $0	297,500	1,402,005
Loans, net of the allowance for loan loss of $2,232,188 and $1,894,536, respectively	60,283,495	70,831.426
Accrued interest receivable	393,075	686,183
Property and equipment, net	2,687,299	1,905,531
REO and repossessed assets	2,285,610	2,866,657
Other assets	3,390,027	3,206,461
Total assets	$ 108,865,646	$ 121,445,778
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits	$ 69,844,907	$ 74,561,647
Federal Home Loan Bank advances	33,100,000	35,550,000
Advances from borrowers for taxes and insurance	187,359	184,570
Accrued interest payable	152,983	151,725
Accrued expenses and other liabilities	904,586	1,885,209
Total liabilities	104,189,835	112,333,151
Stockholders' equity:		
Preferred stock, $.01 par value; 500,000 shares authorized; none issued	-	-
Common stock, $.01 par value; 3,500,000 shares authorized; 966,000 shares issued; 677,732 and 677,032 shares outstanding, respectively	9,660	9,660
Additional paid-in capital	9,301,386	9,299,016
Retained earnings, substantially restricted	(771,307)	3,977,557
Accumulated other comprehensive income	311,665	64,287
Treasury stock; at cost, 288,268 and 288,968 shares, respectively	(3,954,273)	(3,964,295)
Unearned Recognition and Retention Plan (RRP) shares; 5,250 and 7,086 shares, respectively	(71,245)	(96,019)
Unallocated Employee Stock Ownership Plan (ESOP) shares; 15,008 and 17,758 shares, respectively	(150,075)	(177,579)
Total stockholders' equity	4,675,811	9,112,627
Total liabilities and stockholders' equity	$ 108,865,646	$ 121,445,778

See accompanying notes to condensed consolidated financial statements.

</TABLE>

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Sobieski Bancorp, Inc. And Subsidiary
Condensed Consolidated Statements Of Income (Loss)
For the three and nine months ended March 31, 2004 and 2003

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003	Nine Months Ended March 31, 2004	Nine Months Ended March 31, 2003
	(Unaudited)		(Unaudited)	
Interest Income:				
Loans	$ 1,010,741	$1,273,860	$ 3,152,584	$4,555,473
Securities - taxable	272,206	255,436	707,690	959,379
Interest-bearing deposits	14,447	33,446	55,344	75,650
Securities - tax exempt	-	10,833	15,186	32,594
Total interest income	1,297,394	1,573,575	3,930,804	5,623,096
Interest expense:				
Interest on deposits	487,762	627,449	1,582,185	2,152,238
Interest on borrowings	476,359	493,927	1,485,930	1,513,239
Total interest expense	964,122	1,121,376	3,068,115	3,665,477
Net interest income	333,273	452,199	862,689	1,957,679
Provision for loan losses	201,677	851,014	705,960	1,003,539
Net interest income (loss) after provision for loan losses	131,596	(398,815)	156,729	954,080
Non-interest income:				
Fees and service charges	75,865	51,600	216,164	165,693
Gain on sale of loans	31,186	147,941	76,460	540,543
Gain on sale of securities	-	-	79,029	6,992
Insurance benefits	-	-	-	1,525,000
Gain (loss) on repossessed and other assets	(30,559)	3,985	(889,084)	(193,302)
Other income (loss)	(39,905)	13,682	85,316	43,904
Total non-interest income	36,587	217,208	(432,115)	2,088,830
Non-interest expense:				
Compensation and benefits	482,444	476,880	1,500,408	1,340,595
Occupancy and equipment	98,603	92,795	282,410	261,646
Federal deposit insurance premiums	33,941	60,017	107,283	67,744
Advertising and promotion	36,027	6,967	60,857	25,101
Service bureau expense	89,534	80,854	249,068	251,281
Professional services	149,973	98,604	557,846	435,552
Other operating expenses	195,307	189,312	497,608	420,436
Total non-interest expense	1,085,828	1,005,429	3,255,480	2,802,355
Income (loss) before income taxes	(917,645)	(1,187,036)	(3,530,866)	240,555
Provision for income taxes	3,160	(451,372)	1,106,373	109,915
Net income (loss)	$ (920,805)	$ (735,664)	$ (4,637,239)	$ 130,640
Basic earnings (loss) per common share	$ (1.40)	$ (1.13)	$ (7.09)	$ .20
Diluted earnings (loss) per common share	$ (1.40)	$ (1.13)	$ (7.09)	$ .20
Dividends per common share	$ 0.00	$ 0.085	$ 0.17	$ 0.255

See accompanying notes to condensed consolidated financial statements.

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Sobieski Bancorp, Inc. And Subsidiary
Condensed Consolidated Statements Of Comprehensive Income (Loss)
for the three and nine months ended March 31, 2004 and 2003

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003	Nine Months Ended March 31, 2004	Nine Months Ended March 31, 2003
	(Unaudited)		(Unaudited)	
<S>	<C>	<C>	<C>	<C>
Net income (loss)	$ (920,805)	$ (735,664)	$(4,637,239)	$ 130,640
Other comprehensive income (loss), net of tax:				
Unrealized appreciation (depreciation) on available-for-sale securities	208,299	(97,286)	247,378	(37,460)
Total comprehensive income (loss)	$ (712,506)	$ (832,950)	$(4,389,861)	$ 93,180

See accompanying notes to condensed consolidated financial statements.

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Sobieski Bancorp, Inc. And Subsidiary
Condensed Consolidated Statements Of Cash Flows
For the nine months ended March 31, 2004 and 2003

	Nine Months Ended March 31, 2004	Nine Months Ended March 31, 2003
	(Unaudited)	
Cash flows from operating activities:		
<S>	<C>	<C>
Net income (loss)	$ (4,637,239)	$ 130,640
Adjustments to reconcile net income (loss) to net cash From operating activities:		
Depreciation	110,078	99,147
Provision for loan losses	705,960	1,003,539
Write down of REO, repossessed assets and other assets	898,837	283,098
(Gain) loss on sale of REO and repossessed assets, net	(9,753)	19,727
Stock dividend received on other securities	(72,100)	-
Deferred income taxes	1,103,213	-
Gain on sale of loans	(76,460)	(540,543)
Gain on sale of securities	(79,029)	(6,992)
ESOP expense	47,245	55,489
RRP expense	16,916	15,701
Vesting of RRP shares	46,237	-
Amortization of premiums and accretion of discounts, net	257,164	147,932

Proceeds from sales of loans held for sale	4,399,849	17,774,290
Loans originated for sale	(3,218,884)	(18,097,487)
Net change in		
Accrued interest receivable	293,108	150,941
Other assets	925,918	1,144,389
Accrued interest payable	1,258	(2,200)
Accrued expenses and other liabilities	(1,035,913)	79,566
Net cash from operating activities	(323,595)	2,257,237
Cash flows from investing activities:		
Net change in certificates of deposit	-	594,000
Proceeds from sales of HTM securities	783,900	-
Proceeds from sales of AFS securities	1,626,931	1,015,495
Purchase of securities	(20,077,210)	(15,298,906)
Principal reductions of securities	15,048,377	15,284,306
Proceeds from sale of REO and repossessed assets	923,936	282,861
Improvements on REO and repossessed assets	(560,573)	-
Net change in loans	7,006,501	15,848,919
Purchase of property and equipment, net	(891,846)	(58,125)
Net cash from investing activities	3,860,016	17,668,550
Cash flows from financing activities:		
Net change in deposits	(4,716,740)	(6,913,396)
Change in advances from borrowers		
For taxes and insurance	2,789	120,444
Repayment of FHLB advances	(2,450,000)	(450,000)
Stock options exercised	-	(299)
Cash dividends paid	9,563	-
	(111,625)	(160,694)
Net cash from financing activities	(7,266,013)	(7,403,945)
Net change in cash and cash equivalents	(3,729,592)	12,521,842
Cash and cash equivalents at beginning of period	13,502,126	6,033,199
Cash and cash equivalents at end of period	$ 9,772,534	$ 18,555,041
Non cash transactions:		
Transfer of securities from HTM to AFS	$ 2,939,732	-
Transfer to REO, repossessed assets & other assets	$ 2,835,470	$ 2,707,848

See accompanying notes to condensed consolidated financial statements

</TABLE>

Sobieski Bancorp, Inc. And Subsidiary
Notes To Condensed Consolidated Financial Statements

A. GENERAL. The accompanying condensed consolidated financial statements include the accounts of Sobieski Bancorp, Inc. (the "Company") and its wholly owned subsidiary, Sobieski Bank (the "Bank"). "Sobieski Bank", formerly "Sobieski Federal Savings and Loan Association of South Bend", changed its official name effective September 1, 2001 to Sobieski Bank.

The condensed consolidated financial statements included herein have been prepared by the registrant pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations, although the registrant believes that the disclosures are adequate to make the information presented not misleading. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting only of normal recurring accruals, necessary for a fair presentation of the Company's consolidated financial position, results of operations and cash flows for the periods presented. The consolidated results of operations for the interim periods presented are not necessarily indicative of the results that may be expected for the full year. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements included in the Company's Annual Report on Form 10-KSB for the fiscal year ended June 30, 2003.

The Company cautions that any forward looking statements contained in this report involve risks and uncertainties and are subject to change based on various factors. Actual results could differ materially from those expressed or implied. See "Forward-Looking Statements" in Item 2 of Part I of this report.

B. ACCOUNTING POLICIES.

Foreclosed Real Estate and Other Foreclosed Property

Real estate and other foreclosed properties acquired through, or in lieu of, loan foreclosure are initially recorded at the lower of carrying amount or fair value less costs to sell at the date of foreclosure, establishing a new cost basis. Any reduction to fair value less the cost to sell 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. Subsequent valuations are performed by management and valuation allowances are adjusted through a charge to income for changes in fair value or estimated selling costs to reflect the lower of the current basis or the current fair value less the costs to sell.

Allowance For Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses and is established through periodic provisions for loan losses charged to current earnings based on management's evaluation of the probable credit losses present in the Bank's loan portfolio, including those loans which are specifically monitored by management. Estimating the risk of loss and the amount of loss on any loan is necessarily subjective and includes review when management determines that full collectibility of a loan may not be reasonably assured. In establishing an allowance, reviews of an individual loan include among other risk factors, the classification of the loan, the estimated fair value of the underlying collateral and the discounted present value of expected future cash flows.

Management performs periodic evaluations of the adequacy of the allowance. Management determines the need to individually evaluate loans based on known information about the credit, including the financial condition of the borrower and the delinquency status of the loan. Management evaluates such loans using a process that considers specific factors affecting the individual borrower including the financial condition of the borrower and current regional and national economic conditions affecting the borrower, ability of the borrower to repay the loan and the underlying estimated fair value of the collateral. All loans that are not individually evaluated are grouped. A percentage allocation requirement is applied based on historical loss factors and current regional and national economic factors. A higher percentage allocation requirement is applied to groups of consumer and commercial loans than to one to four family mortgage loans. Management at times allocates specific allowance amounts for individual loans; however, the entire allowance is available for any loan charge-off. Charge-offs on specific loans are charged against the allowance for loan losses when uncollectability of the loan is confirmed. Management expects that as the composition of the loan portfolio changes and economic and other factors change, the allowance for loan losses may change. In addition, the Bank's regulators, as part of the examination process, periodically review the Company's allowance for loan losses. The regulators may require additions to the allowance based on their assessment of the information available to them at the time of examination. No assurance can be made as to the amount or timing of additional provisions that may be required by the regulators.

Loan impairment is reported when full payment under the original loan terms is not expected. Impairment is evaluated in total for smaller-balance loans of similar nature such as residential mortgage and consumer loans and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Loans are evaluated for impairment when payments are delayed, typically 90 days or more, or when it is probable that all principal and interest amounts will not be collected according to the original terms of the loan.

Earnings (Loss) Per Common Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding. For the three-month and nine-month periods ended March 31, 2004, the weighted average number of common shares used in the computation of basic earnings per share were 657,393 and 654,224 respectively. The weighted average numbers of common shares for the same periods in 2003 were 649,272 and 645,838.

Shares held by the ESOP and the restricted shares awarded under the Recognition and Retention Plan (RRP) are not considered in the weighted average number of shares outstanding until such shares are released for allocation to an ESOP participant's individual account or vested, in the case of the RRP.

Diluted earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding for basic earnings per share plus the dilutive effect of outstanding stock options and non-vested shares awarded under the RRP. For the three-month and nine-month periods ended March 31, 2004, the weighted average number of common shares used in the computation of diluted earnings per share were 657,393 and 654,224 respectively. The weighted average number of common shares for the same period in 2003 were 649,272 and 647,585.

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Sobieski Bancorp, Inc. And Subsidiary
Notes To Condensed Consolidated Financial Statements

Stock Compensation

Employee compensation expense under stock options is reported using the intrinsic value method. No stock-based compensation cost is reflected in the net income (loss), as all options had an exercise price equal to or greater than the market price of the underlying common stock at date of grant. The following table illustrates the effect on net income (loss) and earnings (loss) per share if expense was measured using the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation.

	Three Months Ended March 31, 2004	Three Months Ended March 31, 2003	Nine Months Ended March 31, 2004	Nine Months Ended March 31, 2003
<S>	<C>	<C>	<C>	<C>
Net income (loss) as reported	$ (920,805)	$ (735,664)	$(4,637,239)	$ 130,640
Deduct: Stock based Compensation expense Determined under fair value based method:	(13)	(4,268)	(3,278)	(14,280)
Pro forma net income (loss)	$ (920,818)	$ (739,932)	$(4,640,517)	$ 116,360
Basic earnings (loss) per common share as reported	$ (1.40)	$ (1.13)	$ (7.09)	$ .20
Pro forma basic earnings (loss) per common share	$ (1.40)	$ (1.14)	$ (7.09)	$ .18
Diluted earnings (loss) per common share as reported	$ (1.40)	$ (1.13)	$ (7.09)	$ .20

Pro forma diluted earnings (loss) per common share	$ (1.40)	$ (1.14)	$ (7.09)	$ .18

C. INCOME TAXES

Income tax expense is the total current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates.

A valuation allowance is required by SFAS No. 109 if, based upon the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Due to the Company's significant losses during the nine months ending March 31, 2004 and the Company's inability to meet previous financial projections, the Company has determined that it is no longer more likely than not that the Company will be able to realize the deferred tax assets.

During the previous quarter ended December 31, 2003, the Company recorded a valuation allowance of $1.10 million, for the amount of previously recorded deferred tax assets, (tax loss carryforwards). The Company has also recorded a valuation allowance for the calculated benefit related to the net loss for nine months ended March 31, 2004. As a result of valuation allowances of $3,000 recorded during the three months ended March 31, 2004, the Company had no net deferred tax assets as of March 31, 2004.

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Sobieski Bancorp, Inc. And Subsidiary
Notes To Condensed Consolidated Financial Statements

D. LOANS AND ALLOWANCE FOR LOAN LOSSES.

The following is a summary of activity in the allowance for loan losses for the nine-month periods ended March 31, 2004 and 2003.

<S>	2004 <C>	2003 <C>
Balance at beginning of period	$ 1,894,536	$ 2,487,793
Provision charged to expense	705,960	1,003,539
Charge-offs	(463,215)	(1,498,188)
Recoveries	94,907	6,856
Balance at end of period	$ 2,232,188	$ 2,000,000

Summarized below is information related to impaired loans.

	March 31, 2004	June 30, 2003
Period end loans with no allowance for loan losses allocated	$ 533,000	$ 3,614,000
Period end loans with allowance for loan losses allocated	3,327,000	3,480,000
Total impaired loans	$ 3,860,000	$ 7,094,000
Amount of allowance allocated to these loans	$ 1,776,000	$ 1,315,000

In May of 2002, the Company's Audit Committee identified certain loans that were made by a former employee of the Bank that were unauthorized and fraudulently conveyed or otherwise made without properly following the Bank's lending policies and procedures. Approximately $9.6 million of these loans, representing substantially all of such loans, were made in the Company's fiscal year 2002.

As of March 31, 2004, the remaining outstanding balance of the above discussed unauthorized and fraudulent loans totaled approximately $2.2 million, with the underlying collateral under the control of the U.S. Government. During the quarter ended December 31, 2003, the Company transferred these loans from the loan category to the other asset category at the direction of the Office of Thrift Supervision ("OTS") to facilitate the monitoring of these assets. These assets are among the approximately $7.6 million of excluded assets that will not be purchased by MFB Financial pursuant to the Company's and the Bank's agreement with MFB Financial entered into on April 25, 2004 (see Note F. Sale of Assets and Liquidation). The Company's ability to sell and obtain the proceeds of these $2.2 million of seized assets is dependent on the successful prosecution of certain individuals involved in the unauthorized and fraudulent loans matter, as well as any delays that may occur in this process. To the extent the prosecutions are unsuccessful, these assets will be returned to the individuals from whom they were seized, potentially delaying the Company's recovery on these assets and reducing the recovery amount, if any, and ultimately, the amount the Company will distribute to stockholders upon liquidation if the transaction with MFB Financial is completed. The estimated fair value less selling costs for these assets has been considered in management's determination of the carrying value of these assets.

During the nine months ended March 31, 2003, the Company received bond claims of $1.5 million, stemming from the unauthorized and fraudulent loan activity by the former employee. This former employee has pleaded guilty to charges of bank fraud and mail fraud stemming from his involvement in making these loans. As noted above, the prosecution of other individuals involved in the fraud are pending, with a trial currently scheduled to commence in October 2004.

Also, as of March 31, 2004 and June 30, 2003, approximately $3.9 million and $4.5 million of additional loans, exclusive of the aforementioned unauthorized and fraudulent loans, were classified as impaired because of unauthorized lending activities, credit quality concerns and loan documentation issues, primarily attributable to the actions of the former employee involved in the bank fraud. As of March 31, 2004 and June 30, 2003, the Company had specific allowance for loan losses allocations on these additional impaired loans of approximately $1.8 million and $1.3 million, respectively.

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E. RESTRICTIONS AND UNCERTAINTIES.

On October 21, 2002, the Company announced that a moratorium on granting new commercial loans had been instituted on the Bank as a result of a directive from the OTS. Under this moratorium, which has been continued by the supervisory agreement with the OTS discussed below, the Bank may not grant new commercial loans until further notice from the OTS; however, it may fund commercial loan commitments and renew commercial loans in existence at the time of the issuance of the OTS directive. Commercial loans covered by the moratorium include secured and unsecured loans for commercial, business or agricultural purposes and include all loans secured by multi-family and commercial real estate.

On February 5, 2003, the OTS notified the Bank that the OTS deemed the Bank to be in "troubled condition", primarily as a result of concerns associated with the unauthorized and fraudulent loans made by a former employee. As a result, since that time and until further notice from the OTS, the Bank has been and will be restricted significantly in its asset growth, has been and will be subject to paying an increased deposit insurance premium rate and has been and will be subject to other regulatory restrictions.

On May 12, 2003, the Bank entered into a supervisory agreement (the "Supervisory Agreement") with the OTS requiring the Bank to take a number of actions and imposing a number of restrictions on the Bank's business activities. Actions the Bank was required to take include the following: (i) develop and submit to the OTS for its non-objection a two-year business plan; (ii) adopt and submit to the OTS a plan for improving internal controls consistent with the recommendations of the outside accounting firm previously engaged by the Company to review its internal controls; (iii) develop and submit to the OTS for non-objection a comprehensive internal audit program; (iv) develop and submit to the OTS a plan for reducing the level of non-performing, classified and special mention assets as well as a plan to eliminate the basis of criticism of assets or aggregate lending relationships in excess of $250,000 criticized as "doubtful," "substandard" or "special mention"; and (v) the adoption of new and/or the revision of existing policies and procedures in several other areas intended to ensure proper accounting and reporting and regulatory compliance, including reporting of classified assets, loans to one borrower, non-accrual loans, past due loans, loan documentation, internal asset review, allowance for loan losses, and interest rate risk.

Restrictions on the Bank's business activities imposed by the Supervisory Agreement include the following: (i) the continuation of the moratorium described above on making new commercial loans, without the prior written non-objection of the OTS; (ii) a prohibition on the acceptance, renewal or rollover of brokered deposits without prior OTS approval: (iii) a prohibition on increasing the Bank's total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the quarter until the Bank's two-year business plan has been approved by the OTS; (iv) a prohibition on capital distributions (including the payment of dividends to the Company) without prior OTS approval; and (v) other operating restrictions, including a requirement that the Bank obtain OTS approval prior to entering into any employment contract with any senior executive officer or director or any third party contract for services that will occur outside the normal course of business and file a notice with the OTS (to which the OTS could object) prior to adding or replacing a director or hiring a senior executive officer or significantly changing the responsibilities of any senior executive officer.

The Bank will be subject to the Supervisory Agreement until notified otherwise by the OTS.

Since December 31, 2003, the Bank has been classified as undercapitalized under the OTS' prompt corrective action regulations. As a result, during the quarter ended March 31, 2004, the Bank was required to submit a capital restoration plan to the OTS and may become subject to operational restrictions in addition to those already applicable to it. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources."

In February 2004, at the OTS' request, the Company consented to a cease and desist order. The OTS believed the Company had engaged in unsafe and unsound practices. The OTS' belief was based upon the fact that the Company is unprofitable, no longer has the ability to support the Bank, and could have difficulties paying its own expenses, thereby becoming a burden to the Bank.

The consent: (i) required that the Company's Board of Directors develop and submit to the OTS for its review and non-objection, a plan (referred to below as the "restoration plan") detailing the steps the Board is taking to restore the Company to a safe and sound condition; (ii) requires the Board to review and document the Company's compliance with the restoration plan on at least a monthly basis, and to submit to the OTS for its review and non-objection any proposed major deviations from or material changes to the restoration plan; (iii) required the Board to develop and submit to the OTS a detailed quarterly cash flow projection for the remainder of fiscal 2004 and fiscal 2005, and requires the Board to review and document the Company's compliance with the projections at least once each calendar quarter; (iv) requires the Board to ensure that all transactions with affiliates comply with applicable laws and regulations; (v) prohibits the Company from paying any dividends without the written approval of the OTS (as noted below under "Management's Discussion and Analysis of Financial Condition and Results of Operations-Financial Condition," the Company announced in December 2003 that its Board of Directors voted to suspend the Company's regular quarterly cash dividend indefinitely); (vi) provides that the Company should not borrow any funds without the prior written approval of the OTS; (vii) requires the Company to notify the OTS in writing prior to adding or replacing a director or hiring or changing the responsibilities of a senior executive officer such that he would assume a different senior executive position; and (viii) prohibits the Company from making certain change-in-control payments to directors or officers, unless the payment is otherwise permitted by regulation. The cease and desist order also requires the Company's Board of Directors to, on a monthly basis, adopt a formal resolution as to the Company's compliance with the order.

The Company will remain subject to the order until it is otherwise notified by the OTS.

F. SALE OF ASSETS AND LIQUIDATION

On April 25, 2004, the Company and the Bank entered into an agreement with MFB Financial, a federal chartered savings bank and subsidiary of MFB Corporation, whereby MFB Financial will acquire certain assets and assume certain liabilities of the Bank. Pursuant to the agreement, the Company and the Bank will be liquidated following completion of the transaction with MFB Financial.

Under the terms of the agreement, MFB Financial will pay the Bank $1,076,682 (subject to certain adjustments). Among items excluded from the acquisition under the agreement are approximately $7.6 million (net book value after allowances and charge-offs) in troubled and/or substandard assets, including certain commercial loans, real estate owned, assets seized in connection with litigation related to fraudulent activity affecting the Bank, and other items. These excluded assets are expected to be liquidated in an orderly manner, after which time the Company will be liquidated and the net proceeds after expenses, if any, distributed to its stockholders. No assurance can be given that the excluded assets will be liquidated at or near their net book value after allowances, charge-offs and liquidation expenses. The purchase and assumption transaction with MFB Financial is expected to close in the quarter ending September 30, 2004, subject to regulatory approvals and approvals by the Company's stockholders of the transaction and the Company's plan of liquidation, and subject to other conditions to closing.