FORM DEF 14A

Definitive proxy statements

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FILER

UNION COMMUNITY BANCORP
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SIC: **6035** Savings institution, federally chartered

Mailing Address
501 WASHINGTON ST
PO BOX 151
COLUMBUS IN 47201

Business Address
221 E MAIN ST
PO BOX 151
CRAWFORDSVILLE IN 47933
7653622400

SCHEDULE 14A
Information Required in Proxy Statement

SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a)
of the Securities Exchange Act of 1934

Filed by the Registrant: Yes.

Filed by a Party other than the Registrant: No.

Check the appropriate box:

[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as Permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

UNION COMMUNITY BANCORP
(Name Of Registrant As Specified In Its Charter)

UNION COMMUNITY BANCORP
(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required
[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11
(1) Title of each class of securities to which transaction applies: N/A
(2) Aggregate number of securities to which transaction applies: N/A
(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined): N/A
(4) Proposed maximum aggregate value of transaction: N/A
(5) Total fee paid:
[ ] Fee paid previously with preliminary materials
[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing. N/A
(1) Amount Previously Paid:
(2) Form, Schedule or Registration Statement No.:
(3) Filing Party:
(4) Date Filed:

Union Community Bancorp
221 E. Main Street
Crawfordsville, Indiana 47933
(765) 362-2400

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held On April 21, 1999

Notice is hereby given that the Annual Meeting of Shareholders of Union Community Bancorp (the "Holding Company") will be held at the Holding Company's principal office at 221 E. Main Street, Crawfordsville, Indiana, on Wednesday, April 21, 1999, at 3:00 p.m., Eastern Standard Time.

The Annual Meeting will be held for the following purposes:

1. Election of Directors. Election of three directors of the Holding Company to serve three-year terms expiring in 2002.

2. Other Business. Such other matters as may properly come before the meeting or any adjournment thereof.

Shareholders of record at the close of business on February 19, 1999, are entitled to vote at the meeting or any adjournment thereof.

We urge you to read the enclosed Proxy Statement carefully so that you may be informed about the business to come before the meeting, or any adjournment thereof. At your earliest convenience, please sign and return the accompanying proxy in the postage-paid envelope furnished for that purpose.

A copy of our Annual Report for the fiscal year ended December 31, 1998, is enclosed. The Annual Report is not a part of the proxy soliciting material enclosed with this letter.

By Order of the Board of Directors

/s/ Joseph E. Timmons

Joseph E. Timmons,
President and Chief Executive Officer

Crawfordsville, Indiana

March 26, 1999

IT IS IMPORTANT THAT THE PROXIES BE RETURNED PROMPTLY. THEREFORE, WHETHER OR NOT YOU PLAN TO BE PRESENT IN PERSON AT THE ANNUAL MEETING, PLEASE SIGN, DATE AND COMPLETE THE ENCLOSED PROXY AND RETURN IT IN THE ENCLOSED ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

Union Community Bancorp
221 E. Main Street
Crawfordsville, Indiana 47933
(765) 362-2400

PROXY STATEMENT

FOR

ANNUAL MEETING OF SHAREHOLDERS

April 21, 1999

This Proxy Statement is being furnished to the holders of common stock, without par value (the "Common Stock"), of Union Community Bancorp (the "Holding Company"), an Indiana corporation, in connection with the solicitation of proxies by the Board of Directors of the Holding Company to be voted at the Annual Meeting of Shareholders to be held at 3:00 p.m., Eastern Standard Time, on April 21, 1999, at the Holding Company's principal office at 221 E. Main Street, Crawfordsville, Indiana, and at any adjournment of such meeting. The principal asset of the Holding Company consists of 100% of the issued and outstanding shares of common stock, $.01 par value per share, of Union Federal Savings and Loan Association (the "Association"). This Proxy Statement is expected to be mailed to the shareholders of the Holding Company on or about March 26, 1999.

The proxy solicited hereby, if properly signed and returned to the Holding Company and not revoked prior to its use, will be voted in accordance with the instructions contained therein. If no contrary instructions are given, each proxy received will be voted for each of the matters described below and, upon the transaction of such other business as may properly come before the meeting, in accordance with the best judgment of the persons appointed as proxies.

Any shareholder giving a proxy has the power to revoke it at any time before it is exercised by (i) filing with the Secretary of the Holding Company written notice thereof (Denise E. Swearingen, 221 E. Main Street, Crawfordsville, Indiana 47933), (ii) submitting a duly executed proxy bearing a later date, or (iii) by appearing at the Annual Meeting and giving the Secretary notice of his or her intention to vote in person. Proxies solicited hereby may be exercised only at the Annual Meeting and any adjournment thereof and will not be used for any other meeting.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

Only shareholders of record at the close of business on February 19, 1999 ("Voting Record Date"), will be entitled to vote at the Annual Meeting. On the Voting Record Date, there were 2,889,663 shares of the Common Stock issued and outstanding, and the Holding Company had no other class of equity securities outstanding. Each share of Common Stock is entitled to one vote at the Annual Meeting on all matters properly presented at the Annual Meeting. The holders of over 50% of the outstanding shares of Common Stock as of the Voting Record Date must be present in person or by proxy at the Annual Meeting to constitute a quorum. In determining whether a quorum is present, shareholders who abstain, cast broker non-votes, or withhold authority to vote on one or more director nominees will be deemed present at the Annual Meeting.

The following table sets forth certain information regarding the beneficial ownership of the Common Stock as of February 19, 1999, by each person who is known by the Holding Company to own beneficially 5% or more of the Common Stock. Unless otherwise indicated, the named beneficial owner has sole voting and dispositive power with respect to the shares.

Name and Address of Beneficial Owner(1)	Number of Shares of Common Stock Beneficially Owned	Percent of Class
Home Federal Savings Bank, as Trustee 501 Washington Street Columbus, Indiana 47201	184,000 (2)	6.4%

(1) The information in this chart is based on a Schedule 13G Report filed by the above-listed person with the Securities and Exchange Commission (the "SEC") containing information concerning shares held by it. It does not reflect any changes in those shareholdings which may have occurred since the date of such filing.

(2) These shares are held by the Trustee of the Union Community Bancorp Employee Stock Ownership Plan and Trust (the "ESOP"). The Employees participating in that Plan are entitled to instruct the Trustee how to vote shares held in their accounts under the Plan. Unallocated shares held in a suspense account under the Plan are required under the Plan terms to be voted by the Trustee in the same proportion as allocated shares are voted.

PROPOSAL I -- ELECTION OF DIRECTORS

The Board of Directors consists of seven members. The By-Laws provide that the Board of Directors is to be divided into three classes as nearly equal in number as possible. The members of each class are to be elected for a term of three years and until their successors are elected and qualified. One class of directors is to be elected annually. Directors must have their principal domicile in Montgomery County, Indiana, must have had a loan or deposit relationship with the Association for a continuous period of 12 months prior to their nomination to the Board (or in the case of directors in office on September 11, 1997, prior to that date), and non-employee directors must have served as a member of a civic or community organization based in Montgomery County, Indiana for at least a continuous period of 12 months during the five years prior to their nomination to the Board. The nominees for director this year are Marvin L. Burkett, Phillip E. Grush, and Joseph E. Timmons, each of whom is a current director of the Holding Company. If elected by the shareholders at the Annual Meeting, the terms of Messrs. Burkett, Grush and Timmons will expire in 2002.

Unless otherwise directed, each proxy executed and returned by a shareholder will be voted for the election of the nominees listed below. If any person named as a nominee should be unable or unwilling to stand for election at the time of the Annual Meeting, the proxy holders will nominate and vote for a replacement nominee recommended by the Board of Directors. At this time, the Board of Directors knows of no reason why the nominees listed below may not be able to serve as directors if elected.

The following table sets forth certain information regarding the nominees for the position of director of the Holding Company, including the number and percent of shares of Common Stock beneficially owned by such persons as of the Voting Record Date. Unless otherwise indicated, each nominee has sole investment and/or voting power with respect to the shares shown as beneficially owned by him. No nominee for director is related to any other nominee for director or executive officer of the Holding Company by blood, marriage, or adoption, and there are no arrangements or understandings between any nominee and any other person pursuant to which such nominee was selected. The table also sets forth the number of shares of Holding Company Common Stock beneficially owned by all directors and executive officers of the Holding Company as a group.
<TABLE>
<CAPTION>

	Expiration of	Director of the	Director of the	Common Stock Beneficially

Name	Term as Director	Holding Company Since	Association Since	Owned as of February 19, 1999		Percentage of Class(1)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Director Nominees						
Marvin L. Burkett	2002	1997	1975	11,200	(2)	.4%
Phillip E. Grush	2002	1997	1982	20,750	(3)	.7%
Joseph E. Timmons	2002	1997	1973	63,907	(4)	2.2%
Directors Continuing in Office						
Philip L. Boots	2001	1997	1991	17,300	(5)	.6%
Samuel H. Hildebrand	2000	1997	1995	21,618	(6)	.7%
John M. Horner	2001	1997	1979	27,700	(7)	1.0%
Harry A. Siamas	2000	1997	1994	16,500	(8)	.6%
All directors and executive officers as a group (9 persons)				199,701	(9)	6.9%

</TABLE>

(1) Based upon information furnished by the respective director nominees. Under applicable regulations, shares are deemed to be beneficially owned by a person if he or she directly or indirectly has or shares the power to vote or dispose of the shares, whether or not he or she has any economic power with respect to the shares. Includes shares beneficially owned by members of the immediate families of the directors residing in their homes.

(2) Includes 300 shares owned jointly by Mr. Burkett and his wife and 5,200 shares held under the Union Federal Savings and Loan Association Recognition and Retention Plan and Trust (the "RRP"). Does not include options for 13,000 shares granted to the director under the Union Community Bancorp Stock Option Plan (the "Option Plan"), which are not exercisable within 60 days of the Voting Record Date.

(3) Includes 4,500 shares jointly owned by Mr. Grush and his wife and 5,200 shares held under the RRP. Does not include options for 13,000 shares granted to the director under the Option Plan which are not exercisable within 60 days of the Voting Record Date.

(4) Includes 30,417 shares held jointly by Mr. Timmons and his wife, 30,000 shares held under the RRP, and 3,490 shares allocated to Mr. Timmons' account under the Union Community Bancorp Employee Stock Ownership Plan and Trust ("ESOP") as of December 31, 1998. Does not include options for 75,000 shares granted to the director under the Option Plan which are not exercisable within 60 days of the Voting Record Date.

(5) Includes 10,000 shares owned by a corporation controlled by Mr. Boots and 5,200 shares held under the RRP. Does not include options for 13,000 shares granted to the director under the Option Plan which are not exercisable within 60 days of the Voting Record Date.

(6) Includes 5,200 shares held under the RRP. Does not include options for 13,000 shares granted to the director under the Option Plan which are not exercisable within 60 days of the Voting Record Date.

(7) Includes 3,601 shares owned by a corporation controlled by Mr. Horner, 3,000 shares owned by a partnership controlled by Mr. Horner, 14,000 shares owned jointly by Mr. Horner and his wife, 890 shares held jointly by Mr. Horner or his wife and their children or by Mr. Horner as custodian for his minor grandchildren, and 5,200 shares held under the RRP. Does not include options for 13,000 shares granted to the director under the Option Plan which are not exercisable within 60 days of the Voting Record Date.

(8) Includes 1,000 shares held jointly by Mr. Siamas and his aunt, 300 shares held by his wife as custodian for their minor children, and 5,200 shares held under the RRP. Does not include options for 13,000 shares granted to the director under the Option Plan which are not exercisable within 60 days of the Voting Record Date.

(9) Includes 73,700 shares held under the RRP and 6,228 shares allocated to the accounts of such persons under the ESOP as of December 31, 1998. Does not include options for 73,700 shares granted to the executive officers and directors under the Option Plan, which are not exercisable within 60 days of the Voting Record Date

Presented below is certain information concerning the directors and director nominees of the Holding Company:

Philip L. Boots (age 51) has served since 1985 as President of Boots Brothers Oil Company, Inc., a petroleum marketer that operates gasoline outlets, convenience grocery stores and car washes in the Crawfordsville area.

Marvin L. Burkett (age 71) has worked as a self-employed farmer in

Montgomery County since 1956. He currently is semi-retired from farming.

Phillip E. Grush (age 67) worked as a self-employed optometrist in Crawfordsville from 1960 until September, 1996 when he sold his practice. He currently works for Dr. Michael Scheidler in Crawfordsville as a part-time employee/consultant.

Samuel H. Hildebrand, II (age 59) was Executive Vice President of Atapco Custom Products Division, a manufacturer of custom decorated looseleaf ring binders in Crawfordsville from 1987-1995. Since 1995, he has served as President of Village Traditions, Inc., a home builder located in Crawfordsville.

John M. Horner (age 62) has served as the president of Horner Pontiac Buick, Inc. in Crawfordsville since 1974.

Harry A. Siamas (age 48) has practiced law in Crawfordsville since 1976 and has served as Union Federal's attorney for 18 years.

Joseph E. Timmons (age 64) has served as President and Chief Executive Officer of the Holding Company since 1997, and President and Chief Executive Officer of Union Federal since 1974 and of UFS Service Corp. since its inception in 1994. He has been an employee of Union Federal since 1954.

The Association also has a director emeritus program pursuant to which our former directors may continue to serve as advisors to the Board of Directors upon their retirement or resignation from the Board. Currently, Lester B. Sommer serves as a director emeritus.

THE DIRECTORS SHALL BE ELECTED UPON RECEIPT OF A PLURALITY OF VOTES CAST AT THE ANNUAL SHAREHOLDERS MEETING. PLURALITY MEANS THAT INDIVIDUALS WHO RECEIVE THE LARGEST NUMBER OF VOTES CAST ARE ELECTED UP TO THE MAXIMUM NUMBER OF DIRECTORS TO BE CHOSEN AT THE MEETING. ABSTENTIONS, BROKER NON-VOTES, AND INSTRUCTIONS ON THE ACCOMPANYING PROXY TO WITHHOLD AUTHORITY TO VOTE FOR ONE OR MORE OF THE NOMINEES WILL RESULT IN THE RESPECTIVE NOMINEE RECEIVING FEWER VOTES. HOWEVER, THE NUMBER OF VOTES OTHERWISE RECEIVED BY THE NOMINEE WILL NOT BE REDUCED BY SUCH ACTION.

The Board of Directors and its Committees

During the fiscal year ended December 31, 1998, the Board of Directors of the Holding Company acted by written consent two times. No director attended fewer than 75% of the aggregate total number of meetings during the last fiscal year of the Board of Directors of the Holding Company held while he served as director and of meetings of committees which he served during that fiscal year. The Board of Directors of the Holding Company has an Audit Committee and a Stock Compensation Committee, among its other Board Committees. All committee members are appointed by the Board of Directors.

The Audit Committee, comprised of all directors except Joseph E. Timmons, recommends the appointment of the Holding Company's independent accountants, and meets with them to outline the scope and review the results of such audit. The Audit Committee met one time during the fiscal year ended December 31, 1998.

The Stock Compensation Committee administers the Option Plan and the RRP. The members of that Committee are Messrs. Boots, Burkett, Grush, Hildebrand, and Horner. It met one time during fiscal 1998.

The Board of Directors of the Holding Company nominated the slate of directors set forth in the Proxy Statement. Although the Board of Directors of the Holding Company will consider nominees recommended by shareholders, it has not actively solicited recommendations for nominees from shareholders nor has it established procedures for this purpose. Directors must satisfy certain qualification requirements set forth in the Holding Company's By-Laws. Article III, Section 12 of the Holding Company's By-Laws provides that shareholders entitled to vote for the election of directors may name nominees for election to the Board of Directors but there are certain requirements that must be satisfied in order to do so. Among other things, written notice of a proposed nomination must be received by the Secretary of the Holding Company not less than 120 days prior to the Annual Meeting; provided, however, that in the event that less than 130 days' notice or public disclosure of the date of the meeting is given or made to shareholders (which notice or public disclosure includes the date of the Annual Meeting specified in the Holding Company's By-Laws if the Annual Meeting is held on such date), notice must be received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made.

Management Remuneration and Related Transactions

Remuneration of Named Executive Officer

During the fiscal year ended December 31, 1998, no cash compensation was paid directly by the Holding Company to any of its executive officers. Each of such officers was compensated by the Association.

The following tables set forth information as to annual, long term and other compensation for services in all capacities to the President and Chief Executive Officer of the Holding Company for the three fiscal years ended December 31, 1998 (the "Named Executive Officer"). There were no other executive officers of the Holding Company who earned over $100,000 in salary and bonuses during the fiscal year ended December 31, 1998.

<TABLE>
<CAPTION>

Summary Compensation Table

		Annual Compensation			Long Term Compensation Awards		
Name and Principal Position	Fiscal Year	Salary ($)(1)	Bonus ($)	Other Annual Compen- sation($)(2)	Restricted Stock Awards($)	Securities Underlying Options(#)	All Other Compen- sation($)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Joseph E. Timmons,	1998	$109,250	$30,000	---	$437,813(3)	75,000	---
President and	1997	$108,300	$25,000	---	---	---	---
Chief Executive Officer	1996	$105,000	$20,000	---	---	---	---

</TABLE>

(1) This column includes directors fees paid to Mr. Timmons.
(2) Mr. Timmons received certain perquisites, but the incremental cost of providing such perquisites did not exceed the lesser of $50,000 or 10% of his salary and bonus.
(3) The value of the restricted stock awards was determined by multiplying the fair market value of the Common Stock on the date the shares were awarded by the number of shares awarded. These shares vest over a five year period, commencing June 30, 1998. As of December 31, 1998, the number and aggregate value of restricted stock holdings by Mr. Timmons were 30,000 and $330,000, respectively. Dividends paid on the restricted shares are payable to the grantee as the shares are vested and are not included in the table.

Stock Options

The following table sets forth information related to options granted during fiscal year 1998 to the Named Executive Officer.

<TABLE>
<CAPTION>

Option Grants - Last Fiscal Year
Individual Grants

Name	Options Granted(#)(1)	% of Total Options Granted to Employees In Fiscal Year	Exercise or Base Price ($/Share)(2)	Expiration Date
<S>	<C>	<C>	<C>	<C>
Joseph E. Timmons	75,000	80%	$14.59	6/29/2008

</TABLE>

(1) Options to acquire shares of the Holding Company's Common Stock. These options become exercisable as to 6,852 shares on June 30, 1999, as to 6,852 shares the first days of years 2001 - 2008, and as to 6,480 shares on January 1, 2009, subject to earlier vesting under certain circumstances.
(2) The option exercise price may be paid in cash or with the approval of the Stock Compensation Committee beginning on December 29, 2000, in shares of Holding Company Common Stock or a combination thereof. The option exercise price equaled the market value of a share of the Holding Company Common Stock on the date of grant.

The following table includes the number of shares covered by exercisable and unexercisable stock options held by the Named Executive Officer as of December 31, 1998. Also reported are the values for "in-the-money" options (options whose exercise price is lower than the market value of the shares at fiscal year end) which represent the spread between the exercise price of any such existing stock options and the fiscal year-end market price of the stock.

Outstanding Stock Option Grants and Value Realized as of 12/31/98

<TABLE>
<CAPTION>

Number of   Value of Unexercised

Name	Securities Underlying Unexercised Options at Fiscal Year End (#)		In-the-Money Options at Fiscal Year End ($) (1)	
	Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>
Joseph E. Timmons	---	75,000	---	---

</TABLE>

(1) Since the average between the high asked and low bid prices for the shares on December 31, 1998, was $11.00 per share, and this price is below the $14.59 per share exercise price of the options, none of Mr. Timmons' options were "in-the-money" on December 31, 1998.

No stock options were exercised during fiscal 1998 by the Named Executive Officer.

Employment Contract

The Association entered into a three-year employment contract with Mr. Timmons. The contract with Mr. Timmons, effective as of the effective date of the Conversion, extends annually for an additional one-year term to maintain its three-year term if the Association's Board of Directors determines to so extend it, unless notice not to extend is properly given by either party to the contract. Mr. Timmons receives an initial salary under the contract equal to his salary with the Association prior to the Conversion, subject to increases approved by the Board of Directors. The contract also provides, among other things, for participation in other fringe benefits and benefit plans available to the Association's employees. Mr. Timmons may terminate his employment upon 60 days' written notice to the Association. The Association may discharge Mr. Timmons for cause (as defined in the contract) at any time or in certain specified events. If the Association terminates Mr. Timmons' employment for other than cause or if Mr. Timmons terminates his own employment for cause (as defined in the contract), Mr. Timmons will receive his base compensation under the contract for an additional three years if the termination follows a change of control in the Holding Company, and for the balance of the contract if the termination does not follow a change in control. In addition, during such period, Mr. Timmons will continue to participate in the Association's group insurance plans and retirement plans, or receive comparable benefits. Moreover, within a period of three months after such termination following a change of control, Mr. Timmons will have the right to cause the Association to purchase any stock options he holds for a price equal to the fair market value (as defined in the contract) of the shares subject to such options minus their option price. If the payments provided for in the contract, together with any other payments made to Mr. Timmons by the Association, are deemed to be payments in violation of the "golden parachute" rules of the Internal Revenue Code of 1986, as amended (the "Code"), such payments will be reduced to the largest amount which would not cause the Association to lose a tax deduction for such payments under those rules. As of the date hereof, the cash compensation which would be paid under the contract to Mr. Timmons if the contract were terminated after a change of control of the Holding Company, without cause by the Association, or for cause by Mr. Timmons, would be $300,000. For purposes of this employment contract, a change of control of the Holding Company is generally an acquisition of control, as defined in regulations issued under the Change in Bank Control Act and the Savings and Loan Holding Company Act.

The employment contract protects the Association's confidential business information and protects the Association from competition by Mr. Timmons should he voluntarily terminate his employment without cause or be terminated by the Association for cause.

Compensation of Directors

The Association pays its directors a monthly retainer of $500 plus $250 for each month in which they attend one or more meetings. Total fees paid to its directors and advisory directors for the year ended December 31, 1998, were approximately $73,250.

Directors of the Holding Company are not currently paid directors' fees. The Holding Company may, if it believes it is necessary to attract qualified directors or is otherwise beneficial to the Holding Company, adopt a policy of paying directors' fees.

Transactions With Certain Related Persons

The law firm Collier, Homann & Siamas, based in Crawfordsville, Indiana, of which Harry S. Siamas, a director of the Holding Company, is a partner, served as legal counsel to the Holding Company and its subsidiaries in various matters during 1998. The Holding Company expects to continue using the services of this law firm for such matters in the current fiscal year.

The Association has followed a policy of offering to its directors, officers, and employees real estate mortgage loans secured by their principal residence and other loans. These loans are made in the ordinary course of business with the same collateral, interest rates and underwriting criteria as those of comparable transactions prevailing at the time and do not involve more than the normal risk of collectibility or present other unfavorable features. Loans to directors, executive officers and their associates totaled approximately $2.1 million or 5.2% of net worth, at December 31, 1998.

Current law authorizes the Association to make loans or extensions of credit to its executive officers, directors, and principal shareholders on the same terms that are available with respect to loans made to its employees. At present, the Association's loans to executive officers, directors, principal shareholders and employees are made on the same terms generally available to the public. The Association may in the future, however, adopt a program under which it may waive loan application fees and closing costs with respect to loans made to such persons. Loans made to a director or executive officer in excess of the greater of $25,000 or 5% of the Association's capital and surplus (up to a maximum of $500,000) must be approved in advance by a majority of the disinterested members of the Board of Directors. The Association's policy regarding loans to directors and all employees meets the requirements of current law.

ACCOUNTANTS

Olive LLP has served as auditors for the Association since July 1, 1995, and for the Holding Company since its formation in 1997. The Holding Company believes that a representative of Olive LLP will be present at the Annual Meeting with the opportunity to make a statement if he or she so desires. He or she will also be available to respond to any appropriate questions shareholders may have. The Board of Directors of the Holding Company has not yet completed the process of selecting an independent public accounting firm to audit its books, records and accounts for the fiscal year ended December 31, 1999.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 ("1934 Act") requires that the Holding Company's officers and directors and persons who own more than 10% of the Holding Company's Common Stock file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "SEC"). Officers, directors and greater than 10% shareholders are required by SEC regulations to furnish the Holding Company with copies of all Section 16(a) forms that they file.

Based solely on its review of the copies of each forms received by it, and/or written representations from certain reporting persons that no Forms 5 were required for those persons, the Holding Company believes that during the fiscal year ended December 31, 1998, all filing requirements applicable to its officers, directors and greater than 10% beneficial owners with respect to Section 16(a) of the 1934 Act were satisfied in a timely manner.

SHAREHOLDER PROPOSALS

Any proposal which a shareholder wishes to have presented at the next Annual Meeting of the Holding Company and included in the Proxy Statement and form of proxy relating to that meeting must be received at the main office of the Holding Company for inclusion in the proxy statement no later than 120 days in advance of March 26, 2000. Any such proposal should be sent to the attention of the Secretary of the Holding Company at 221 E. Main Street, Crawfordsville, Indiana 47933. A shareholder proposal being submitted outside the processes of Rule 14a-8 promulgated under the 1934 Act, will be considered untimely if it is received by the Holding Company later than 45 days in advance of March 26, 2000.

OTHER MATTERS

Management is not aware of any business to come before the Annual Meeting other than those matters described in the Proxy Statement. However, if any other matters should properly come before the Annual Meeting, it is intended that the proxies solicited hereby will be voted with respect to those other matters in accordance with the judgment of the persons voting the proxies.

The cost of solicitation of proxies will be borne by the Holding Company. The Holding Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy material to the beneficial owners of the Common Stock. In addition to solicitation by mail, directors, officers, and employees of the Holding Company may solicit proxies personally or by telephone without additional compensation.

Each shareholder is urged to complete, date and sign the proxy and return it promptly in the enclosed envelope.

By Order of the Board of Directors

/s/ Joseph E. Timmons
Joseph E. Timmons

March 26, 1999

REVOCABLE PROXY

UNION COMMUNITY BANCORP
Annual Meeting of Shareholders
April 21, 1999

The undersigned hereby appoints Ronald L. Keeling and Denise E. Swearingen, with full powers of substitution, to act as attorneys and proxies for the undersigned to vote all shares of common stock of Union Community Bancorp which the undersigned is entitled to vote at the Annual Meeting of Shareholders to be held at the Holding Company's principal office at 221 E. Main Street, Crawfordsville, Indiana, on Wednesday, April 21, 1999, at 3:00 p.m., and at any and all adjournments thereof, as follows:

1. The election as directors of all nominees listed below, except as marked to the contrary [ ] FOR [ ] VOTE WITHHELD

INSTRUCTIONS: To withhold authority to vote for any individual nominee, strike a line through the nominee's name on the list below:

Marvin L. Burkett   Phillip E. Grush   Joseph E. Timmons
(each for a three-year term)

In their discretion, the proxies are authorized to vote on any other business that may properly come before the Meeting or any adjournment thereof.

The Board of Directors recommends a vote "FOR" each of the listed propositions.

THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

This Proxy may be revoked at any time prior to the voting thereof.

The undersigned acknowledges receipt from Union Community Bancorp, prior to the execution of this Proxy, of a Notice of the Meeting, a Proxy Statement and an Annual Report to Shareholders.

THIS PROXY WILL BE VOTED AS DIRECTED, BUT IF NO INSTRUCTIONS ARE SPECIFIED, THIS PROXY WILL BE VOTED FOR EACH OF THE PROPOSITIONS STATED. IF ANY OTHER BUSINESS IS PRESENTED AT SUCH MEETING, THIS PROXY WILL BE VOTED BY THOSE NAMED IN THIS PROXY IN THEIR BEST JUDGMENT. AT THE PRESENT TIME, THE BOARD OF DIRECTORS KNOWS OF NO OTHER BUSINESS TO BE PRESENTED AT THE MEETING.

___________________, 1999

------------------------   ------------------------
Print Name of Shareholder   Print Name of Shareholder

------------------------   ------------------------
Signature of Shareholder   Signature of Shareholder

Please sign as your name appears on the envelope in which this card was mailed. When signing as attorney, executor, administrator, trustee or guardian, please give your full title. If shares are held jointly, each holder should sign.

==

Union Community Bancorp (the "Holding Company" and together with the Association, as defined below, the "Company") is an Indiana corporation organized in September, 1997, to become a savings and loan holding company upon its acquisition of all the issued and outstanding capital stock of Union Federal Savings and Loan Association ("Union Federal" or the "Association") in connection with the Association's conversion from mutual to stock form. The Holding Company became the Association's holding company on December 29, 1997; therefore, all historical financial and other data contained for periods prior to December 29, 1997 herein relate solely to the Association while historical financial and other data contained herein for the period after December 29, 1997 relate to the Company. The principal asset of the Holding Company currently consists of 100% of the issued and outstanding shares of capital stock, $.01 par value per share, of the Association.

The Association is a federal savings and loan association which conducts its business from a full-service office located in Crawfordsville, Indiana. The Association offers a variety of lending, deposit and other financial services to its retail and commercial customers. The Association's principal business consists of attracting deposits from the general public and originating mortgage loans, most of which are secured by one- to four-family residential real property in Montgomery County. The Association also offers multi-family loans, construction loans, non-residential real estate loans, home equity loans and consumer loans, including single-pay loans, loans secured by deposits, and installment loans. The Association derives most of its funds for lending from deposits of its customers, which consist primarily of certificates of deposit, demand accounts and savings accounts.

TO OUR SHAREHOLDERS:

On behalf of our employees and Board of Directors, I take great pleasure in providing you with the 1998 Annual Report to Shareholders of Union Community Bancorp, the holding company for Union Federal Savings and Loan Association.

We have now completed one year as a stock company and look forward to the future with great enthusiasm.

The Board of Directors, officers and employees of Union Community remain committed to enhancing the value of your investment with us. To that end, the Board increased the quarterly dividends paid by Union Community throughout 1998 and authorized the repurchase of shares of Union Community's outstanding common stock. During November 1998, we repurchased 5% of our outstanding common stock, and we have received approval from the Office of Thrift Supervision to repurchase up to an additional 10% of our outstanding common stock during 1999. These share repurchases reduce the number of our outstanding shares of common stock, which is intended to improve the book value of the remaining outstanding shares and positively impact our return on equity.

We also introduced several new products and services during 1998, including home equity loans, commercial loans and commercial lines of credit. We also increased our electronic banking during 1998 by adding two new automatic teller machines. We expect to further expand our ATM network in the future and to increase our participation in debit card programs. In addition, we hope to expand the types of checking accounts that we currently offer to our customers.

We appreciate the continued support and confidence of our customers and shareholders as we look to the future. Remember, this is your financial institution, so be sure to use us for all of your personal and business needs and to recommend us to your friends and neighbors.

Sincerely,

/s/ Joseph E. Timmons
Joseph E. Timmons,

President & Chief Executive Officer

SELECTED CONSOLIDATED FINANCIAL DATA OF
UNION COMMUNITY BANCORP AND SUBSIDIARY

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

<TABLE>
<CAPTION>

	At December 31,				
	1998	1997	1996	1995	1994
	(Dollars in thousands)				
Summary of Selected Consolidated Financial Condition Data:					
<S>	<C>	<C>	<C>	<C>	<C>
Total assets......................................	$108,162	$132,040	$82,789	$73,631	$72,540
Loans, net..	90,900	78,436	72,697	61,279	60,059
Cash and interest-bearing deposits in other banks (1)...........................	6,191	44,781	1,465	1,993	1,329
Investment securities held to maturity............	8,026	5,820	5,747	7,423	7,985
Deposits..	64,846	62,258	60,436	57,407	54,886
Stock subscriptions refundable....................	---	22,687	---	---	---
Borrowings..	1,793	3,573	7,880	2,642	4,943
Shareholders' equity..............................	40,531	42,906	13,910	13,024	12,033

	Year Ended December 31,				
	1998	1997	1996	1995	1994
Summary of Operating Data:					
Total interest and dividend income................	$8,105	$6,801	$6,112	$5,729	$5,249
Total interest expense............................	3,415	3,836	3,424	3,148	2,507
Net interest income............................	4,690	2,965	2,688	2,581	2,742
Provision for loan losses.........................	110	165	48	24	24
Net interest income after provision for loan losses..............................	4,580	2,800	2,640	2,557	2,718
Other income (losses):					
Equity in losses of limited partnership.........	(121)	(158)	(173)	(249)	(54)
Other...	73	62	57	32	14
Total other losses...........................	(48)	(96)	(116)	(217)	(40)
Other expenses:					
Salaries and employee benefits..................	850	480	461	481	489
Legal and professional fees.....................	128	34	29	47	21
Net occupancy expenses..........................	39	39	39	66	44
Equipment expenses..............................	28	22	20	20	17
Deposit insurance expense.......................	46	31	495	127	126
Other...	373	355	258	281	187
Total other expenses.........................	1,464	961	1,302	1,022	884
Income before income taxes and cumulative effect of change in accounting principle...............	3,068	1,743	1,222	1,318	1,794
Income taxes......................................	1,094	545	336	326	639
Net income.....................................	$1,974	$1,198	$ 886	$ 992	$1,155

</TABLE>

Table continued on following page

<TABLE>
<CAPTION>

	Year Ended December 31,					
	1998	1997	1996	1995	1994	
Supplemental Data:						
<S>	<C>	<C>	<C>	<C>	<C>	
Interest rate spread during period................	2.23	%2.55	%2.54	%2.69	%3.25	%
Net yield on interest-earning assets (2)	4.42	3.50	3.53	3.67	4.01	
Return on assets (3)..............................	1.82	1.38	1.13	1.36	1.63	
Return on equity (4)..............................	4.65	8.10	6.54	7.84	10.02	

Other expenses to average assets (5)..............	1.35	1.11	1.66	1.41	1.25
Equity to assets (6)..............................	37.47	32.49	16.80	17.69	16.59
Average interest-earning assets to average interest-bearing liabilities....................	167.89	120.98	121.94	121.83	120.63
Non-performing assets to total assets (6)..........	.32	.07	.59	.21	.20
Allowance for loan losses to total loans outstanding (6)................................	.40	.32	.22	.18	.15
Allowance for loan losses to non-performing loans (6)........................	103.72	484.62	32.52	71.15	60.84
Net charge-offs to average total loans outstanding	---	.10	---	---	---
Number of full service offices (6)................	1	1	1	1	1

</TABLE>

(1) Includes certificates of deposit in other financial institutions.
(2) Net interest income divided by average interest-earning assets.
(3) Net income divided by average total assets.
(4) Net income divided by average total equity.
(5) Other expenses divided by average total assets.
(6) At end of period.

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

GENERAL

The Holding Company was incorporated for the purpose of owning all of the outstanding shares of Union Federal. The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with and with reference to the consolidated financial statements and the notes thereto included herein.

In addition to the historical information contained herein, the following discussion contains forward-looking statements that involve risks and uncertainties. The Company's operations and actual results could differ significantly from those discussed in the forward-looking statements. Some of the factors that could cause or contribute to such differences are discussed herein but also include changes in the economy and interest rates in the nation and the Company's general market area. The forward-looking statements contained herein include, but are not limited to, those with respect to the following matters:

1. Management's determination of the amount of loan loss allowance;

2. The effect of changes in interest rates;

3. Changes in deposit insurance premiums; and

4. Proposed legislation that would eliminate the federal thrift charter and the separate federal regulation of thrifts.

Average Balances and Interest Rates and Yields

The following tables present for the years ended December 31, 1998, 1997 and 1996, the balances, interest rates and average monthly balances of each category of the Company's interest-earning assets and interest-bearing liabilities, and the interest earned or paid on such amounts. Management believes that the use of month-end average balances instead of daily average balances has not caused any material difference in the information presented.

<TABLE>
<CAPTION>

AVERAGE BALANCE SHEET/YIELD ANALYSIS

Year Ended December 31,

	1998			1997			1996		
	Average Balance	Interest(1)	Average Yield/Cost	Average Balance	Interest(1)	Average Yield/Cost	Average Balance	Interest(1)	Average Yield/Cost
	(Dollars in thousands)								
Assets:									
Interest-earning assets:									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning deposits.......	$11,441	$ 600	5.24%	$3,821	$246	6.44%	$ 959	$ 67	6.99%
Mortgage-backed securities held to maturity.............	3,304	257	7.78	2,421	214	8.84	3,061	263	8.59
Other investment securities held to maturity.............	4,301	257	5.98	3,487	197	5.65	3,169	175	5.52
Loans receivable (2)............	86,421	6,932	8.02	74,382	6,090	8.19	68,346	5,562	8.14
FHLB stock......................	735	59	8.03	676	54	7.99	576	45	7.81

Total interest-earning assets.	106,202	8,105	7.63	84,787	6,801	8.02	76,111	6,112	8.03
Non-interest earning assets, net of allowance for loan losses.......	2,030			2,039			2,152		
Total assets................	$108,232			$86,826			$ 78,263		
Liabilities and shareholder's equity:									
Interest-bearing liabilities:									
Savings deposits...............	$3,466	139	4.01	$3,845	159	4.14	$ 3,754	148	3.94
Interest-bearing demand.........	11,920	496	4.16	10,350	444	4.29	9,061	369	4.07
Certificates of deposit.........	46,999	2,729	5.81	47,403	2,764	5.83	46,035	2,716	5.90
Stock subscriptions refundable..	---	---	---	2,737	130	4.75	---	---	---
FHLB advances...................	873	51	5.84	5,748	339	5.90	3,566	191	5.36
Total interest-bearing liabilities.............	63,258	3,415	5.40	70,083	3,836	5.47	62,416	3,424	5.49
Other liabilities..................	2,504			1,960			2,303		
Total liabilities.............	65,762			72,043			64,719		
Shareholders' equity...............	42,470			14,783			13,544		
Total liabilities and shareholders' equity.....	$108,232			$86,826			$ 78,263		
Net interest-earning assets........	$42,944			$14,704			$ 13,695		
Net interest income................		$4,690			$2,965			$2,688	
Interest rate spread (3)...........			2.23%			2.55%			2.54%
Net yield on weighted average interest-earning assets (4).....			4.42%			3.50%			3.53%
Average interest-earning assets to average interest-bearing liabilities	167.89%			120.98%			121.94%		

</TABLE>

(1) Interest income on loans receivable includes loan fee income of $88,000 for the year ended December 31, 1998 and $97,000 for each of the years ended December 31, 1997 and 1996.

(2) Total loans less loans in process.

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

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

Interest Rate Spread

The Company's results of operations have been determined primarily by net interest income and, to a lesser extent, fee income, miscellaneous income and general and administrative expenses. The Company's net interest income is determined by the interest rate spread between the yields the Company earns on interest-earning assets and the rates it pays on interest-bearing liabilities, and by the relative amounts of interest-earning assets and interest-bearing liabilities.

The following table sets forth the weighted average effective interest rate that the Company earned on its loan and investment portfolios, the weighted average effective cost of its deposits and advances, the interest rate spread, and net yield on weighted average interest-earning assets for the periods and as of the dates shown. Average balances are based on average month-end balances. Management believes that the use of month-end average balances instead of daily average balances has not caused any material difference in the information presented.

<TABLE>
<CAPTION>

	At December 31, 1998	Year Ended December 31, 1998	1997	1996
Weighted average interest rate earned on:				
<S>	<C>	<C>	<C>	<C>
Interest-earning deposits......................	4.60%	5.24%	6.44%	6.99%
Mortgage-backed securities held to maturity.....	7.44	7.78	8.84	8.59
Other investment securities held to maturity....	6.30	5.98	5.65	5.52
Loans receivable...............................	7.85	8.02	8.19	8.14
FHLB stock.....................................	8.00	8.03	7.99	7.81
Total interest-earning assets................	7.58	7.63	8.02	8.03
Weighted average interest rate cost of:				
Savings deposits...............................	4.00	4.01	4.14	3.94
Interest-bearing demand........................	4.52	4.16	4.29	4.07
Certificates of deposit........................	5.73	5.81	5.83	5.90
Stock subscriptions refundable.................	---	---	4.75	---
FHLB advances..................................	5.71	5.84	5.90	5.36

Total interest-bearing liabilities	5.41	5.40	5.47	5.49
Interest rate spread (1)	2.18	2.23	2.55	2.54
Net yield on weighted average interest-earning assets (2)	N/A	4.42	3.50	3.53

</TABLE>

(1) Interest rate spread is calculated by subtracting combined weighted average interest rate cost from combined weighted average interest rate earned for the period indicated. Interest rate spread figures must be considered in light of the relationship between the amounts of interest-earning assets and interest-bearing liabilities.

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

The following table describes the extent to which changes in interest rates and changes in volume of interest-related assets and liabilities have affected the Company's interest income and expense during the periods indicated. For each category of interest-earning asset and interest-bearing liability, information is provided on changes attributable to (1) changes in rate (changes in rate multiplied by old volume) and (2) changes in volume (changes in volume multiplied by old rate). Changes attributable to both rate and volume which cannot be segregated have been allocated proportionally to the change due to volume and the change due to rate.

<TABLE>
<CAPTION>

	Increase (Decrease) in Net Interest Income		
	Due to Rate	Due to Volume (In thousands)	Total Net Change
Year ended December 31, 1998 compared to year ended December 31, 1997			
Interest-earning assets:			
<S>	<C>	<C>	<C>
Interest-earning deposits	$ (53)	$407	$354
Mortgage-backed securities held to maturity	(28)	71	43
Other investment securities held to maturity	12	48	60
Loans receivable	(126)	968	842
FHLB stock	---	5	5
Total	(195)	1,499	1,304
Interest-bearing liabilities:			
Savings deposits	(5)	(15)	(20)
Interest-bearing demand	(14)	66	52
Certificates of deposit	(12)	(23)	(35)
Stock subscriptions refundable	---	(130)	(130)
FHLB advances	(3)	(285)	(288)
Total	(34)	(387)	(421)
Net change in net interest income	$ (161)	$1,886	$1,725
Year ended December 31, 1997 compared to year ended December 31, 1996			
Interest-earning assets:			
Interest-earning deposits	$ (6)	$ 185	$ 179
Mortgage-backed securities held to maturity	7	(56)	(49)
Other investment securities held to maturity	4	18	22
Loans receivable	34	494	528
FHLB stock	1	8	9
Total	40	649	689
Interest-bearing liabilities:			
Savings deposits	7	4	11
Interest-bearing demand	20	55	75
Certificates of deposit	(32)	80	48
Stock subscriptions refundable	---	130	130
FHLB advances	21	127	148
Total	16	396	412
Net change in net interest income	$ 24	$ 253	$ 277
Year ended December 31, 1996 compared to year ended December 31, 1995			
Interest-earning assets:			
Interest-earning deposits	$ 5	$ (9)	$ (4)

Mortgage-backed securities held to maturity	3	(61)	(58)
Other investment securities held to maturity	(10)	(42)	(52)
Loans receivable	(108)	604	496
FHLB stock	---	1	1
Total	(110)	493	383
Interest-bearing liabilities:			
Savings deposits	(2)	4	2
Interest-bearing demand	(36)	20	(16)
Certificates of deposit	68	143	211
FHLB advances	(14)	93	79
Total	16	260	276
Net change in net interest income	$ (126)	$ 233	$ 107

</TABLE>

Financial Condition at December 31, 1998 Compared to Financial Condition at December 31, 1997

Total assets decreased $23.9 million, or 18.1% at December 31, 1998, compared to December 31, 1997. The decline was primarily in cash and cash equivalents, which decreased $38.6 million as the result of the Company's payment of the stock subscriptions refundable of $22.7 million at December 31, 1997. This decrease in cash and cash equivalents was offset by increases in net loans and investment securities held to maturity. Net loans increased $12.5 million, or 15.9%, due primarily to an increase in customer demand. Investment securities held to maturity increased by $2.2 million, or 37.9%.

Average assets increased $21.4 million from $86.8 million for the year ended December 31, 1997, to $108.2 million for the year ended December 31, 1998, an increase of 24.7%. Average interest-earning assets represented 97.7% of average assets for the period ended December 31, 1997 compared to 98.1% for the period ended December 31, 1998. Although the average of each interest-earning asset increased during 1998, average interest-earning deposits and loans experienced the largest increases amounting to $7.6 million and $12.0 million, or 199.4% and 16.2%, respectively. The increase in average interest-earning assets was a result of the proceeds received from the stock conversion in the fourth quarter of 1997. Average interest-earning assets as a percentage of average interest-bearing liabilities were 121.0% for 1997 and 167.9% for 1998.

Loans and Allowance for Loan Losses. Average loans increased $12.0 million, or 16.2%, from the period ended December 31, 1997 to December 31, 1998. The growth in loans was funded by stock conversion proceeds. Average loans were $74.4 million for the 1997 period and $86.4 million for the 1998 period. The allowance for loan losses as a percentage of total loans increased from .32% to .40% due to an increase in the allowance for loan losses from $252,000 at December 31, 1997 to $362,000 at December 31, 1998. The increase in the allowance for loan losses was a result of a $110,000 provision for loan losses for the year ended December 31, 1998. This increase in the allowance was due to loan growth and an increase in non-performing loans. The ratio of the allowance for loan losses to non-performing loans was 484.6% at December 31, 1997 compared to 103.7% at December 31, 1998. Nonperforming loans increased from $52,000 at December 31, 1997 to $349,000 at December 31, 1998. Included in nonperforming loans at December 31, 1998 were $322,000 of impaired loans.

Deposits. Deposits increased $2.6 million to $64.8 million during 1998, an increase of 4.2%. Increased deposits were utilized to fund loan growth. Certificates of deposits accounted for the majority of the growth with an increase of $2.6 million, or 5.7%, during this period. Average total deposits increased $787,000, or 1.3%, from $61.6 million for the year ended December 31, 1997 compared to $62.4 million for the year ended December 31, 1998.

Borrowed Funds. Borrowed funds decreased $1.8 million, or 49.8%, from December 31, 1997 to December 31, 1998. The decline in total borrowed funds was comprised of a decrease in FHLB advances of $1.6 million, 67.5%, and a decrease in the note payable to Pedcor Investments - 1993-XVI, LP ("Pedcor"), a limited partnership organized to build, own and operate a 48-unit apartment complex, of $179,000, or 14.9%. The note to Pedcor was used to fund an investment in the Pedcor low-income housing income tax credit limited partnership and bears no interest so long as there exists no event of default. Due to the conversion proceeds available to fund loan growth, it was not necessary to renew advances as they matured. Average FHLB advances decreased to $873 million for 1998 compared to $5.7 million for 1997, a decrease of $4.9 million, or 84.8%.

Shareholders' Equity. Shareholders' equity decreased $2.4 million from $42.9 million at December 31, 1997 to $40.5 million at December 31, 1998. The decrease was primarily due to the $1.8 million contribution made to fund the recognition and retention compensation plan, stock repurchases of $1.9 million and cash dividends of $1.3 million. These decreases were offset by net income for the year ended December 31, 1998 of $2.0 million, Employee Stock Ownership

Plan shares earned of $149,000 and unearned compensation amortization of $114,000.

Financial Condition at December 31, 1997 Compared to Financial Condition at December 31, 1996

Total assets increased $49.3 million, or 59.5% at December 31, 1997, compared to December 31, 1996. The largest increases were primarily in cash and cash equivalents which increased $43.3 million, and net loans which increased $5.7 million. The increase in cash and cash equivalents was principally in short-term interest-bearing deposits due to net proceeds from the conversion and stock subscriptions refundable. Net proceeds of the Holding Company's stock issuance, after costs and excluding the shares issued for the ESOP, were $27.8 million and stock subscriptions refundable were $22.7 million. The increase in net loans was principally in real estate mortgage loans, and a result of increased customer demand.

Average assets increased $8.5 million from $78.3 million for the period ended December 31, 1996, to $86.8 million for the period ended December 31, 1997, an increase of 10.9%. Average interest-earning assets represented 97.3% of average assets for the period ended December 31, 1996 compared to 97.7% for the period ended December 31, 1997. Although the average of most interest-earning assets increased during 1997, average loans experienced the largest increase amounting to $6.0 million, or 8.8%, compared to 1996. Average interest-earning assets as a percentage of average interest-bearing liabilities were 121.9% for 1996 and 121.0% for 1997.

Average balances of mortgage-backed securities held to maturity decreased $640,000, or 20.9%, from December 31, 1996 to December 31, 1997 as a result of principal repayments, while other investment securities held to maturity increased $318,000, or 10.0%, from $3.2 million for the period ended December 31, 1996 to $3.5 million for the period ended December 31, 1997 due to purchases. Although no mortgage-backed securities have been purchased for several years, mortgage-backed securities have been purchased on occasion and are considered for purchase on an ongoing basis because such instruments offer liquidity and lower credit risk than other types of investments. The primary risk associated with these instruments is that in a declining interest rate environment the prepayment level of the loans underlying these securities will accelerate, which reduces the effective yield and exposes the association to interest rate risk on the prepaid amounts. In an increasing rate environment, the primary risk associated with these securities is that the fixed-rate portion of such securities will not adjust to market rates which reduces our spread. See "Business -- Investments -- Mortgage-Backed Securities."

Loans and Allowance for Loan Losses. Average loans increased $6.0 million, or 8.8%, from the period ended December 31, 1996, to December 31, 1997. The growth in loans was in part funded by increased average deposits of $2.7 million and increased average FHLB advances of $2.2 million. Average loans were $68.3 million for the 1996 period and $74.4 million for the 1997 period. The allowance for loan losses as a percentage of total loans increased from .22% to .32% due to an increase in the allowance for loan losses from $159,000 at December 31, 1996 to $252,000 at December 31, 1997. The increase in our allowance for loan losses was a result of a $165,000 provision for loan losses for the year ended December 31, 1997 offset by a $72,000 charge-off. The ratio of the allowance for loan losses to non-performing loans was 32.5% at December 31, 1996 compared to 484.6% at December 31, 1997. Nonperforming loans decreased from $489,000 at December 31, 1996 to $52,000 at December 31, 1997. Nonperforming loans of $203,000 were transferred to foreclosed real estate during the period ended December 31, 1997 and a charge-off of $72,000 relating to a multi-family loan was taken at the time of the transfer. In response to this loss, the risk factor used to calculate the necessary allowance for loan losses related to loans secured by multi-family and commercial real estate was increased. Union Federal has experienced minimal residential loan losses in the past with no losses recorded in over five years and does not expect this experience in this area to change in future years; therefore, the risk factor used on the residential loan portfolio has not been adjusted.

Deposits. Deposits increased $1.8 million to $62.3 million during 1997, an increase of 3.0%. Increased deposits were utilized to fund loan growth. Demand and savings deposits increased $2.7 million, or 20.1%, between December 31, 1996 and December 31, 1997. Certificates of deposits decreased $874,000, or 1.9%, during this period. Average total deposits increased $2.7 million, or 4.6%, from $58.9 million for the year ended December 31, 1996 compared to $61.6 million for the year ended December 31, 1997.

Borrowed Funds. Borrowed funds decreased $4.3 million, or 54.7%, from December 31, 1996 to December 31, 1997. The decline in total borrowed funds was comprised of a decrease in FHLB advances of $4.1 million, 63.4%, and a decrease in the note payable to Pedcor Investments - 1993-XVI, LP ("Pedcor"), a limited partnership organized to build, own and operate a 48-unit apartment complex, of $198,000, or 14.0%. The note to Pedcor was used to fund an investment in the Pedcor low-income housing income tax credit limited partnership and bears no interest so long as there exists no event of default. Average FHLB advances increased to $5.7 million for 1997 compared to $3.6 million for 1996, an increase of $2.1 million, or 58.3%.

Shareholders' Equity. Shareholders' equity increased $29.0 million from $13.9 million at December 31, 1996 to $42.9 million at December 31, 1997. The increase was due to net proceeds of the Holding Company's stock issuance, after costs and excluding the shares issued for the ESOP, of $27.8 million and net income for 1997 of $1.2 million.

Comparison of Operating Results For Years Ended December 31, 1998 and 1997

General. Net income increased $776,000, or 64.8%, from $1.2 million for the year ended December 31, 1997 to $2.0 million for the year ended December 31, 1998. The increase was primarily due to an increase in net interest income which was primarily attributable to the Company's stock issuance on December 29, 1997 which resulted in net proceeds to the Company in the amount of approximately $27.8 million after costs and excluding the shares issued for the Employee Stock Ownership Plan. The Company primarily used the proceeds of the stock offering to invest in loans and short-term interest-bearing deposits and for the repayment of Federal Home Loan Bank advances, which resulted in increased net interest income. The return on average assets was 1.82% and 1.38 % for the years ended December 31, 1998 and 1997, respectively.

Interest Income. Our total interest income was $8.1 million for 1998 compared to $6.8 million for 1997. The increase in interest income was due primarily to an increase in volume. Average earning assets increased $21.4 million, or 25.3%, from $84.8 million for 1997 compared to $106.2 million for 1998. The average yield on interest-earning assets decreased from 8.0% for the year ended December 31, 1997 to 7.6% for the comparable period in 1998.

Interest Expense. Interest expense decreased $421,000, or 11.0%, for the year ended December 31, 1998 compared to the year ended December 31, 1997. Average interest-bearing liabilities decreased $6.8 million, or 9.7%, from $70.1 million for the 1997 period to $63.3 million during the 1998 period. Average deposits increased by $787,000, or 1.3%, from $61.6 million for the 1997 period to $62.4 million for the 1998 period. Average FHLB advances decreased $4.9 million, or 84.8%, from $5.8 million for the 1997 period to $873,000 during the 1998 period.

Net Interest Income. Net interest income increased $1.7 million, or 58.2%, for the year ended December 31, 1998 compared to the year ended December 31, 1997. $1.9 million of the increase was primarily due to the increase in volume of earning assets. The net yield of weighted average interest-earning assets was 4.4% for the year ended December 31, 1998 compared to 3.5% for the comparable 1997 period.

Provision for Loan Losses. The provision for loan losses for the year ended December 31, 1998 was $110,000 compared to $165,000 for the same period in 1997. The provision and the related increase in the allowance for loan losses were considered adequate, based on growth, size, condition and components of the loan portfolio.

Other Losses. Other losses decreased $48,000, or 50.0%, for the year ended December 31, 1998 compared to the 1997 period primarily due to decreased losses of $37,000 from Union Federal's investment in a low-income housing income tax credit limited partnership. The investment in the limited partnership represents a 99% equity in Pedcor. In addition to recording the equity in the losses of Pedcor, a benefit of low-income housing income tax credits in the amount of $178,000 for both 1998 and 1997 was recorded.

Salaries and Employee Benefits. Salaries and employee benefits were $850,000 for the year ended December 31, 1998 compared to $480,000 for the 1997 period, an increase of $370,000, or 77.1%. This increase resulted primarily from $263,000 of compensation expense related to the ESOP and the recognition and retention compensation plan. The remaining increase resulted from an increase in the number of full-time equivalent employees and normal increases in employee compensation and related payroll taxes.

Net Occupancy and Equipment Expenses. Occupancy expenses and equipment expenses increased $6,000, or 9.8%, during 1998 compared to 1997.

Deposit Insurance Expense. Deposit insurance expense increased $15,000, or 48.4%, from $31,000 for the year ended December 31, 1997 to $46,000 for the same period in 1998.

Legal and Professional Fees. Legal and professional fees were $128,000 for the year ended December 31, 1998 compared to $34,000 for the 1997 period, an increase of $94,000. This increase was a result of the additional expenses incurred as a public company.

Other Expense. Other expenses, consisting primarily of expenses related to service center fees, advertising, directors' fees, supervisory examination fees, supplies, and postage increased $18,000, or 5.1% for 1998 compared to

1997. The increase resulted from nominal increases in a variety of expense categories.

Income Tax Expense. Income tax expense increased $549,000, or 100.7%, during 1998 compared to 1997. The increase was directly related to the increase in taxable income for the period. The effective tax rate was 35.7% and 31.2% for the respective 1998 and 1997 periods.

Comparison of Operating Results For Years Ended December 31, 1997 and 1996

General. Net income increased $312,000, or 35.2%, from $886,000 for the year ended December 31, 1996 to $1,198,000 for the year ended December 31, 1997. The increase is primarily due to an increase in net interest income and a decrease in deposit insurance expense. The return on average assets was 1.38% and 1.13 % for the years ended December 31, 1997 and 1996, respectively.

Interest Income. Our total interest income was $6.8 million for 1997 compared to $6.1 million for 1996. The increase in interest income was due primarily to an increase in volume. Average earning assets increased $8.7 million, or 11.4%, from $76.1 million for 1996 compared to $84.8 for 1997. The average yield on interest-earning assets decreased slightly from 8.03% for the year ended December 31, 1996 to 8.02% for the comparable period in 1997.

Interest Expense. Interest expense increased $412,000, or 12.0%, for the year ended December 31, 1997 compared to the year ended December 31,1996. Average interest-bearing liabilities increased $7.7 million, or 12.3%, from $62.4 million for the 1996 period to $70.1 million during the 1997 period. The average balance of each deposit type increased from the 1996 period to the 1997 period with a $2.7 million, or 4.6%, increase in total average deposits. Average FHLB advances increased $2.1 million, or 58.3%, from $3.6 million for the 1996 period to $5.7 million during the 1997 period.

Net Interest Income. Net interest income increased $277,000, or 10.3%, for the year ended December 31, 1997 compared to the year ended December 31, 1996. The increase was primarily due to the $253,000 increase due to volume increases. The interest spread was 2.55% for the year ended December 31, 1997 compared to 2.54% for the comparable 1996 period.

Provision for Loan Losses. The provision for loan losses for the year ended December 31, 1997 was $165,000 compared to $48,000 for the same period in 1996. The provision for loan losses increased due to the increase in outstanding loans and the losses recorded in 1997 associated with non-performing loans secured by multi-family real estate. In response to the loss experienced in 1997, the risk factor used on multi-family and commercial real estate loans was increased.

Other Losses. Other losses decreased $20,000, or 17.2%, for the year ended December 31, 1997 compared to the 1996 period primarily due to decreased losses of $15,000 from our investment in a low-income housing income tax credit limited partnership. The investment in the limited partnership represents a 99% equity in Pedcor. In addition to recording the equity in the losses of Pedcor, a benefit of low income housing income tax credits in the amount of $178,000 for both 1997 and 1996 was recorded.

Salaries and Employee Benefits. Salaries and employee benefits were $480,000 for the year ended December 31, 1997 compared to $461,000 for the 1996 period, and increase of $19,000, or 4.1%. This increase resulted from the addition of 3 full-time employees to our staff and normal increases in employee compensation and related payroll taxes.

Net Occupancy and Equipment Expenses. Occupancy expenses and equipment expenses increased $2,000, or 3.4%, during 1997 compared to 1996.

Deposit Insurance Expense. Deposit insurance expense decreased $464,000, or 93.7%, from $495,000 for the year ended December 31, 1996 to $31,000 for the same period in 1997. This decrease was due to the one time Savings Association Insurance Fund ("SAIF") special assessment of approximately $362,000 expensed in the fourth quarter of 1996. The recapitalization of SAIF resulted in a decline in the assessment for 1997. Prior to the recapitalization of SAIF, an assessment of $.23 per $100 of deposits was paid. Subsequent to the recapitalization, the assessment was reduced to $.0644 per $100 of deposits.

Legal and Professional Fees. Legal and professional fees increased $5,000, or 17.2%, during 1997 compared to 1996.

Other Expense. Other expenses, consisting primarily of expenses related to service center fees, advertising, directors' fees, supervisory examination fees, supplies, and postage increased $97,000, or 37.6% for 1997 compared to 1996. The increase was primarily due to an increase in director fees of $26,000 and a $30,000 charitable contribution. The remaining increase resulted from nominal increases in a variety of expense categories.

Income Tax Expense. Income tax expense increased $209,000, or 62.2%, during 1997 compared to 1996. The increase was directly related to the increase in taxable income for the period. The effective tax rate was 31.3% and 27.5% for the respective 1997 and 1996 periods.

Liquidity and Capital Resources

The following is a summary of the Company's cash flows, which are of three major types. Cash flows from operating activities consist primarily of net income generated by cash. Investing activities generate cash flows through the origination and principal collection on loans as well as purchases and sales of securities. Investing activities will generally result in negative cash flows when the Company experiences loan growth. Cash flows from financing activities include savings deposits, withdrawals and maturities and changes in borrowings. The following table summarizes cash flows for each year in the three-year period ended December 31, 1998.

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1998	1997	1996
		(In thousands)	
<S>	<C>	<C>	<C>
Operating activities	$2,355	$1,367	$ 1,088
Investing activities:			
Investment securities			
Proceeds from maturities and paydowns of mortgage-backed securities held to maturity	607	639	676
Purchases of other investment securities held to maturity	(9,204)	(1,200)	(994)
Proceeds from maturities of investment securities held to maturity	6,400	500	2,000
Purchase of loans		(500)	(1,350)
Other net change in loans	(12,529)	(5,517)	(10,116)
Purchase of FHLB of Indianapolis Stock	(37)	(128)	(18)
Proceeds on sale of foreclosed real estate	5	76	---
Purchases of premises and equipment	(18)	(23)	(3)
Other investing activities	(2)	(3)	---
Net cash used by investing activities	(14,778)	(6,156)	(9,805)
Financing activities:			
Net change in			
Interest-bearing demand and savings deposits	(28)	2,696	1,243
Certificates of deposits	2,616	(874)	1,786
Stock subscription escrow accounts	(22,687)	22,687	---
Proceeds from borrowings		1,500	10,500
Repayment of borrowings	(1,780)	(5,807)	(5,261)
Net change in advances by borrowers for taxes and insurance	54	20	(79)
Cash dividends	(729)	---	---
Contribution of unearned compensation	(1,754)	---	---
Repurchase of common stock	(1,859)	---	---
Proceeds from sale of common stock, net of costs		27,883	---
Net cash provided (used) by financing activities	(26,167)	48,105	8,189
Net increase(decrease) in cash and cash equivalents	$(38,590)	$43,316	$ (528)

</TABLE>

Federal law requires that savings associations maintain an average daily balance of liquid assets in an amount not less than 4% or more than 10% of their withdrawable accounts plus short-term borrowings. Liquid assets include cash, certain time deposits, certain bankers' acceptances, specified U.S. government, state or federal agency obligations, certain corporate debt securities, commercial paper, certain mutual funds, certain mortgage-related securities, and certain first-lien residential mortgage loans. The OTS recently amended its regulation that implements this statutory liquidity requirement to reduce the amount of liquid assets a savings association must hold from 5% of net withdrawable accounts and short-term borrowings to 4%. The OTS also eliminated the requirement that savings associations maintain short-term liquid assets constituting at least 1% of their average daily balance of net withdrawable deposit accounts and current borrowings. The revised OTS rule also permits savings associations to calculate compliance with the liquidity requirement based upon their average daily balance of liquid assets during each quarter rather than during each month, as was required under the prior rule. The OTS may impose monetary penalties on savings associations that fail to meet these liquidity requirements. As of December 31, 1998, Union Federal had liquid assets of $8.1 million, and a regulatory liquidity ratio of 10.8%.

Pursuant to OTS capital regulations, savings associations must currently meet a 1.5% tangible capital requirement, a 3% leverage ratio (or core capital) requirement, and a total risk-based capital to risk-weighted assets ratio of 8%. At December 31, 1998, Union Federal's capital levels exceeded all applicable regulatory capital requirements currently in effect. The following table provides the minimum regulatory capital requirements and Union Federal's capital ratios as of December 31, 1998:

	At December 31, 1998				
	OTS Requirement		Union Federal's Capital Level		
Capital Standard	% of Assets	Amount	% of Assets(1)	Amount	Amount of Excess
			(Dollars in thousands)		
Tangible capital....................	1.5%	$1,610	28.3%	$30,331	$28,721
Core capital (2)....................	3.0	3,219	28.3	30,331	27,112
Risk-based capital..................	8.0	4,325	56.7	30,693	26,368

(1) Tangible and core capital levels are shown as a percentage of total assets; risk-based capital levels are shown as a percentage of risk-weighted assets.

(2) The OTS has adopted a core capital requirement for savings associations comparable to that recently adopted by the OCC for national banks. The new regulation, which becomes effective on April 1, 1999, requires at least 3% of total adjusted assets for savings associations that receive the highest supervisory rating for safety and soundness, and 4% to 5% for all other savings associations. Union Federal will be in compliance with the revised regulation when it takes effect.

As of December 31, 1998, management is not aware of any current recommendations by regulatory authorities which, if they were to be implemented, would have, or are reasonably likely to have, a material adverse effect on Union Federal's liquidity, capital resources or results of operations.

Current Accounting Issues

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities. This Statement requires companies to record derivatives on the balance sheet at their fair value. SFAS No. 133 also acknowledges that the method of recording a gain or loss depends on the use of the derivative. If certain conditions are met, a derivative may be specifically designated as (a) a hedge of the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, (b) a hedge of the exposure to variable cash flows of a forecasted transaction, or (c) a hedge of the foreign currency exposure of a net investment in a foreign operation, an unrecognized firm commitment, an available-for-sale security, or a foreign-currency- denominated forecasted transaction.

- For a derivative designated as hedging the exposure to changes in the fair value of a recognized asset or liability or a firm commitment (referred to as a fair value hedge), the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The effect of that accounting is to reflect in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value.

- For a derivative designated as hedging the exposure to variable cash flows of a forecasted transaction (referred to as a cash flow hedge), the effective portion of the derivative's gain or loss is initially reported as a component of other comprehensive income (outside earnings) and subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately.

- For a derivative designated as hedging the foreign currency exposure of a net investment in a foreign operation, the gain or loss is reported in other comprehensive income (outside earnings) as part of the cumulative translation adjustment. The accounting for a fair value hedge described above applies to a derivative designated as a hedge of the foreign currency exposure of an unrecognized firm commitment or an available-for-sale security. Similarly, the accounting for a cash flow hedge described above applies to a derivative designated as a hedge of the foreign currency exposure of a foreign-currency-denominated forecasted transaction.

o For a derivative not designated as a hedging instrument, the gain or loss is recognized in earnings in the period of change.

The new Statement applies to all entities. If hedge accounting is elected by the entity, the method of assessing the effectiveness of the hedging derivative and the measurement approach of determining the hedge's ineffectiveness must be established at the inception of the hedge.

SFAS No. 133 amends SFAS No. 52 and supercedes SFAS Nos. 80, 105, and 119. SFAS No. 107 is amended to include the disclosure provisions about the concentrations of credit risk from SFAS No. 105. Several Emerging Issues Task Force consensuses are also changed or nullified by the provisions of SFAS No. 133.

SFAS No. 133 will be effective for all fiscal years beginning after June 15, 1999. Early application is encouraged; however, this Statement may not be applied retroactively to financial statements of prior periods.

FASB has issued Statement of Financial Accounting Standards No. 134, Accounting for Mortgage-Backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise. This Statement establishes accounting standards for certain activities of mortgage banking enterprises and for other enterprises with similar mortgage operations. This Statement amends Statement of Financial Accounting Standards (SFAS) No. 65.

SFAS No. 65, as previously amended by SFAS Nos. 115 and 125, required a mortgage banking enterprise to classify a mortgage-backed security as a trading security following the securitization of the mortgage loan held for sale. This Statement further amends SFAS No. 65 to require that after the securitization of mortgage loans held for sale, an entity engaged in mortgage banking activities must classify the resulting mortgage-backed security or other retained interests based on the entity's ability and intent to sell or hold those investments.

The determination of the appropriate classification for securities retained after the securitization of mortgage loans by a mortgage banking enterprise now conforms to SFAS No. 115. The only requirement the new Statement adds is that if an entity has a sales commitment in place, the security must be classified into trading.

This Statement is effective for the first fiscal quarter beginning after December 15, 1998. On the date this Statement is initially applied, an entity may reclassify mortgage-backed securities and other beneficial interests retained after the securitization of mortgage loans held for sale from the trading category, except for those with sales commitments in place. Those securities and other interests shall be classified based on the entity's present ability and intent to hold the investments.

Impact of Inflation

The consolidated financial statements presented herein have been prepared in accordance with generally accepted accounting principles. These principles require the measurement of financial position and operating results in terms of historical dollars, without considering changes in the relative purchasing power of money over time due to inflation.

The Company's primary assets and liabilities are monetary in nature. As a result, interest rates have a more significant impact on the Company's performance than the effects of general levels of inflation. Interest rates, however, do not necessarily move in the same direction or with the same magnitude as the price of goods and services, since such prices are affected by inflation. In a period of rapidly rising interest rates, the liquidity and maturities structures of the Company's assets and liabilities are critical to the maintenance of acceptable performance levels.

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

Year 2000 Compliance

The Company's lending and deposit activities, like those of most financial institutions, depend significantly upon computer systems. The Company is addressing the potential problems associated with the possibility that the computers that it uses to control its operating systems, facilities and infrastructure may not be programmed to read four-digit date codes. This could cause some computer applications to be unable to recognize the change from the year 1999 to the year 2000, which could cause computer systems to generate erroneous data or to fail.

The Company is actively monitoring its compliance with making its computer equipment and other information systems Year 2000 compliant. During the first week of March 1999, the Company switched its electronic data service provider from On-Line Financial Services, Inc. in Oak Brook, Illinois to Intrieve Incorporated, located in Cincinnati, Ohio ("Intrieve"). The Company changed data service providers in order to improve the quality of its computer and networking technology. Testing conducted during the second week of March 1999 indicates that the data that the Company maintains on Intrieve's system is Year 2000 compliant. The Company incurred expenses of approximately $34,000 in converting its data processing to Intrieve's system. It is not expected that data processing expenses incurred by the Company in the future will differ materially from prior periods. Banker's Systems, which maintains the Company's loan documentation system, conducted tests during December 1998 that indicated that its systems are Year 2000 compliant. The Company will continue to conduct tests during the remainder of 1999 to ensure that its data processing and information systems are Year 2000 compliant.

The Company has also contacted the approximately 49 companies that supply or service its material operations requesting that they certify by December 31, 1998 that they have plans to make their respective systems Year 2000 compliant. The Company received responses from 29 of these companies confirming that their systems are Year 2000 compliant. Followup letters have been delivered to the parties that did not respond to this initial inquiry and, in some cases, the Company has contacted them by telephone requesting that confirmation that their systems are Year 2000 compliant. A deadline of May 1, 1999 has been established for venders to respond to this second inquiry. Notwithstanding these efforts that the Company has made, no assurances can be given that the systems of its service providers will be timely renovated to address the Year 2000 issue.

The Company's Board of Directors reviews on a monthly basis its progress in addressing Year 2000 issues and has appointed three executive officers to address all aspects of Year 2000 compliance. The Company believes that its expenses related to upgrading its systems and software for Year 2000

compliance will not exceed $10,000. At December 31, 1998, the Company had spent approximately $5,000 in connection with Year 2000 compliance. Although the Company believes it is taking the necessary steps to address the Year 2000 compliance issue, no assurances can be given that some problems will not occur or that it will not incur significant additional expenses in future periods. In the event that the Company is ultimately required to purchase replacement computer systems, programs and equipment, or to incur substantial expenses to make its current systems, programs and equipment Year 2000 compliant, its net income and financial condition could be adversely affected.

In addition to possible expenses related to the Company's own systems and those of its service providers, the Company could incur losses if Year 2000 problems affect any of its depositors or borrowers. Such problems could include delayed loan payments due to Year 2000 problems affecting any of its significant borrowers or impairing the payroll systems of large employers in its market area. The Company has contacted the approximately 18 commercial borrowers with outstanding loans in excess of $500,000 for confirmation that, by June 1, 1999, their computer systems are, or soon will be, Year 2000 compliant. In addition, the Company requires that borrowers under new commercial loans that it originates certify that they are aware of the Year 2000 issue and will give all necessary attention to insure that their information technology will be Year 2000 compliant. Because the Company's loan portfolio to individual borrowers is diversified and its market area does not depend significantly upon one employer or industry, the Company does not expect any such Year 2000 related difficulties that may affect its depositors and borrowers to significantly affect its net earnings or cash flow.

Quantitative and Qualitative Disclosures about Market Risks

An important component of Union Federal's asset/liability management policy includes examining the interest rate sensitivity of its assets and liabilities and monitoring the expected effects of interest rate changes on its net portfolio value.

An asset or liability is interest rate sensitive within a specific time period if it will mature or reprice within that time period. If Union Federal's assets mature or reprice more quickly or to a greater extent than its liabilities, Union Federal's net portfolio value and net interest income would tend to increase during periods of rising interest rates but decrease during periods of falling interest rates. Conversely, if Union Federal's assets mature or reprice more slowly or to a lesser extent than its liabilities, its net portfolio value and net interest income would tend to decrease during periods of rising interest rates but increase during periods of falling interest rates. Union Federal's policy has been to mitigate the interest rate risk inherent in the historical business of savings associations, the origination of long-term loans funded by short-term deposits, by pursuing certain strategies designed to decrease the vulnerability of its earnings to material and prolonged changes in interest rates.

Because of the lack of customer demand for adjustable rate loans in its market area, Union Federal primarily originates fixed-rate real estate loans, which accounted for approximately 78.5% of its loan portfolio at December 31, 1998. To manage the interest rate risk of this type of loan portfolio, Union Federal limits maturities of fixed-rate loans to no more than 20 years. In addition, Union Federal continues to offer and attempts to increase its volume of adjustable rate loans when market interest rates make these type loans more attractive to customers.

Management believes it is critical to manage the relationship between interest rates and the effect on Union Federal's net portfolio value ("NPV"). This approach calculates the difference between the present value of expected cash flows from assets and the present value of expected cash flows from liabilities, as well as cash flows from off-balance sheet contracts. Union Federal manages assets and liabilities within the context of the marketplace, regulatory limitations and within limits established by its Board of Directors on the amount of change in NPV which is acceptable given certain interest rate changes.

The OTS issued a regulation, which uses a net market value methodology to measure the interest rate risk exposure of savings associations. Under this OTS regulation, an institution's "normal" level of interest rate risk in the event of an assumed change in interest rates is a decrease in the institution's NPV in an amount not exceeding 2% of the present value of its assets. Savings associations with over $300 million in assets or less than a 12% risk-based capital ratio are required to file OTS Schedule CMR. Data from Schedule CMR is used by the OTS to calculate changes in NPV (and the related "normal" level of interest rate risk) based upon certain interest rate changes (discussed below). Associations which do not meet either of the filing requirements are not required to file OTS Schedule CMR, but may do so voluntarily. As Union Federal does not meet either of these requirements, it is not required to file Schedule CMR, although it does so voluntarily. Under the regulation, associations which must file are required to take a deduction (the interest rate risk capital component) from their total capital available to calculate their risk based capital requirement if their interest rate exposure is greater than "normal." The amount of that deduction is one-half of the difference between (a) the institution's actual calculated exposure to a 200 basis point interest rate increase or decrease (whichever results in the greater pro forma decrease in NPV) and (b) its "normal" level of exposure which is 2% of the present value of its assets.

It is estimated that at December 31, 1998, NPV would decrease 15% and 31% in the event of 200 and 400 basis point increases in market interest rates, respectively, compared to 12% and 26% for the same increases at December 31, 1997. Union Federal's NPV at December 31, 1998 would increase 9% and 19% in the event of 200 and 400 basis point decreases in market rates, respectively. A year earlier, 200 and 400 basis point decreases in market rates would have increased NPV 6% and 14%, respectively.

Presented below, as of December 31, 1998 and 1997, is an analysis performed by the OTS of Union Federal's interest rate risk as measured by changes in NPV for instantaneous and sustained parallel shifts in the yield curve, in 200 basis point increments, up and down 400 basis points. At December 31, 1998, 2% of the present value of Union Federal's assets was approximately $2.2 million. Because the interest rate risk of a 200 basis point increase in market rates (which was greater than the interest rate risk of a 200 basis point decrease) was $4.9 million at December 31, 1998, Union Federal would have been required to deduct $1.4 million from its total capital available to calculate its risk based capital requirement if it had been subject to the OTS' reporting requirements under this methodology. Union Federal's exposure to interest rate risk results from the concentration of fixed rate mortgage loans in its portfolio.

<TABLE>
<CAPTION>

Change In Rates	Net Portfolio Value $ Amount	$ Change	% Change	NPV as % of PV of Assets NPV Ratio	Change
	(Dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
+ 400 bp *	$22,919	$(10,498)	(31)%	23.14%	(702) bp
+ 200 bp	28,509	(4,907)	(15)	27.08	(308) bp
0 bp	33,417			30.16	
- 200 bp	36,542	3,125	9	31.90	175 bp
- 400 bp	39,871	6,454	19	33.68	352 bp

</TABLE>

Interest Rate Risk Measures: 200 Basis Point Rate Shock

Pre-Shock NPV Ratio: NPV as % of PV of Assets.....................	30.16%
Exposure Measure: Post-Shock NPV Ratio............................	27.08%
Sensitivity Measure: Change in NPV Ratio..........................	308 bp
Change in NPV as % of PV of Assets................................	10.21%

<TABLE>
<CAPTION>

Change In Rates	Net Portfolio Value $ Amount	$ Change	% Change	NPV as % of PV of Assets NPV Ratio	Change
	(Dollars in thousands)				
<S> <C>	<C>	<C>	<C>	<C>	<C>
+ 400 bp *	$24,383	$(8,362)	(26)%	23.94%	(555) bp
+ 200 bp	28,860	(3,885)	(12)%	27.03%	(246) bp
0 bp	32,746			29.49%	
- 200 bp	34,782	2,036	6 %	30.67%	118 bp
- 400 bp	37,247	4,501	14 %	32.08%	259 bp

</TABLE>

Interest Rate Risk Measures: 200 Basis Point Rate Shock

Pre-Shock NPV Ratio: NPV as % of PV of Assets.....................	29.49%
Exposure Measure: Post-Shock NPV Ratio............................	27.03%
Sensitivity Measure: Change in NPV Ratio..........................	246 bp
Change in NPV as % of PV of Assets................................	8.34%

* Basis points (1 basis point equals .01%)

As with any method of measuring interest rate risk, certain shortcomings are inherent in the methods of analysis presented above. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate loans, have features which restrict changes in interest rates on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, expected rates of prepayments on loans and early withdrawals from certificates could likely deviate significantly from those assumed in calculating the table.

Independent Auditor's Report

Board of Directors
Union Community Bancorp
Crawfordsville, Indiana

We have audited the consolidated balance sheet of Union Community Bancorp and subsidiary as of December 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements described above present fairly, in all material respects, the consolidated financial position of Union Community Bancorp and subsidiary as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Indianapolis, Indiana
February 19, 1999

UNION COMMUNITY BANCORP AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET

<TABLE>
<CAPTION>

December 31	1998	1997
Assets		
<S>	<C>	<C>
Cash	$ 32,153	$ 22,424
Interest-bearing demand deposits	6,158,927	44,758,403
Cash and cash equivalents	6,191,080	44,780,827
Investment securities held to maturity		
(fair value of $8,175,000 and $6,003,000)	8,026,162	5,820,069
Loans, net of allowance for loan losses of $362,258 and $252,258	90,900,269	78,435,741
Premises and equipment	355,194	367,360
Federal Home Loan Bank stock	744,500	707,700
Investment in limited partnership	1,055,109	1,176,109
Interest receivable	714,691	581,526
Other assets	174,687	170,925
Total assets	$ 108,161,692	$ 132,040,257
Liabilities		
Deposits		
Noninterest bearing	$ 656,796	$ 1,532,647
Interest bearing	64,188,836	60,725,398
Total deposits	64,845,632	62,258,045
Stock subscriptions refundable	22,687,104	
Federal Home Loan Bank advances	772,226	2,373,051
Note payable	1,020,642	1,200,042
Interest payable	109,337	118,867
Dividends payable	270,567	
Other liabilities	612,427	497,271
Total liabilities	67,630,831	89,134,380
Commitments and contingent liabilities		
Shareholders' Equity		
Preferred stock, without par value		
Authorized and unissued--2,000,000 shares		
Common stock, without par value		
Authorized--5,000,000 shares		
Issued and outstanding--2,889,663 and 3,041,750 shares	28,193,644	29,637,592
Retained earnings	15,708,073	15,108,285
Unearned employee stock ownership plan ("ESOP") shares	(1,730,736)	(1,840,000)
Unearned recognition and retention plan ("RRP") shares	(1,640,120)	
Total shareholders' equity	40,530,861	42,905,877
Total liabilities and shareholders' equity	$ 108,161,692	$ 132,040,257

</TABLE>

See notes to consolidated financial statements.

UNION COMMUNITY BANCORP AND SUBSIDIARY
Consolidated Statement of Income

<TABLE>
<CAPTION>

Year Ended December 31	1998	1997	1996
Interest and Dividend Income			

<S>	<C>	<C>	<C>
Loans	$ 6,932,194	$ 6,090,003	$ 5,561,735
Investment securities			
Mortgage-backed securities	256,870	214,121	262,711
Other investment securities	257,305	196,937	175,332
Dividends on Federal Home Loan Bank stock	58,866	53,956	45,027
Deposits with financial institutions	599,612	245,927	66,886
Total interest and dividend income	8,104,847	6,800,944	6,111,691
Interest Expense			
Deposits	3,364,222	3,366,097	3,232,877
Stock subscription escrow accounts	130,411		
Federal Home Loan Bank advances	50,952	339,258	190,800
Total interest expense	3,415,174	3,835,766	3,423,677
Net Interest Income	4,689,673	2,965,178	2,688,014
Provision for loan losses	110,000	165,000	48,000
Net Interest Income After Provision for Loan Losses	4,579,673	2,800,178	2,640,014
Other Income (Losses)			
Equity in losses of limited partnership	(121,000)	(157,800)	(172,552)
Other income	73,126	61,952	56,457
Total other losses	(47,874)	(95,848)	(116,095)
Other Expenses			
Salaries and employee benefits	849,909	479,726	460,615
Net occupancy expenses	38,741	39,159	39,103
Equipment expenses	28,182	22,436	19,886
Deposit insurance expense	45,847	31,482	494,679
Legal and professional fees	128,193	33,813	28,880
Other expenses	372,314	354,706	258,774
Total other expenses	1,463,186	961,322	1,301,937
Income Before Income Tax	3,068,613	1,743,008	1,221,982
Income tax expense	1,094,377	544,556	336,286
Net Income	$ 1,974,236	$ 1,198,452	$ 885,696
Basic Earnings per Share	$ .70		
Diluted Earnings per Share	.70		

</TABLE>

See notes to consolidated financial statements.

UNION COMMUNITY BANCORP AND SUBSIDIARY
Consolidated Statement of Shareholders' Equity

<TABLE>
<CAPTION>

	Common Stock Shares Outstanding	Common Stock Amount	Retained Earnings	Unearned ESOP Shares	Unearned Compensation	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balances, January 1, 1996			$13,024,137			$13,024,137
Net income for 1996			885,696			885,696
Balances, December 31, 1996			13,909,833			13,909,833
Net income for 1997			1,198,452			1,198,452
Common stock issued in conversion, net of costs	3,041,750	$29,637,592				29,637,592
Contribution for unearned ESOP shares				$(1,840,000)		(1,840,000)
Balances, December 31, 1997	3,041,750	29,637,592	15,108,285	(1,840,000)		42,905,877
Net income for 1998			1,974,236			1,974,236
Cash dividends ($.355 per share)			(999,293)			(999,293)

Purchase of common stock	(152,087)	(1,483,829)	(375,155)			(1,858,984)
Contribution for unearned RRP shares					$(1,753,853)	(1,753,853)
Amortization of unearned compensation expense					113,733	113,733
ESOP shares earned		39,881		109,264		149,145
Balances, December 31, 1998	2,889,663	$28,193,644	$15,708,073	$(1,730,736)	$(1,640,120)	$40,530,861

</TABLE>

See notes to consolidated financial statements.

<TABLE>
<CAPTION>

UNION COMMUNITY BANCORP AND SUBSIDIARY
Consolidated Statement of Cash Flows

Year Ended December 31	1998	1997	1996
<S>	<C>	<C>	<C>
Operating Activities			
Net income	$ 1,974,236	$ 1,198,452	$ 885,696
Adjustments to reconcile net income to net cash provided by operating activities			
Provision for loan losses	110,000	165,000	48,000
Depreciation	30,344	27,335	25,913
Deferred income tax	(40,926)	36,750	(13,910)
Investment securities accretion, net	(9,223)	(11,677)	(6,181)
Gains on sale of foreclosed real estate	(2,500)	(5,565)	
Equity in losses of limited partnership	121,000	157,800	172,552
Amortization of unearned compensation expense	113,733		
ESOP shares earned	149,145		
Net change in			
Interest receivable	(133,165)	(127,922)	(83,459)
Interest payable	(9,530)	27,415	(1,964)
Other assets	(8,396)	(21,878)	(24,199)
Other liabilities	60,780	(78,749)	85,879
Net cash provided by operating activities	2,355,498	1,366,961	1,088,327
Investing Activities			
Investment securities			
Purchases of investment securities held to maturity	(9,203,586)	(1,200,000)	(994,342)
Proceeds from maturities and paydowns of mortgage-backed securities held to maturity	606,716	638,955	675,913
Proceeds from maturities of investment securities held to maturity	6,400,000	500,000	2,000,000
Net change in loans	(12,529,034)	(6,017,272)	(11,466,414)
Purchases of premises and equipment	(18,178)	(23,331)	(2,602)
Proceeds on sale of foreclose real estate	4,500	76,274	
Purchase of Federal Home Loan Bank of Indianapolis stock	(36,800)	(127,600)	(17,500)
Other investing activity	(1,934)	(2,728)	
Net cash used by investing activities	(14,778,316)	(6,155,702)	(9,804,945)
Financing Activities			
Net change in			
Interest-bearing demand and savings deposits	(28,493)	2,695,812	1,243,027
Certificates of deposit	2,616,080	(874,209)	1,786,193
Stock subscription escrow accounts	(22,687,104)	22,687,104	
Proceeds from borrowings	1,500,000	10,500,000	
Repayment of borrowings	(1,780,225)	(5,807,277)	(5,261,331)
Cash dividends	(728,726)		
Contribution of unearned compensation	(1,753,853)		
Repurchase of common stock	(1,858,984)		
Net change in advances by borrowers for taxes and insurance	54,376	19,981	(79,558)
Proceeds from sale of common stock, net of costs		27,882,967	
Net cash provided (used) by financing activities	(26,166,929)	48,104,378	8,188,331
Net Increase (Decrease) in Cash and Cash Equivalents	(38,589,747)	43,315,637	(528,287)
Cash and Cash Equivalents, Beginning of Year	44,780,827	1,465,190	1,993,477
Cash and Cash Equivalents, End of Year	$ 6,191,080	$ 44,780,827	$ 1,465,190

Additional Cash Flows Information			
Interest paid	$ 3,424,704	$ 3,808,351	$ 3,425,641
Income tax paid	984,063	527,433	375,405
Stock issuance costs included in other liabilities	85,375		
Common stock issued to ESOP leveraged with an employer loan	1,840,000		
Loans transferred to foreclosed real estate	13,619	163,540	

</TABLE>

See notes to consolidated financial statements.

UNION COMMUNITY BANCORP AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

o Note 1 -- Nature of Operations and Summary of Significant Accounting Policies

The accounting and reporting policies of Union Community Bancorp ("Company") and its wholly owned subsidiary, Union Federal Savings and Loan Association ("Association") and the Association's wholly owned subsidiary, UFS Service Corp. ("UFS"), conform to generally accepted accounting principles and reporting practices followed by the thrift industry. The more significant of the policies are described below.

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Company is a thrift holding company whose principal activity is the ownership and management of the Association. The Association operates under a federal thrift charter and provides full banking services. As a federally chartered thrift, the Association is subject to regulation by the Office of Thrift Supervision and the Federal Deposit Insurance Corporation.

The Association generates mortgage and consumer loans and receives deposits from customers located primarily in Montgomery County, Indiana and surrounding counties. The Association's loans are generally secured by specific items of collateral including real property, consumer assets and business assets. UFS invests in a low income housing partnership.

Consolidation--The consolidated financial statements include the accounts of the Company, the Association and UFS after elimination of all material intercompany transactions.

Investment Securities--Debt securities are classified as held to maturity when the Company has the positive intent and ability to hold the securities to maturity. Securities held to maturity are carried at amortized cost.

Amortization of premiums and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

Loans are carried at the principal amount outstanding. A loan is impaired when, based on current information or events, it is probable that the Association will be unable to collect all amounts due (principal and interest) according to the contractual terms of the loan agreement. Loans with payment delays not exceeding 90 days outstanding are not considered impaired. Certain nonaccrual and substantially delinquent loans may be considered to be impaired. The Association considers its investment in one-to-four family residential loans and consumer loans to be homogeneous and therefore excluded from separate identification for evaluation of impairment. Interest income is accrued on the principal balances of loans. The accrual of interest on impaired and nonaccrual loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed when considered uncollectible. Interest income is subsequently recognized only to the extent cash payments are received. Certain loan fees and direct costs are being deferred and amortized as an adjustment of yield on the loans over the contractual lives of the loans. When a loan is paid off or sold, any unamortized loan origination fee balance is credited to income.

Allowance for loan losses is maintained to absorb loan losses based on management's continuing review and evaluation of the loan portfolio and its judgment as to the impact of economic conditions on the portfolio. The evaluation by management includes consideration of past loss experience, changes in the composition of the portfolio, the current condition and amount of loans outstanding, and the probability of collecting all amounts due. Impaired loans are measured by the present value of expected future cash flows, or the fair value of the collateral of the loan, if collateral dependent.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. Management believes that as of December 31, 1998, the allowance for loan losses is adequate based on information currently available. A worsening or protracted economic decline in the area within which the Association operates would increase the likelihood of additional losses due to credit and market risks and could create the need for additional loss reserves.

Premises and equipment are carried at cost net of accumulated depreciation. Depreciation is computed using the straight-line method based principally on the estimated useful lives of the assets which range from 5 to 31.5 years. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank ("FHLB") system. The required investment in the common stock is based on a predetermined formula.

Investment in limited partnership is recorded using the equity method of accounting. Losses due to impairment are recorded when it is determined that the investment no longer has the ability to recover its carrying amount. The benefits of low income housing tax credits associated with the investment are accrued when earned.

Foreclosed assets are carried at the lower of cost or fair value less estimated selling costs. When foreclosed assets are acquired, any required adjustment is charged to the allowance for loan losses. All subsequent activity is included in current operations.

Stock options are granted for a fixed number of shares to employees with an exercise price equal to the fair value of the shares at the date of grant. The Bank accounts for and will continue to account for stock option grants in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees, and, accordingly, recognizes no compensation expense for the stock option grants.

Income tax in the consolidated statement of income includes deferred income tax provisions or benefits for all significant temporary differences in recognizing income and expenses for financial reporting and income tax purposes. The Company files consolidated income tax returns with its subsidiary.

Earnings per share have been computed based upon the weighted average common shares outstanding during 1998. Unearned ESOP shares have been excluded from the computation of average shares outstanding. Net income per share for the periods before and including the conversion to a stock savings and loan association on December 29, 1997, is not meaningful.

o Note 2 -- Conversion

On December 29, 1997, the Association completed the conversion from a federally chartered mutual institution to a federally chartered stock savings and loan association and the formation of the Company as the holding company of the Association. As part of the conversion, the Company issued 3,042,000 shares of common stock at $10 per share. Net proceeds of the Company's stock issuance, after costs of $780,000 and excluding the shares issued for the ESOP, were $27,798,000, of which $14,861,000 was used to acquire 100% of the stock and ownership of the Association. The transaction was accounted for at historical cost in a manner similar to that utilized in a pooling of interests.

o Note 3 -- Investment Securities Held to Maturity

<TABLE>

<CAPTION>

December 31	1998 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<S>	<C>	<C>	<C>	<C>
Federal agencies	$4,500	$ 7	$28	$4,479
Mortgage-backed securities	3,526	174	4	3,696
Total investment securities	$8,026	$181	$32	$8,175

December 31	1997 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury	$ 350			$ 350
Federal agencies	3,346	$ 8	$3	3,351
Mortgage-backed securities	2,124	183	5	2,302
Total investment securities	$5,820	$191	$8	$6,003

</TABLE>

UNION COMMUNITY BANCORP AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

The amortized cost and fair value of securities held to maturity at December 31, 1998, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

December 31	1998 Amortized Cost	Fair Value
Within one year	$ 100	$ 100
One to five years	1,800	1,807
Five to ten years	500	500
After ten years	2,100	2,072
	4,500	4,479
Mortgage-backed securities	3,526	3,696
Totals	$8,026	$8,175

Securities with a carrying value of $3,597,000 and $2,194,000 were pledged at December 31, 1998 and 1997 to secure FHLB advances.

Mortgage-backed securities included in investment securities held to maturity above consist of the following:

<TABLE>
<CAPTION>

December 31	1998 Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<S>	<C>	<C>		<C>
Government National Mortgage Corporation	$ 991	$104		$1,095
Federal Home Loan Mortgage Corporation	2,395	69		2,464
Federal National Mortgage Corporation	123	1	$4	120
Other	17			17
Total mortgage-backed securities	$3,526	$174	$4	$3,696

		1997		
December 31	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Government National Mortgage Corporation	$1,223	$125		$1,348
Federal Home Loan Mortgage Corporation	635	56		691
Federal National Mortgage Corporation	243	2	$5	240
Other	23			23
Total mortgage-backed securities	$2,124	$183	$5	$2,302

</TABLE>

UNION COMMUNITY BANCORP AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

o Note 4 -- Loans and Allowance

<TABLE>
<CAPTION>

December 31	1998	1997
Real estate mortgage loans		
<S>	<C>	<C>
One-to-four family	$ 71,823	$ 62,436
Multi-family	10,609	10,197
Commercial	6,355	3,627
Real estate construction loans	2,545	2,530
Commercial loans	51	
Individuals' loans for household and other personal expenditures	213	223
	91,596	79,013
Deferred loan fees	(334)	(325)
Allowance for loan losses	(362)	(252)
Total loans	$ 90,900	$ 78,436

</TABLE>

Year Ended December 31	1998	1997	1996
Allowance for loan losses			
Balances, Beginning of Period	$ 252	$ 159	$ 111
Provision for losses	110	165	48
Loans charged off	(72)		
Balances, End of Period	$ 362	$ 252	$ 159

Information on impaired loans is summarized below.

December 31	1998	1997
Impaired loans for which the discounted cash flows or collateral value exceeds the carrying value of the loan	$322	$ 0

Year Ended December 31	1998	1997
Average balance of impaired loans	$110	$ 33
Interest income recognized on impaired loans	10	
Cash basis interest included above	10	

o Note 5 -- Premises and Equipment

December 31	1998	1997
Land	$ 146	$ 146
Buildings	569	553
Equipment	140	142
Total cost	855	841
Accumulated depreciation	(500)	(474)
Net	$ 355	$ 367

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Union Community Bancorp and Subsidiary
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

o Note 6 -- Investment in Limited Partnership

The investment in limited partnership of $1,055,000 and $1,176,000 at December 31, 1998 and 1997 represents a 99 percent equity in Pedcor Investments - 1993-XVI, LP ("Pedcor"), a limited partnership organized to build, own and operate a 48-unit apartment complex. In addition to recording its equity in the losses of Pedcor, the Company has recorded the benefit of low income housing tax credits of $178,000 for the years ended December 31, 1998, 1997 and 1996. Condensed financial statements for Pedcor are as follows:

December 31	1998	1997
Condensed statement of financial condition		
Assets		
Cash	$ 31	$ 5
Land and property	2,235	2,292
Other assets	19	55
Total assets	$2,285	$2,352
Liabilities		
Notes payable--Association	$ 772	$ 873
Notes payable--other	1,256	1,274
Other liabilities	159	165
Total liabilities	2,187	2,312
Partners' equity	98	40
Total liabilities and partners' equity	$2,285	$2,352

Year Ended December 31	1998	1997	1996
Condensed statement of operations			
Total revenue	$232	$219	$219
Total expenses	354	340	435
Net loss	$(122)	$(121)	$(216)

o Note 7 -- Deposits

December 31	1998	1997
Noninterest-bearing demand	$ 657	$ 1,533
Interest-bearing demand	11,982	9,965
Savings deposits	3,410	4,579
Certificates and other time deposits of $100,000 or more	9,351	7,060
Other certificates and time deposits	39,446	39,121
Total deposits	$64,846	$62,258

Certificates and other time deposits maturing in years ending December 31:

1999	$29,059
2000	12,707
2001	3,657
2002	1,207
2003	2,167
	$48,797

UNION COMMUNITY BANCORP AND SUBSIDIARY
Notes to Consolidated Financial Statements

(Table Dollar Amounts in Thousands)

Year Ended December 31	1998	1997	1996
Interest expense on deposits			
Interest-bearing demand	$ 496	$ 444	$ 369
Savings deposits	139	159	148
Certificates	2,729	2,763	2,716
	$3,364	$3,366	$3,233

o Note 8-- Federal Home Loan Bank Advances

December 31	1998 Amount	Weighted Average Rate
Advances from FHLB		
Maturities in years ending		
1999	$114	5.33%
2000	123	5.49
2001	129	5.67
2002	138	5.80
2003	147	5.90
2004	121	6.03
	$772	5.71%

The Association has an available line of credit with the FHLB totaling $1,000,000. The line of credit expires September 16, 1999 and bears interest at a rate equal to the current variable advance rate. There were no drawings on this line of credit at December 31, 1998.

FHLB advances are secured by first-mortgage loans and investment securities totaling $73,501,000 and $62,517,000 at December 31, 1998 and 1997. Advances are subject to restrictions or penalties in the event of prepayment.

o Note 9-- Note Payable

The note payable to Pedcor dated February 1, 1994 in the original amount of $1,809,792 bears no interest so long as there exists no event of default. In the instances where an event of default has occurred, interest shall be calculated at a rate equal to the lesser of 14% per annum or the highest amount permitted by applicable law.

December 31	1998
Note payable to Pedcor Maturities in years ending:	
1999	$ 183
2000	184
2001	177
2002	174
2003	171
Thereafter	132
	$ 1,021

o Note 10 -- Income Tax

Year Ended December 31	1998	1997	1996
Income tax expense			
Currently payable			
Federal	$ 848	$ 353	$ 246
State	287	155	104
Deferred			
Federal	(27)	37	(20)
State	(14)	6	
Total income tax expense	$ 1,094	$ 545	$ 336
Reconciliation of federal statutory to actual tax expense			
Federal statutory income tax at 34%	$ 1,043	$ 593	$ 415
Effect of state			

(Table Dollar Amounts in Thousands)

income taxes	180	102	73
Tax credits	(178)	(178)	(178)
Other	49	28	26
Actual tax expense	$ 1,094	$ 545	$ 336
Effective tax rate	35.7%	31.2%	27.5%

The components of the cumulative net deferred tax asset are as follows:

December 31	1998	1997
Assets		
Allowance for loan losses	$144	$ 92
Loan fees	15	37
Business income tax credits		29
Pensions and employee benefits	63	
Other		2
Total assets	222	160
Liabilities		
Depreciation	21	26
State income tax	6	2
FHLB stock dividend	23	23
Equity in partnership losses	87	70
Other	5	
Total liabilities	142	121
	$ 80	$ 39

Retained earnings include approximately $2,632,000 for which no deferred income tax liability has been recognized. This amount represents an allocation of income to bad debt deductions as of December 31, 1987 for tax purposes only. Reduction of amounts so allocated for purposes other than tax bad debt losses including redemption of bank stock or excess dividends, or loss of "bank" status, would create income for tax purposes only, which income would be subject to the then-current corporate income tax rate. The unrecorded deferred income tax liability on the above amounts was approximately $1,043,000.

o Note 11 -- Commitments and Contingent Liabilities

In the normal course of business there are outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Association's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual or notional amount of those instruments. The Association uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheet.

Financial instruments whose contract amount represents credit risk as of December 31 were as follows:

December 31	1998	1997
Commitments to extend credit	$2,566	$2,909
Standby letters of credit	2,514	2,014

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may

require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Association evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Association upon extension of credit is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Association to guarantee the performance of a customer to a third party.

The Company and Association have entered into an employment agreement with the president which provides for the continuation of salary and certain benefits for a specified period of time under certain conditions. Under the terms of the agreements, these payments could occur in the event of a change in control of the Company, as defined, along with other specific conditions. The contingent liability under these agreements in the event of a change in control is approximately $300,000. The Company and Association are not required to pay any amounts under these agreements which cannot be deducted for federal income tax purposes.

The Company, Association and UFS are also subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Company.

o Note 12 -- Year 2000

Like all entities, the Company and subsidiary are exposed to risks associated with the Year 2000 Issue, which affects computer software and hardware; transactions with vendors, and other entities; and equipment dependent on microchips. The Company has begun, but not yet completed, the process of identifying and remediating potential Year 2000 problems. It is not possible for any entity to guarantee the results of its own remediation efforts or to accurately predict the impact of the Year 2000 Issue on third parties with which the Company and subsidiary do business. If remediation efforts of the Company or third parties with which the Company and subsidiary do business are not successful, the Year 2000 Issue could have negative effects on the Company's financial condition and results of operation in the near term.

o Note 13 -- Dividend and Capital Restrictions

The OTS regulations provide that savings associations which meet fully phased-in capital requirements and are subject only to "normal supervision" may pay out, as a dividend, 100 percent of net income to date over the calendar year and 50 percent of surplus capital existing at the beginning of the calendar year without supervisory approval, but with 30 days prior notice to the OTS. OTS regulations also prohibit a savings association from declaring or paying any dividends if, as a result, the regulatory capital of the Association would be reduced below the minimum amount required to be maintained for the liquidation account established in connection with the conversion. Any additional amount of capital distributions would require prior regulatory approval. Savings associations failing to meet current capital standards may only pay dividends with supervisory approval.

At the time of conversion, a liquidation account was established in an amount equal to the Association's net worth as reflected in the latest statement of condition used in its final conversion offering circular. The liquidation account is maintained for the benefit of eligible deposit account holders who maintain their deposit account in the Association after conversion. In the event of a complete liquidation, and only in such event, each eligible deposit account holder will be entitled to receive a liquidation distribution from the liquidation account in the amount of the then current adjusted subaccount balance for deposit accounts then held, before any liquidation distribution may be made to shareholders. Except for the repurchase of stock and payment of dividends, the existence of the liquidation account will not restrict the use or application of net worth. The initial balance of the liquidation account was $14,473,000.

At December 31, 1998, the shareholders' equity of the Association was $30,332,000, of which approximately $13,184,000 was available for the payment of dividends.

o Note 14 -- Regulatory Capital

The Association is subject to various regulatory capital requirements administered by the federal banking agencies and is assigned to a capital category. The assigned capital category is largely determined by three ratios that are calculated according to the regulations: total risk adjusted capital, Tier 1 capital, and Tier 1 leverage ratios. The ratios are intended to measure capital relative to assets and credit risk associated with those assets and off-balance sheet exposures of the entity. The capital category assigned to an entity can also be affected by qualitative judgments made by regulatory agencies about the risk inherent in the entity's activities that are not part of the calculated ratios.

There are five capital categories defined in the regulations, ranging from well capitalized to critically undercapitalized. Classification of an association in any of the undercapitalized categories can result in actions by regulators that could have a material effect on an association's operations. At December 31, 1998 and 1997, the Association is categorized as well capitalized and meets all subject capital adequacy requirements. There are no conditions or events since

(Table Dollar Amounts in Thousands)

December 31, 1998 that management believes have changed the Association's classification.

The Association's actual and required capital amounts and ratios are as follows:

<TABLE>
<CAPTION>

	1998					
	Actual		Required for Adequate Capital (1)		To Be Well Capitalized (1)	
December 31	Amount	Ratio	Amount	Ratio	Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total risk-based capital 1 (to risk weighted assets)	$30,693	56.7%	$4,325	8.0%	$5,406	10.0%
Core capital 1 (to adjusted tangible assets)	30,331	28.3	3,219	3.0	6,438	6.0
Core capital 1 (to adjusted total assets)	30,331	28.3	3,219	3.0	5,365	5.0

1 As defined by regulatory agencies

</TABLE>

<TABLE>
<CAPTION>

	1997					
	Actual		Required for Adequate Capital (1)		To Be Well Capitalized (1)	
December 31	Amount	Ratio	Amount	Ratio	Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total risk-based capital 1 (to risk weighted assets)	$30,221	56.5%	$4,279	8.0%	$5,349	10.0%
Core capital 1 (to adjusted tangible assets)	29,969	22.7	3,961	3.0	7,922	6.0
Core capital 1 (to adjusted total assets)	29,969	22.7	3,961	3.0	6,602	5.0

1 As defined by regulatory agencies
</TABLE>

The Association's tangible capital at December 31, 1998 and 1997 was $30,331,000 and $29,969,000, which amount was 28.3% and 22.7% of tangible assets and exceeded the required ratio of 1.5%.

o Note 15 -- Employee Benefit Plans

The Company provides pension benefits for substantially all of its employees, and is a participant in a pension fund known as the Pentegra Group. This plan is a multi-employer plan; separate actuarial valuations are not made with respect to each participating employer. Pension expense (benefit) was $2,000, ($4,000) and $47,000 for 1998, 1997, 1996.

The Company has a retirement savings 401(k) plan in which substantially all employees may participate. The Company matches employees' contributions at the rate of 50% for the first 5% of base salary contributed by participants. The Company's expense for the plan was $10,000, $11,000 and $10,000 for 1998, 1997, and 1996.

As part of the conversion in 1997, the Company established an ESOP covering substantially all employees of the Company and Association. The ESOP acquired 184,000 shares of the Company common stock at $10 per share in the conversion with funds provided by a loan from the Company. Accordingly, the $1,840,000 of common stock acquired by the ESOP is shown as a reduction of shareholders' equity. Unearned ESOP shares totaled 173,074 and 184,000 at December 31, 1998 and 1997 and had a fair value of $1,947,000 and $2,691,000 at December 31, 1998 and 1997. Shares are released to participants proportionately as the loan is repaid. Dividends on allocated shares are recorded as dividends and charged to retained earnings. Dividends on unallocated shares, which may be distributed to participants or used to repay the loan, are treated as compensation expense. Compensation expense is recorded equal to the fair market value of the stock when contributions, which are determined annually by the Board of Directors of the Association, are made to the ESOP. ESOP expense for the year ended December 31, 1998 was $149,000. There was no expense under the ESOP for the year ended December 31, 1997. At December 31, 1998, the ESOP had 10,926 allocated shares, 173,074 suspense shares and no committed-to-be released shares. At December 31, 1997, the ESOP had 184,000 suspense shares.

In connection with the conversion, the Board of Directors established a Recognition and Retention Plan and Trust ("RRP"). The Bank contributed $1,753,853 to the RRP for the purchase of 121,670 shares of Company common stock, and effective June 30, 1998, awards of grants for 78,900 of these shares were issued to various directors, officers and employees of the Association. These awards generally are to vest and be earned by the recipient at a rate of 20 percent per year, commencing June 30, 1999. The unearned portion of these stock awards is presented as a reduction of shareholders' equity.

o Note 16 -- Stock Option Plan

Under the Company's stock option plan (Plan), which is accounted for in accordance with Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees, and related interpretations, the Company grants selected executives and other key employees stock option awards which vest at a rate of 20 percent a year. During 1998, the Company authorized the grant of options for up to 304,175 shares of the Company's common stock. Effective June 30, 1998, the Company granted 186,000 of the options. The exercise price of each option, which has a ten-year life, was equal to the market price of the Company's stock on the date of grant; therefore, no compensation expense was recognized.

Although the Company has elected to follow APB No. 25, SFAS No. 123 requires pro forma disclosures of net income and earnings per share as if the Company had accounted for its employee stock options under that Statement. The fair value of each option grant was estimated on the grant date using an option-pricing model with the following assumptions:

	1998
Risk-free interest rates	5.5%
Dividend yields	2.7%
Volatility factors of expected market price of common stock	14.0
Weighted-average expected life of the options	7 years

Under SFAS No. 123, compensation cost is recognized in the amount of the estimated fair value of the options and amortized to expense over the options' vesting period. The pro forma effect on net income and earnings per share of this statement are as follows:

		1998
Net income	As reported	$1,974
	Pro forma	1,876
Basic earnings per share	As reported	.70
	Pro forma	.67
Diluted earnings per share	As reported	.70
	Pro forma	.67

The following is a summary of the status of the Company's stock option plan and changes in that plan as of and for the year ended December 31, 1998.

Year Ended December 31	1998	
Options	Shares	Weighted-Average Exercise Price
Outstanding, beginning of year		
Granted	$186,000	$14.59
Outstanding, end of year	$186,000	$14.59
Options exercisable at year end	0	
Weighted-average fair value of options granted during the year	$2.94	

As of December 31, 1998, the 186,000 options outstanding have an exercise price of $14.59 and a weighted-average remaining contractual life of 9.5 years.

o Note 17 -- Related Party Transactions

The Association has entered into transactions with certain directors, executive officers, significant shareholders and their affiliates or associates (related parties). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

Balances, January 1, 1998	$2,358
New loans, including renewals	266
Payments, etc. including renewals	(531)
Balances, December 31, 1998	$2,093

Deposits from related parties held by the Association at December 31, 1998 totaled $1,826,000.

o Note 18 -- Earnings Per Share

Earnings per share (EPS) were computed as follows:
<TABLE>
<CAPTION>

	Year Ended December 31, 1998		
	Income	Weighted Average Shares	Per-Share Amount
Basic Earnings Per Share			
<S>	<C>	<C>	<C>
Income available to common shareholders	$1,974	2,804,584	$.70
Effect of Dilutive Securities			
Stock options		9	
Diluted Earnings Per Share			
Income available to common shareholders and assumed conversions	$1,974	2,804,593	$.70

</TABLE>

o Note 19 -- Fair Values of Financial Instruments

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

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

Investment Securities--Fair values are based on quoted market prices.

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

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

Interest Receivable/Payable--The fair value of accrued interest receivable/payable approximates carrying values.

Deposits--Fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on such time deposits.

Stock Subscriptions Refundable and Advance Payments by Borrowers for Taxes and Insurance--The fair value approximates carrying value.

Federal Home Loan Bank Advances--The fair value of these borrowings are estimated using a discounted cash flow calculation, based on current rates for similar debt.

Note Payable--Limited Partnership--The fair value of the borrowing is estimated using a discounted cash flow calculation, based on current rates for similar debt.

Off-Balance Sheet Commitments--Commitments include commitments to originate mortgage and consumer loans, and are generally of a short-term nature. The fair value of such commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The carrying amounts of these commitments, which are immaterial, are reasonable estimates of the fair value of these financial instruments.

The estimated fair values of the Company's financial instruments are as follows:
<TABLE>
<CAPTION>

	1998		1997	
December 31	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<S>	<C>	<C>	<C>	<C>
Assets				
Cash and cash equivalents	$ 6,191	$ 6,191	$44,781	$44,781
Investment securities held to maturity	8,026	8,175	5,820	6,003
Loans, net	90,900	92,365	78,436	79,611
Stock in FHLB	745	745	708	708
Interest receivable	715	715	582	582
Liabilities				
Deposits	64,846	61,460	62,258	62,476
Stock subscriptions refundable			22,687	22,687
Borrowings				
FHLB advances	772	781	2,373	2,345
Notes payable--limited partnership	1,021	835	1,200	944
Interest payable	109	109	119	119
Advances by borrowers for taxes and insurance	275	275	221	221

</TABLE>

UNION COMMUNITY BANCORP AND SUBSIDIARY
Notes to Consolidated Financial Statements
(Table Dollar Amounts in Thousands)

o Note 20-- Condensed Financial Information (Parent Company Only)

Presented below is condensed financial information as to financial position, results of operations and cash flows of the Company:

Condensed Balance Sheet

December 31	1998	1997
Assets		
Cash	$10,243	$13,022
Investment in subsidiary	30,332	29,927
Other assets	238	
Total assets	$40,813	$42,949
Liability--other	$ 282	$ 43
Shareholders' Equity	40,531	42,906
Total liabilities and shareholders' equity	$40,813	$42,949

Condensed Statement of Income

December 31	1998	1997
Income		
Interest income	$ 4	
Other income	81	
	85	
Expenses		
Salaries and employee benefits	65	

Legal and professional fees	97	
Other expenses	14	
Total expenses	176	
Loss before income tax and equity in undistributed income of subsidiaries	(91)	
Income tax benefit	(20)	
Loss before equity in undistributed income of subsidiaries	(71)	
Equity in undistributed income of subsidiaries	2,045	$ 1,198
Net Income	$ 1,974	$ 1,198

Condensed Statement of Cash Flows

<TABLE>
<CAPTION>

Year Ended December 31	1998	1997
Operating Activities		
<S>	<C>	<C>
Net income	$ 1,974	$ 1,198
Adjustments to reconcile net income to net cash provided by operating activities	(2,165)	(1,198)
Net cash used by operating activities	(191)	0
Financing Activities		
Net proceeds from issuance of stock		27,883
Capital contribution to Association		(14,861)
Cash dividend	(729)	
Repurchase of common stock	(1,859)	
Net cash provided (used) by financing activities	(2,588)	13,022
Net Change in Cash	(2,779)	13,022
Cash at Beginning of Year	13,022	0
Cash at End of Year	$ 10,243	$ 13,022
Additional Cash Flow and Supplementary Information		
Common stock issued to ESOP leveraged with an employee loan		$ 1,840
Stock issuance cost included in other liabilities		43

</TABLE>

BOARD OF DIRECTORS

Joseph E. Timmons
Chairman of the Board
President and Chief Executive Officer
Union Federal Savings and Loan Association

Philip L. Boots
President, Boots Brothers
Oil Company, Inc.

Marvin L. Burkett
Farmer (Retired)

Phillip E. Grush
Optometrist

Samuel H. Hildebrand
President, Village
Traditions, Inc.

John M. Horner
President, Horner
Pontiac Buick, Inc.

Harry A. Siamas
Attorney

OFFICERS OF UNION COMMUNITY BANCORP

Joseph E. Timmons　　Ronald L. Keeling　　Denise E. Swearingen

Chairman of the Board President and Chief Executive Officer	Vice President	Secretary and Treasurer

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OFFICERS OF UNION FEDERAL SAVINGS AND LOAN ASSOCIATION

Joseph E. Timmons President and Chief Executive Officer	Ronald L. Keeling Senior Loan Officer Vice President and Assistant Secretary
Denise E. Swearingen Secretary, Controller/ Treasurer	Alan L. Grimble Vice President

Philip L. Boots (age 52) has served since 1985 as President of Boots Brothers Oil Company, Inc., a petroleum marketer that operates gasoline outlets, convenience grocery stores and car washes in the Crawfordsville area.

Marvin L. Burkett (age 71) has worked as a self-employed farmer in Montgomery County since 1956. He currently is semi-retired from farming.

Phillip E. Grush (age 67) worked as a self-employed optometrist in Crawfordsville from 1960 until September, 1996 when he sold his practice. He currently works for Dr. Michael Scheidler in Crawfordsville as a part-time employee/consultant.

Samuel H. Hildebrand, II (age 59) was Executive Vice President of Atapco Custom Products Division, a manufacturer of custom decorated looseleaf ring binders in Crawfordsville from 1987-1995. Since 1995, he has served as President of Village Traditions, Inc., a home builder located in Crawfordsville.

John M. Horner (age 62) has served as the president of Horner Pontiac Buick, Inc. in Crawfordsville since 1974.

Harry A. Siamas (age 48) has practiced law in Crawfordsville since 1976 and has served as Union Federal's attorney for 18 years.

Joseph E. Timmons (age 64) has served as President and Chief Executive Officer of Union Federal since 1974 and of UFS Service Corp. since its inception in 1994. He has been an employee of Union Federal since 1954.

MARKET INFORMATION

The Association converted from a federal mutual savings and loan association to a federal stock savings and loan associaiton effective December 29, 1997, and simultaneously formed a savings and loan holding company, the Holding Company. The Holding Company's Common Stock, is traded on the NASDAQ National Market System under the symbol "UCBC." As of March 30, 1999, there were approximately 550 record holders of the Holding Company's Common Stock.

Any dividends paid by the Holding Company will be subject to determination and declaration by the Board of Directors in its discretion. In determining the level of any future dividends, the Board of Directors will consider, among other factors, the following: tax considerations; industry standards; economic conditions; capital levels; regulatory restrictions on dividend payments by the Association to the Holding Company; and, general business practices.

The Holding Company is not subject to OTS regulatory restrictions on the payment of dividends to its shareholders although the source of such dividends will depend in part upon the receipt of dividends from the Association. The Holding Company is subject, however, to the requirements of Indiana law, which generally limit the payment of dividends to amounts that will not affect the ability of the Holding Company, after the dividend has been distributed, to pay its debts in the ordinary course of business and will not exceed the difference between the Holding Company's total assets and total liabilities plus preferential amounts payable to shareholders with rights superior to those of the holders of the Holding Company's common stock.

In addition to the foregoing, the portion of the Association's earnings which has been appropriated for bad debt reserves and deducted for federal income tax purposes cannot be used by the Association to pay cash dividends to the Holding Company without the payment of federal income taxes by the Associaiton at the then current income tax rate on the amount deemed distributed, which would include any federal income taxes attributable to the distribution. The Holding Company does not contemplate any distribution by the Assciation that would result in a recapture of the Association's bad debt reserve or otherwise create federal tax liabilities.

	Stock Price		Dividends
Month Ended	High	Low	Per Share
January 31, 1998	$14 13/16	$14 1/16	
February 28, 1998	14 5/8	14	
March 31, 1998	15 7/8	14 1/2	$.075
April 30, 1998	15 1/2	14 11/16	
May 31, 1998	15 5/8	14 1/2	
June 30, 1998	15 1/8	14 1/8	.085
July 31, 1998	14 7/8	13 7/8	
August 31, 1998	14 3/4	11 1/4	
September 30, 1998	13	10 3/4	.095
October 31, 1998	12 13/16	9 13/16	
November 30, 1998	12 3/8	10 1/2	
December 31, 1998	13	10 1/2	.10

TRANSFER AGENT AND REGISTRAR
The Fifth Third Bank
Corporate Trust Operations
38 Fountain Square Plaza, MD - 1090F5
Cincinnati, Ohio 45202
(513) 579-5320 or (800) 837-2755

GENERAL COUNSEL
Barnes & Thornburg
11 South Meridian Street
Indianapolis, Indiana 46204

INDEPENDENT AUDITOR
Olive LLP
201 N. Illinois Street, Suite 700S
Indianapolis, Indiana 46204

SHAREHOLDERS AND GENERAL INQUIRIES

The Company filed an Annual Report on Form 10-K for its fiscal year ended December 31, 1998 with the Securities and Exchange Commission. Copies of this annual report may be obtained without charge upon written request to:

Joseph E. Timmons
President and Chief Executive Officer
Union Community Bancorp
221 East Main Street
Crawfordsville, Indiana 47933