SECURITIES AND EXCHANGE COMMISSION

FORM 10KSB40

Annual and transition reports of small business issuers [Section 13 or 15(d), S-B Item 405]

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PCB HOLDING CO

CIK:**1057818**| State of Incorp.:**IN** | Fiscal Year End: **1231**
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SIC: **6035** Savings institution, federally chartered

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

Form 10-KSB

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

For the fiscal year ended December 31, 1998

0-24135
Commission File Number

PCB HOLDING COMPANY

(Name of small business issuer as specified in its charter.)

<TABLE>

<S>	<C>
Indiana	35-2040715
(State or Other Jurisdiction of Incoprporation or Organization	(I.R.S. Employer Identification No.)

819 Main Street, Tell City, Indiana 47586

(Address of Principal Executive Offices)

Issuer's telephone number, including area code: (812) 547-7094
Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $0.01
</TABLE>

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X]   No [_]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form and no disclosure will be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

The issuer's revenues for its most recent fiscal year were $1,738,712.

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the issuer was $3,769,125. This figure is based on the average of the last bid and ask price on the OTC Bulletin Board for a share of the issuer's common stock on March 1, 1999, which was $9.50. For purposes of this calculation, the Registrant is assuming that directors and executive officers are affiliates.

The Registrant had 396,750 shares of Common Stock outstanding as of March 1, 1999.

Portions of the Annual Report to Shareholders for the year ended December 31, 1998 are incorporated by reference into Part II of this Form 10-KSB. Also, portions of the proxy statement for the annual meeting of shareholders to be held on April 22, 1999 are incorporated by reference into Part III of this Form 10-KSB.

Transitional Small Business Disclosure Format.   Yes [_]   No [X]

INDEX

<TABLE>
<CAPTION>

PART I

<S>	<C>	<C> Page No.
Item 1.	Description of Business.....................................	3
Item 2.	Description of Property.....................................	24
Item 3.	Legal Proceedings...	24

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Item 4.	Submission of Matters to a Vote of Security Holders..........	24
PART II		
Item 5.	Market for Common Equity and Related Stockholder Matters......	25
Item 6.	Management's Discussion and Analysis or Plan of Operation.....	25
Item 7.	Financial Statements...	25
Item 8.	Changes In and Disagreements With Accountants on Accounting and Financial Disclosure	25
PART III		
Item 9.	Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act............	25
Item 10.	Executive Compensation......................................	26
Item 11.	Security Ownership of Certain Beneficial Owners and Management	26
Item 12.	Certain Relationships and Related Transactions...............	26
Item 13.	Exhibits and Reports on Form 8-K.............................	26

</TABLE>
SIGNATURES

Item 1. Description of Business.

BUSINESS OF THE COMPANY

General

PCB Holding Company (the "Company") was organized as an Indiana business corporation at the direction of Peoples Community Bank (the "Bank") in March 1998 for the purpose of becoming the holding company for the Bank upon completion of the conversion of the Bank from the mutual to the stock form of organization.

The Bank's mutual to stock conversion was completed on July 1, 1998 with the sale by the Company of 396,750 shares of common stock at $10.00 per share. The Company used 50% of the net proceeds of the offering to purchase the capital stock of the Bank. The Company's sole business activity is to direct the operations of the Bank.

The Bank was chartered in 1914 as an Indiana mutual building and loan association. In February 1998, the Bank adopted a federal mutual charter and in July 1998, upon the completion of its mutual to stock conversion, became a federal stock savings bank. The Bank's primary federal regulator is the Office of Thrift Supervision ("OTS"). The Bank operates as a traditional savings association, specializing in single-family residential mortgage lending and savings deposits. The Bank's business consists primarily of attracting retail deposits from the general public and using those funds to originate real estate loans. The Bank generally holds its loans for long-term investment purposes.

Market Area and Competition

The Bank conducts operations out of its one office in Tell City, which is the largest town in Perry County, Indiana. Tell City has a population of approximately 9,000 persons, and Perry County has a population of approximately 20,000 persons. Most of the Bank's depositors live in Perry County and most of the Bank's loans are secured by real estate in Perry County. The Bank also makes loans in Spencer County, Indiana and occasionally in other surrounding counties. Perry County is a rural county that historically has had higher unemployment and lower income compared to the rest of Indiana. The economy of Perry County is dependent on manufacturing, much of which is located across the Ohio River in Kentucky. Industries present in the region include woodworking, steel, motors, aluminum and paper.

The Bank faces intense competition in its primary market area for the attraction of deposits (its primary source of lendable funds) and in the origination of loans. Its most direct competition for deposits has historically come from the three commercial banks operating in Tell City and, to a lesser extent, from other financial institutions, such as brokerage firms and insurance companies. All of the three commercial banks in Tell City are affiliated with large, multi-state bank holding companies and, therefore, have significantly greater resources than the Bank. Particularly in times of high interest rates, the Bank has faced additional significant competition for investors' funds from short-term money market securities and other corporate and government securities. The Bank's competition for loans comes primarily from the commercial banks operating in Tell City. Such competition for deposits and the origination of loans may limit the Bank's growth in the future.

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Lending Activities

General. At December 31, 1998, the Bank's net loans receivable totaled $20.9 million, or 82.3% of total assets. The Bank has concentrated its lending activities on one- to four-family mortgage loans, with such loans amounting to 83.2% of loans at December 31, 1998. The Bank also offers multi-family, commercial real estate, land and residential construction loans, as well as loans secured by savings accounts. All of the Bank's mortgage loan portfolio is secured by real estate located in Indiana. In February 1998, the Bank expanded its loan offerings to include automobile loans. In June 1998, the Bank began offering additional secured and unsecured consumer loans.

Loan Portfolio Analysis. The following table sets forth the composition of the Bank's loan portfolio at the dates indicated. The Bank had no concentration of loans exceeding 10% of total loans receivable other than as disclosed below.

<TABLE>
<CAPTION>

	At December 31,					
	1998		1997		1996	
	Amount	Percent	Amount	Percent	Amount	Percent
	(Dollars in thousands)					
Mortgage loans:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
One- to four-family........................	$17,892	83.1%	$16,893	85.7%	$17,272	85.0%
Multi-family...............................	362	1.7	468	2.4	394	1.9
Commercial real estate.....................	901	4.2	864	4.4	873	4.3
Land.......................................	654	3.0	528	2.6	583	2.9
Residential construction...................	980	4.6	783	4.0	977	4.8
Total mortgage loans.....................	20,789	96.6	19,536	99.1	20,099	98.9
Consumer Loans:						
Loans secured by savings accounts.........	274	1.3	178	0.9	233	1.1
Other.....................................	454	2.1	-	-	-	-
Total consumer loans.....................	728	3.4	178	0.9	233	1.1
Total loans.............................	21,517	100.0%	19,714	100.0%	20,332	100.0%
Less:						
Undisbursed portion of loans in process...	472		295		380	
Deferred loan origination fees, net........	64		72		73	
Allowance for loan losses..................	51		51		52	
Total loans receivable, net.............	$20,930		$19,296		$19,837	

</TABLE>

One- to Four-Family Real Estate Loans. The Bank's primary lending activity is the origination of loans secured by one- to four-family residences located in its market area. The Bank offers adjustable-rate mortgage ("ARM") loans which provide for an interest rate that adjusts every year or that is fixed for three years and then adjusts every year after the initial period. The Bank's ARM loans generally provide for annual and lifetime interest rate adjustment limits of 1% and 5%, respectively. When it was a state-chartered savings association, the Bank based its ARM loans on the Bank's internal cost of funds. When the Bank adopted a federal mutual charter in February 1998 it began basing its ARM loans on the One Year U.S. Treasury Note Constant Maturity Rate. The Bank's ARM loans are typically based on a 30-year amortization schedule. The initial rate on most of the Bank's ARM loans is 1% to 1.5% below the rate offered for fixed-rate loans that have a term of ten to 20 years.

The Bank offers fixed-rate, one- to four-family mortgage loans with maturities of up to 20 years. These loans are fully amortizing with monthly payments sufficient to repay the total amount of the loan with interest by the end of the loan term. Generally, they are underwritten and documented in accordance with guidelines established by Freddie Mac. The Bank's fixed-rate

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loans customarily include "due on sale" clauses, which give the Bank the right to declare a loan immediately due and payable in the event the borrower sells or otherwise disposes of the real property subject to the mortgage and the loan is not paid.

The Bank offers second mortgage loans. Generally, the Bank makes second mortgage loans only where it holds the first mortgage, unless the combined loan to value ratio is less than 50%. Second mortgages are made on the same terms as first mortgage loans when the combined loan to value ratio is less than 80%. At December 31, 1998, the Bank had $722,000 of second mortgage loans included in its one- to four-family mortgage loan portfolio.

Borrower demand for ARM loans versus fixed-rate mortgage loans is a function of the level of interest rates, the expectations of changes in the level of interest rates and the difference between the initial interest rates and fees charged for each type of loan. The relative amount of fixed-rate mortgage loans and ARM loans that can be originated at any time is largely determined by the demand for each in a competitive environment.

The retention of ARM loans in the Bank's loan portfolio helps reduce the Bank's exposure to changes in interest rates. There are, however, unquantifiable credit risks resulting from the potential of increased costs due to changed rates to be paid by the borrower. It is possible that during periods of rising interest rates the risk of default on ARM loans may increase as a result of repricing and the increased payments required by the borrower. In addition, although ARM loans allow the Bank to increase the sensitivity of its asset base to changes in interest rates, the extent of this interest sensitivity is limited by the annual and lifetime interest rate adjustment limits. Because of these considerations the Bank has no assurance that yields on ARM loans will be sufficient to offset increases in the Bank's cost of funds. The Bank believes these risks, which have not had a material adverse effect on the Bank to date, generally are less than the risks associated with holding fixed-rate loans in portfolio during a rising interest rate environment.

The Bank generally requires an acceptable attorney's opinion on the status of its lien on all loans where real estate is the primary source of security. The Bank also requires that fire and casualty insurance (and, if appropriate, flood insurance) be maintained in an amount at least equal to the outstanding loan balance.

The Bank's one- to four-family residential mortgage loans typically do not exceed 80% of the appraised value of the security property. Pursuant to underwriting guidelines adopted by the Bank's Board of Directors, the Bank can lend up to 95% of the appraised value of the property securing a one- to- four family residential loan; however, the Bank generally requires private mortgage insurance on the portion of the principal amount that exceeds 90% of the appraised value of the security property.

Multi-family and Commercial Real Estate Loans. The Bank occasionally originates mortgage loans for the acquisition and refinancing of multi-family and commercial real estate properties. The majority of the Bank's commercial real estate loans are secured by churches, motels and a country club, all of which are located in Indiana. At December 31, 1998, the Bank's largest multi-family or commercial real estate loan was $213,000 and is secured by a motel.

Most of the Bank's commercial real estate loans have adjustable interest rates and terms of 15 years or less. The Bank requires appraisals of all properties securing commercial real estate loans. Appraisals are performed by an independent appraiser designated by the Bank, all of which are reviewed by management.

Multi-family and commercial real estate lending affords the Bank an opportunity to receive interest at rates higher than those generally available from one- to four-family residential lending. However, loans secured by such properties usually are greater in amount and are more difficult to evaluate and monitor and, therefore, involve a greater degree of risk than one- to four-family residential mortgage loans. Because payments on loans secured by income producing properties are often dependent on the successful operation and management of the properties, repayment of such loans may be affected by adverse conditions in the real estate market or the economy. The Bank seeks to minimize these risks by limiting the maximum loan-to-value ratio to 80% and strictly scrutinizing the financial condition of the borrower, the cash flow of the project, the quality of the collateral and the management of the property securing the loan. The Bank also obtains loan guarantees from financially capable parties based on a review of personal financial statements.

Residential Construction Loans. The Bank originates residential construction loans to local home builders and to individuals for the construction and acquisition of their personal residence.

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The Bank's construction loans to builders generally have fixed interest rates and are for a term of one year. Such loans to builders are typically made with a maximum loan to value ratio of 85%. These loans are usually made on a speculative (unsold) basis. The maximum amount that any one builder may borrow from the Bank is $500,000, which is the Bank's internal loan-to-one-borrower limit. At December 31, 1998, the largest amount of construction loans outstanding to one builder was $150,000, all of which was for speculative construction. Construction loans to individuals are made on the same terms as the Bank's one- to four-family mortgage loans, but provide for the payment of interest only during the construction phase, which is usually six months. At the end of the construction phase, the loan converts to a permanent mortgage loan.

Prior to making a commitment to fund a construction loan, the Bank requires an appraisal of the property by a staff appraiser. The Bank also reviews and inspects each project prior to disbursement of funds during the term of the construction loan. Loan proceeds are disbursed after inspection of the project based on percentage of completion.

Construction lending affords the Bank the opportunity to earn higher interest rates with shorter terms to maturity relative to single-family permanent mortgage lending. Construction lending, however, is generally considered to involve a higher degree of risk than single-family permanent mortgage lending because of the inherent difficulty in estimating both a property's value at completion of the project and the estimated cost of the project. The nature of these loans is such that they are generally more difficult to evaluate and monitor. If the estimate of construction cost proves to be inaccurate, the Bank may be required to advance funds beyond the amount originally committed to permit completion of the project. If the estimate of value upon completion proves to be inaccurate, the Bank may be confronted with a project whose value is insufficient to assure full repayment. Projects may also be jeopardized by disagreements between borrowers and builders and by the failure of builders to pay subcontractors. Loans to builders to construct homes for which no purchaser has been identified carry more risk because the payoff for the loan is dependent on the builder's ability to sell the property prior to the time that the construction loan is due.

The Bank has attempted to minimize the foregoing risks by, among other things, limiting its construction lending to residential properties. It is also the Bank's general policy to obtain regular financial statements from builders so that it can monitor their financial strength.

Land Loans. The Bank occasionally originates loans secured by unimproved land. Most of these loans have a term of ten years or less and may have fixed or adjustable interest rates. The largest land loan at December 31, 1998 was $174,000.

Savings Account Loans. The Bank offers loans secured by savings deposits. Generally, such loans are made at an interest rate that is 2% above the account rate for an amount up to 100% of the amount on deposit at the Bank less six month's interest.

Other Consumer Loans. In February 1998, the Bank began offering automobile loans. The Bank expanded its consumer loan offering in June 1998 to include other secured and unsecured consumer loans. The Bank does not anticipate that consumer loans will constitute a significant portion of its loan portfolio for the foreseeable future.

Consumer loans entail greater risk than do residential mortgage loans, particularly in the case of loans that are unsecured or secured by rapidly depreciating assets such as automobiles. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. The remaining deficiency often does not warrant further substantial collection efforts against the borrower beyond obtaining a deficiency judgment. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy.

Loans to One Borrower. The maximum amount that the Bank may lend to one borrower is limited by federal regulations. At December 31, 1998, the Bank's regulatory limit on loans to one borrower was $607,000. At such date, the Bank's largest amount of loans to one borrower (including the borrower's related interests) was $492,000 and consisted of 10 single family mortgage loans (7 of which were secured by non-owner-occupied properties) and one commercial real estate loan.

Maturity of Loan Portfolio. The following table sets forth certain information at December 31, 1998 regarding the dollar amount of loans maturing in the Bank's portfolio based on their contractual terms to maturity, but does

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not include scheduled payments or potential prepayments. Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported as becoming due within one year. Loan balances do not include undisbursed loan proceeds, unearned discounts, unearned income and allowance for loans losses.

	Within One Year	After One Year Through 5 Years	After 5 Years Through 10 Years	After 10 Years	Total
			(In thousands)		
Mortgage loans:					
One- to four-family	$1,191	$3,737	$4,620	$8,344	$17,892
Multi-family	20	94	121	127	362
Commercial real estate	261	194	171	275	901
Land	66	176	230	182	654
Residential construction	846	7	11	116	980
Consumer Loans:					
Loans secured by savings accounts	274	-	-	-	274
Other	91	326	37	-	454
Total gross loans	$2,749	$4,534	$5,190	$9,044	$21,517

The following table sets forth the dollar amount of all loans due after December 31, 1999, which have fixed interest rates and have floating or adjustable interest rates.

	Fixed-Rates	Floating or Adjustable - Rates
	(In thousands)	
Mortgage loans:		
One- to four-family	$6,357	$10,345
Multi-family	98	244
Commercial real estate	364	275
Land	247	341
Residential construction	-	134
Consumer loans:		
Loans secured by savings accounts	-	-
Other	363	-
Total gross loans	$7,429	$11,339

Scheduled contractual principal repayments of loans do not reflect the actual life of such assets. The average life of a loan is substantially less than its contractual term because of prepayments. In addition, due-on-sale clauses on loans generally give the Bank the right to declare loans immediately

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due and payable in the event, among other things, that the borrower sells the real property subject to the mortgage and the loan is not repaid. The average life of a mortgage loan tends to increase, however, when current mortgage loan market rates are substantially higher than rates on existing mortgage loans and, conversely, tends to decrease when rates on existing mortgage loans are substantially higher than current mortgage loan market rates.

Loan Solicitation and Processing. The Bank's lending activities are subject to the written, non-discriminatory, underwriting standards and loan origination procedures established by the Bank's Board of Directors and management. Loan originations come from a number of sources. The customary sources of loan originations are realtors, referrals and existing customers. The Bank does not utilize mortgage brokers or other third-party originators.

Single-family residential mortgage loans up to $100,000 may be approved by unanimous vote of the Bank's Loan Committee, which consists of the President and three Directors. If the Loan Committee does not unanimously approve a loan, it is referred to the Board of Directors. All single-family residential mortgage loans of $100,000 or more and all other mortgage loans must be approved by the Bank's Board of Directors. Consumer loans must be approved by an authorized officer and ratified by the Board of Directors.

Loan Originations, Purchases and Sales. While the Bank originates both adjustable-rate and fixed-rate loans, its ability to generate each type of loan depends upon relative customer demand for loans. During the years ended December 31, 1998 and 1997, the Bank originated $8.3 million and $4.8 million of loans, respectively. Of the $8.3 million of loans originated in 1998, $2.9 million, or 35.4%, had adjustable rates of interest.

The Bank generally retains for its portfolio all of the loans that it originates and does not frequently purchase loans. Occasionally, the Bank will participate with other area financial institutions in multi-family or commercial real estate loans. In 1995, the Bank established an informal relationship with another financial institution pursuant to which the Bank occasionally sells 90% participations in single-family mortgage loans and purchases participations in loans secured by non-owner-occupied, one- to four-family properties. The Bank retains the servicing rights on the

participation loans that it sells. The Bank does not receive a fee for the loans sold under this arrangement and pays no fee on the loans it purchases.

The following table sets forth total loans originated, purchased, sold and repaid during the periods indicated.

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1998	1997	1996
		(In thousands)	
<S>	<C>	<C>	<C>
Total gross loans at beginning of period	$19,714	$20,332	$20,264
Loan originated:			
Mortgage loans:			
One- to four-family	5,770	3,456	3,740
Multi-family	-	-	-
Commercial real estate	175	70	55
Land	248	84	110
Residential construction	1,422	972	1,150
Consumer loans	662	180	154
Total loans originated	8,277	4,762	5,209
Loans purchased:			
Mortgage loans:			
One- to four-family	-	-	44
Multi-family	-	-	-
Commercial real estate	-	73	-
Land	-	-	-
Residential construction	-	-	-
Consumer loans:			
Loans secured by savings accounts	-	-	-
Other	-	-	-
Total loans purchased	-	73	44
Loans sold:			
Mortgage loans:			
One- to four-family	-	-	(180)

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Loan principal repayments	(6,474)	(5,453)	(5,005)
Net loan activity	1,803	(618)	68
Total gross loans at end of period	$21,517	$19,714	$20,332

</TABLE>

Loan Commitments. The Bank issues commitments for mortgage loans conditioned upon the occurrence of certain events. Such commitments are made in writing on specified terms and conditions and are honored for up to 90 days from approval. At December 31, 1998, the Bank had loan commitments totaling $234,000 (not including undisbursed portions of loans in process of $472,000).

Loan Fees. In addition to interest earned on loans, the Bank receives income from fees in connection with loan originations, loan modifications, late payments and for miscellaneous services related to its loans. Income from these activities varies from period to period depending upon the volume and type of loans made and competitive conditions.

The Bank charges loan origination fees for fixed-rate loans which are calculated as a percentage of the amount borrowed. In accordance with applicable accounting procedures, loan origination fees and discount points in excess of loan origination costs are deferred and recognized over the contractual remaining lives of the related loans on a level yield basis. Discounts and premiums on loans purchased are accreted and amortized in the same manner. At December 31, 1998, the Bank had $64,000 of deferred loan fees. The Bank recognized $24,000 and $12,000 of deferred loan fees during the years ended December 31, 1998 and 1997, respectively, in connection with loan refinancings, payoffs, sales and ongoing amortization of outstanding loans.

Nonperforming Assets and Delinquencies. When a borrowers fails to make a required payment on a loan, the Bank attempts to cure the deficiency by contacting the borrower and seeking the payment. A late notice is mailed 20 days after a payment is due. In most cases, deficiencies are cured promptly. If a delinquency continues, additional contact is made either through additional notices or other means and the Bank will attempt to work out a payment schedule. While the Bank generally prefers to work with borrowers to resolve such problems, the Bank will institute foreclosure or other proceedings, as necessary, to minimize any potential loss.

The Bank's Board of Directors is informed monthly of the amounts of loans delinquent more than 60 days, all loans in foreclosure and all foreclosed and repossessed property owned by the Bank.

The Bank ceases accruing interest on a loan when, in the judgment of management, the probability of collection of interest is deemed to be insufficient to warrant further accrual. The Bank does not accrue interest on loans past due 90 days or more when the estimated value of collateral and collection efforts are deemed insufficient to ensure full recovery.

The following table sets forth information with respect to the Bank's nonperforming assets at the dates indicated. The Bank had no restructured loans within the meaning of SFAS No. 15 at the dates indicated.

<TABLE>
<CAPTION>

	At December 31,		
	1998	1997	1996
		(Dollars in thousands)	
<S>	<C>	<C>	<C>
Loans accounted for on a nonaccrual basis	$ -	$ -	$ -
Accruing loans which are contractually past due 90 days or more:			
Mortgage loans	29	-	83
Consumer loans	-	-	-
Total	29	-	83
Foreclosed real estate, net	-	-	-
Total nonperforming assets	$ 29	$ -	$ 83
Total loans delinquent 90 days or more to net loans	0.14%	0.00%	0.42%

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Total loans delinquent 90 days or more to total assets..........	0.11%	0.00%	0.37%
Total nonperforming assets to total assets......................	0.11%	N/M	0.37%

</TABLE>

Real Estate Owned. Real estate acquired by the Bank as a result of foreclosure or by deed-in-lieu of foreclosure is classified as real estate owned until sold. When property is acquired it is recorded at fair market value at the date of foreclosure. Subsequent to foreclosure, real estate owned is carried at the lower of the foreclosed amount or fair value, less estimated selling costs. At December 31, 1998, the Bank had no real estate owned.

Asset Classification. The OTS has adopted various regulations regarding problem assets of savings institutions. The regulations require that each insured institution review and classify its assets on a regular basis. In addition, in connection with examinations of insured institutions, OTS examiners have authority to identify problem assets and, if appropriate, require them to be classified. There are three classifications for problem assets: substandard, doubtful and loss. Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the insured institution will sustain some loss if the deficiencies are not corrected. Doubtful assets have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a high possibility of loss. An asset classified as loss is considered uncollectible and of such little value that continuance as an asset of the institution is not warranted. If an asset or portion thereof is classified as loss, the insured institution establishes specific allowances for loan losses for the full amount of the portion of the asset classified as loss. All or a portion of general loan loss allowances established to cover possible losses related to assets classified substandard or doubtful can be included in determining an institution's regulatory capital, while specific valuation allowances for loan losses generally do not qualify as regulatory capital. Assets that do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are designated "special mention" and monitored by the Bank.

The following table sets forth the number and amount of classified loans at December 31, 1998.

<TABLE>
<CAPTION>

	Loss		Doubtful		Substandard		Special Mention	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
	(Dollars in thousands)							
Mortgage loans:								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
One- to four-family........	-	$ -	-	$ -	2	$ 29	18	$357
Multi-family..............	-	-	-	-	-	-	-	-
Commercial real estate.....	-	-	-	-	-	-	-	-
Land.......................	-	-	-	-	-	-	-	-
Residential construction...	-	-	-	-	-	-	-	-
Consumer loans.............	-	-	-	-	-	-	-	-

</TABLE>

Allowance for Loan Losses. In originating loans, the Bank recognizes that losses will be experienced and that the risk of loss will vary with, among other things, the type of loan being made, the creditworthiness of the borrower over the term of the loan, general economic conditions and, in the case of a secured loan, the quality of the security for the loan. The allowance method is used in providing for loan losses. Accordingly, all loan losses are charged to the allowance and all recoveries are credited to it. The allowance for loan losses is established through a provision for loan losses charged to operations. The provision for loan losses is based on management's evaluation of of the collectibility of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specified impaired loans, and economic conditions.

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Although management believes that it uses the best information available to establish the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary and results of operations could be significantly and adversely affected if circumstances differ substantially from the assumptions used in making the determinations. Furthermore, while the Bank believes it has established its existing allowance for loan losses in accordance with generally accepted accounting principles, there can be no assurance that regulators, in reviewing the Bank's loan portfolio, will not request the Bank to increase significantly its allowance for loan losses. In addition,

because future events affecting borrowers and collateral cannot be predicted with certainty, there can be no assurance that the existing allowance for loan losses is adequate or that substantial increases will not be necessary should the quality of any loans deteriorate as a result of the factors discussed above. Any material increase in the allowance for loan losses may adversely affect the Bank's financial condition and results of operations. The following table sets forth an analysis of the Bank's allowance for loan losses.

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1998	1997	1996
		(In thousands)	
<S>	<C>	<C>	<C>
Allowance at beginning of period.........................	$ 51	$ 52	$ 44
Provision for loan losses...............................	-	-	8
Recoveries..	-	-	-
Charge-offs:			
Mortgage loans...	-	-	-
Consumer loans...	-	1	-
Total charge-offs....................................	-	1	-
Net charge-offs......................................	-	1	1
Balance at end of period.............................	$ 51	$ 51	$ 52
Allowance for loan losses as a percentage of total loans outstanding at the end of the period..............................	0.24%	0.26%	0.26%
Net charge-offs (recoveries) as a percentage of average loans outstanding during the period....................................	0.00%	0.01%	0.00%
Allowance for loan losses as a percentage of nonperforming loans at end of period......................................	175.86%	N/M	62.65%

</TABLE>

The following table sets forth the breakdown of the allowance for loan losses by loan category at the dates indicated. Management believes that the allowance can be allocated by category only on an approximate basis. The allocation of the allowance to each category is not necessarily indicative of future losses and does not restrict the use of the allowance to absorb losses in any other category.

<TABLE>
<CAPTION>

At December 31,

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	1998		1997		1996	
	Amount	Percent of Loans in Category to Total Loans	Amount	Percent of Loans in Category to Total Loans	Amount	Percent of Loans in Category to Total Loans
			(Dollars in thousands)			
Mortgage loans:						
One- to four-family..................	$33	83.1%	$37	85.7%	$37	85.0%
Multi-family..........................	1	1.7	2	2.4	2	1.9
Commercial real estate...............	5	4.2	7	4.4	7	4.3
Land.................................	6	3.0	4	2.7	5	2.9
Residential construction.............	1	4.6	1	4.0	1	4.8
Consumer loans:						
Loans secured by savings accounts....	-	1.3	-	0.9	-	1.1
Other consumer loans.................	5	2.1	-	-	-	-
Unallocated...........................	-	N/A	-	N/A	-	N/A
Total allowances for loan losses....	$51	100.0%	$51	100.0%	$52	100.0%

</TABLE>

Investment Activities

The Bank is permitted under federal law to invest in various types of liquid assets, including U.S. Government obligations, securities of various federal agencies and of state and municipal governments, deposits at the FHLB-Indianapolis, certificates of deposit of federally insured institutions, certain bankers' acceptances and federal funds. Subject to various restrictions, the Bank may also invest a portion of its assets in commercial paper and corporate debt securities. Savings institutions like the Bank are also required to maintain an investment in FHLB stock. The Bank is required under federal regulations to maintain a minimum amount of liquid assets.

SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," requires that investments be categorized as "held to maturity," "trading securities" or "available for sale," based on management's intent as to the ultimate disposition of each security. SFAS No. 115 allows debt securities to be classified as "held to maturity" and reported in financial statements at amortized cost only if the reporting entity has the positive intent and ability to hold those securities to maturity. Securities that might be sold in response to changes in market interest rates, changes in the security's prepayment risk, increases in loan demand, or other similar factors cannot be classified as "held to maturity." Debt and equity securities held for current resale are classified as "trading securities." Such securities are reported at fair value, and unrealized gains and losses on such securities would be included in earnings. The Company does not currently use or maintain a trading account. Debt and equity securities not classified as either "held to maturity" or "trading securities" are classified as "available for sale." Such securities are reported at fair value, and unrealized gains and losses on such securities are excluded from earnings and reported as a net amount in a separate component of equity.

The Company's investment policies limit investments to U.S. Government and agency securities, mortgage-backed securities and higher rated corporate securities. A high credit rating indicates only that the rating agency believes there is a low risk of default. However, all of the Company's investment securities, including those that have high credit ratings, are subject to market risk insofar as increases in market rates of interest may cause a decrease in their

market value. Corporate securities are also subject to credit risk insofar as the payment obligations on such securities are dependent on the successful operation of issuer's business. The Company's investment policy does not permit engaging directly in hedging activities or purchasing high risk mortgage

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derivative products. Investments are made based on certain considerations, which include the interest rate, yield, settlement date and maturity of the investment, the Company's liquidity position, and anticipated cash needs and sources (which in turn include outstanding commitments, upcoming maturities, estimated deposits and anticipated loan amortization and repayments). The effect that the proposed investment would have on the Company's credit and interest rate risk and risk-based capital is also considered.

The Bank purchases investment securities to provide necessary liquidity for day-to-day operations. The Bank also purchases investment securities when investable funds exceed loan demand. In recent years, the Bank has preferred to invest in individual mortgage loans rather than mortgage-backed securities. Depending on loan demand, the Bank may consider increasing its investment in mortgage-backed securities.

The following table sets forth the amortized cost and fair value of the Company's securities, by accounting classification and by type of security, at the dates indicated.

	At December 31,					
	1998		1997		1996	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars in thousands)					
Available for sale:						
Investment securities:						
U.S. Treasury obligations	$ -	$ -	$ -	$ -	$100	$100
U.S. Government agency obligations	1,447	1,432	999	970	649	614
Corporate notes	100	100	350	349	100	99
Total available for sale	1,547	1,532	1,349	1,319	849	813
Held to maturity:						
Mortgage-backed securities:						
Fannie Mae	-	-	17	16	20	20
Freddie Mac	-	-	4	5	7	7
Total held to maturity	-	-	21	21	27	27
Total	$1,547	$1,532	$1,370	$1,340	$876	$840

The following table sets forth certain information regarding the amortized cost, weighted average yields and maturities or periods to repricing of the Company's debt securities at December 31, 1998, all of which are available for sale.

	At December 31, 1998									
	Less than One Year		One to Five Years		After Five to Ten Years		After Ten Years		Total	
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
	(Dollars in thousands)									
Investment securities:										
U.S. Treasury agency										

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obligations............	$ -	-%	$749	5.15%	$100	6.13%	$598	6.42%	$1,447	5.74%
Corporate notes.........	100	5.95	-	-	-	-	-	-	100	5.95
Total available for sale	$100	5.95	$749	5.15	$100	6.13	$598	6.42	$1,547	5.76

</TABLE>

Deposit Activities and Other Sources of Funds

General. Deposits are the major external source of funds for the Bank's lending and other investment activities. In addition, the Bank also generates funds internally from loan principal repayments and prepayments and maturing investment securities. Scheduled loan repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are influenced significantly by general interest rates and money market conditions. The Bank may use borrowings from the FHLB-Indianapolis to compensate for reductions in the availability of funds from other sources. Presently, the Bank has no other borrowing arrangements.

Deposit Accounts. Nearly all of the Bank's depositors reside in Indiana. The Bank's deposit products include money market accounts, passbook accounts, and term certificate accounts. The Bank introduced checking accounts in November 1998. Deposit account terms vary with the principal difference being the minimum balance deposit, early withdrawal penalties and the interest rate. The Bank reviews its deposit mix and pricing weekly. The Bank does not utilize brokered deposits, nor has it aggressively sought jumbo certificates of deposit.

The Bank believes it is competitive in the interest rates it offers on its deposit products. The Bank determines the rates paid based on a number of factors, including rates paid by competitors, the Bank's need for funds and cost of funds, borrowing costs and movements of market interest rates.

The following table indicates the amount of the Bank's jumbo certificate accounts by time remaining until maturity as of December 31, 1998. Jumbo certificate accounts have principal balances of $100,000 or more.

<TABLE>
<CAPTION>

Maturity Period	Certificate Accounts (In thousands)
<S>	<C>
Three months or less....................	$ 331
Over three through six months...........	378
Over six through 12 months..............	465
Over 12 months..........................	1,098
Total	$2,272

</TABLE>

The following table sets forth the balances (inclusive of interest credited) and changes in dollar amounts of deposits in the various types of accounts offered by the Bank between the dates indicated.

<TABLE>
<CAPTION>

	At December 31,							
	1998			1997			1996	
	Amount	Percent of Total	Increase (Decrease)	Amount	Percent of Total	Increase (Decrease)	Amount	Percent of Total
	(Dollars in thousands)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Noninterest bearing demand accounts...............	$ 14	0.07%	$ 14	$ -	-%	$ -	$ -	-%

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Interest-bearing demand accounts................	66	0.34	66	-	-	-	-	-
Regular savings accounts..	1,244	6.37	(57)	1,301	6.56	(28)	1,329	6.58
Money market deposit......	2,696	13.81	567	2,129	10.73	(121)	2,250	11.14
Fixed-rate certificates which mature:								
Within 1 year...........	8,000	41.00	(809)	8,809	44.39	1,071	7,738	38.32
After 1 year, within 2 years	4,670	23.94	32	4,638	23.37	(492)	5,130	25.40
After 2 years, but within 4 years.........	1,913	9.80	(447)	2,360	11.89	93	2,267	11.23
After 4 years, but within 6 years.........	914	4.67	305	609	3.06	(871)	1,480	7.33
Total	$19,517	100.00%	$ 329	$19,846	100.00%	$ (348)	$20,194	100.00%

</TABLE>

The following table sets forth the amount of time deposits in the Bank categorized by maturities at December 31, 1998.

<TABLE>
<CAPTION>

	Amount Due					
	Less Than One Year	One to Two Years	Two to Three Years	Three to Four Years	After Four Years	Total
	(In thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Below 4.99%	$2,395	$ 17	$ -	$ -	$ -	$ 2,412
5.00 - 5.49%	1,206	2,241	650	250	19	4,366
5.50 - 5.99%	1,370	931	116	202	857	3,476
6.00 - 6.49%	1,757	292	37	10	-	2,096
6.50 - 6.99%	331	1,044	138	390	-	1,903
7.00 - 7.49%	1,244	-	-	-	-	1,244
Totals.....................	$8,303	$4,525	$941	$852	$876	$15,497

</TABLE>

Borrowings. The Bank has the ability to use advances from the FHLB-Indianapolis to supplement its supply of lendable funds and to meet deposit withdrawal requirements. The FHLB-Indianapolis functions as a central reserve bank providing credit for savings associations and certain other member financial institutions. As a member of the FHLB-Indianapolis, the Bank is required to own capital stock in the FHLB-Indianapolis and is authorized to apply for advances on the security of such stock and certain of its mortgage loans and other assets (principally securities that are obligations of, or guaranteed by, the U.S. Government or agencies thereof) provided certain creditworthiness standards have been met. Advances are made pursuant to several different credit programs. Each credit program has its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based on the financial condition of the member institution and the adequacy of collateral pledged to secure the credit.

The following table sets forth certain information regarding the Bank's use of FHLB advances during the periods indicated.

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1998	1997	1996
	(In thousands)		

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

Maximum balance at any month end	$ -	$ 500	$ 400
Average balance	-	254	154
Year end balance	-	-	-
Weighted average interest rate:			
At end of year	-	-	-
During the year	-	5.91%	9.09%

</TABLE>

Subsidiary Activities

The Company's only direct subsidiary is the Bank. Under OTS regulations, the Bank generally may invest up to 3% of its assets in service corporations, provided that at least one-half of investment in excess of 1% is used primarily for community, inner-city and community development projects. In 1989 the Bank formed Peoples Building and Loan Association Service Corporation for the purpose of selling annuities and mutual funds to customers of the Bank. The Bank's service corporation is currently inactive.

Personnel

As of December 31, 1998, the Company had 8 full-time employees and 2 part-time employee, none of whom is represented by a collective bargaining unit. The Company believes its relationship with its employees is good.

REGULATION AND SUPERVISION

General

As a savings and loan holding company, the Company is required by federal law to file reports with, and otherwise comply with, the rules and regulations of the OTS. The Bank is subject to extensive regulation, examination and supervision by the OTS, as its primary federal regulator, and the Federal Deposit Insurance Corporation ("FDIC"), as the deposit insurer. The Bank is a member of the Federal Home Loan Bank System and its deposit accounts are insured up to applicable limits by the Savings Association Insurance Fund ("SAIF") managed by the FDIC. The Bank must file reports with the OTS and the FDIC concerning its activities and financial condition in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with, or acquisitions of, other savings institutions. The OTS and/or the FDIC conduct periodic examinations to test the Bank's safety and soundness and

compliance with various regulatory requirements. This regulation and supervision establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulatory requirements and policies, whether by the OTS, the FDIC or the Congress, could have a material adverse impact on the Company, the Bank and their operations. Certain of the regulatory requirements applicable to the Bank and to the Company are referred to below or elsewhere herein. The description of statutory provisions and regulations applicable to savings institutions and their holding companies set forth in this Form 10-KSB does not purport to be a complete description of such statutes and regulations and their effects on the Bank and the Company.

Holding Company Regulation

The Company is a nondiversified unitary savings and loan holding company within the meaning of federal law. As a unitary savings and loan holding company, the Company generally is not restricted under existing laws as to the types of business activities in which it may engage, provided that the Bank continues to be a qualified thrift lender. See "Federal Savings Institution Regulation - QTL Test." Upon any non-supervisory acquisition by the Company of another savings institution or savings bank that meets the qualified thrift lender test and is deemed to be a savings institution by the OTS, the Company would become a multiple savings and loan holding company (if the acquired institution is held as a separate subsidiary) and would generally be limited to activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, subject to the prior approval of the OTS, and certain activities authorized by OTS regulation.

A savings and loan holding company is prohibited from, directly or

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indirectly, acquiring more than 5% of the voting stock of another savings institution or savings and loan holding company, without prior written approval of the OTS and from acquiring or retaining control of a depository institution that is not insured by the FDIC. In evaluating applications by holding companies to acquire savings institutions, the OTS considers the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on the risk to the deposit insurance funds, the convenience and needs of the community and competitive factors.

The OTS may not approve any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, subject to two exceptions: (i) the approval of interstate supervisory acquisitions by savings and loan holding companies and (ii) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisitions. The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

Although savings and loan holding companies are not subject to specific capital requirements or specific restrictions on the payment of dividends or other capital distributions, federal regulations do prescribe such restrictions on subsidiary savings institutions as described below. The Bank must notify the OTS 30 days before declaring any dividend to the Company. In addition, the financial impact of a holding company on its subsidiary institution is a matter that is evaluated by the OTS and the agency has authority to order cessation of activities or divestiture of subsidiaries deemed to pose a threat to the safety and soundness of the institution.

Federal Savings Institution Regulation

Business Activities. The activities of federal savings institutions are governed by federal law and regulations. These laws and regulations delineate the nature and extent of the activities in which federal associations may engage. In particular, many types of lending authority for federal association, e.g., commercial, non-residential real property loans and consumer loans, are limited to a specified percentage of the institution=s capital or assets.

Capital Requirements. The OTS capital regulations require savings institutions to meet three minimum capital standards: a 1.5% tangible capital ratio, a 3% leverage ratio and an 8% risk-based capital ratio. In addition, the prompt

corrective action standards discussed below also establish, in effect, a minimum 2% tangible capital standard, a 4% leverage ratio (3% for institutions receiving the highest rating on the CAMEL financial institution rating system), and, together with the risk-based capital standard itself, a 4% Tier 1 risk-based capital standard. The OTS regulations also require that, in meeting the tangible, leverage and risk-based capital standards, institutions must generally deduct investments in and loans to subsidiaries engaged in activities as principal that are not permissible for a national bank.

The risk-based capital standard for savings institutions requires the maintenance of Tier 1 (core) and total capital (which is defined as core capital and supplementary capital) to risk-weighted assets of at least 4% and 8%, respectively. In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet assets, are multiplied by a risk-weight factor of 0% to 100%, assigned by the OTS capital regulation based on the risks believed inherent in the type of asset. Core (Tier 1) capital is defined as common stockholders' equity (including retained earnings), certain noncumulative perpetual preferred stock and related surplus, and minority interests in equity accounts of consolidated subsidiaries less intangibles other than certain mortgage servicing rights and credit card relationships. The components of supplementary capital currently include cumulative preferred stock, long-term perpetual preferred stock, mandatory convertible securities, subordinated debt and intermediate preferred stock and the allowance for loan and lease losses limited to a maximum of 1.25% of risk-weighted assets. Overall, the amount of supplementary capital included as part of total capital cannot exceed 100% of core capital.

The capital regulations also incorporate an interest rate risk component. Savings institutions with "above normal" interest rate risk exposure are subject to a deduction from total capital for purposes of calculating their risk-based capital requirements. For the present time, the OTS has deferred implementation of the interest rate risk component. At December 31, 1998, the Bank met each of its capital requirements.

Prompt Corrective Regulatory Action. The OTS is required to take certain supervisory actions against undercapitalized institutions, the severity of which depends upon the institution's degree of undercapitalization. Generally, a savings institution that has a ratio of total capital to risk weighted assets of less than 8%, a ratio of Tier 1 (core) capital to risk-weighted assets of less than 4% or a ratio of core capital to total assets of less than 4% (3% or less

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for institutions with the highest examination rating) is considered to be "undercapitalized." A savings institution that has a total risk-based capital ratio less than 6%, a Tier 1 capital ratio of less than 3% or a leverage ratio that is less than 3% is considered to be "significantly undercapitalized" and a savings institution that has a tangible capital to assets ratio equal to or less than 2% is deemed to be "critically undercapitalized." Subject to a narrow exception, the OTS is required to appoint a receiver or conservator for an institution that is "critically undercapitalized." The regulation also provides that a capital restoration plan must be filed with the OTS within 45 days of the date a savings institution receives notice that it is "undercapitalized," "significantly undercapitalized" or "critically undercapitalized." Compliance with the plan must be guaranteed by any parent holding company. In addition, numerous mandatory supervisory actions become immediately applicable to an undercapitalized institution, including, but not limited to, increased monitoring by regulators and restrictions on growth, capital distributions and expansion. The OTS could also take any one of a number of discretionary supervisory actions, including the issuance of a capital directive and the replacement of senior executive officers and directors.

Insurance of Deposit Accounts. Deposits of the Bank are presently insured by the SAIF. The FDIC maintains a risk-based assessment system by which institutions are assigned to one of three categories based on their capitalization and one of three subcategories based on examination ratings and other supervisory information. An institution's assessment rate depends upon the categories to which it is assigned. Assessment rates for SAIF member institutions are determined semiannually by the FDIC and currently range from zero basis points for the healthiest institutions to 27 basis points for the riskiest.

In addition to the assessment for deposit insurance, institutions are required to make payments on bonds issued in the late 1980s by the Financing Corporation ("FICO") to recapitalize the predecessor to the SAIF. During 1998, FICO payments for SAIF members approximated 6.10 basis points, while Bank Insurance Fund ("BIF") members paid 1.22 basis points. By law, there will be equal sharing of FICO payments between SAIF and BIF members on the earlier of January 1, 2000 or the date the SAIF and BIF are merged.

The FDIC has authority to increase insurance assessments. A significant increase in SAIF insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank. Management cannot predict what insurance assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or the OTS. The management of the Bank does not know of any practice, condition or violation that might lead to termination of deposit insurance.

Thrift Rechartering Legislation. Legislation enacted in 1996 provided that the BIF and SAIF were to have merged on January 1, 1999 if there were no more savings associations as of that date. Various proposals to eliminate the federal savings association charter, create a uniform financial institutions charter, abolish the OTS and restrict savings and loan holding company activities have been introduced in Congress. The Bank is unable to predict whether such legislation will be enacted or the extent to which the legislation would restrict or disrupt its operations.

Loans to One Borrower. Federal law provides that savings institutions are generally subject to the limits on loans to one borrower applicable to national banks. A savings institution may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of its unimpaired capital and surplus. An additional amount may be lent, equal to 10% of unimpaired capital and surplus, if secured by specified readily-marketable collateral.

QTL Test. The HOLA requires savings institutions to meet a qualified thrift lender test. Under the test, a savings association is required to either qualify as a "domestic building and loan association" under the Internal Revenue Code or maintain at least 65% of its "portfolio assets" (total assets less: (i) specified liquid assets up to 20% of total assets; (ii) intangibles, including goodwill; and (iii) the value of property used to conduct business) in certain "qualified thrift investments" (primarily residential mortgages and related investments, including certain mortgage-backed securities) in at least 9 months out of each 12 month period.

A savings institution that fails the qualified thrift lender test is subject to certain operating restrictions and may be required to convert to a bank charter. As of December 31, 1998, the Bank met the qualified thrift lender test. Recent legislation has expanded the extent to which education loans, credit card loans and small business loans may be considered "qualified thrift investments."

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Limitation on Capital Distributions. OTS regulations impose limitations upon all capital distributions by a savings institution, including cash dividends, payments to repurchase its shares and payments to shareholders of another institution in a cash-out merger. The rule effective in 1998 established three tiers of institutions based primarily on an institution's capital level. An institution that exceeded all capital requirements before and after a proposed capital distribution ("Tier 1 Bank") and had not been advised by the OTS that it was in need of more than normal supervision, could, after prior notice but without obtaining approval of the OTS, make capital distributions during the calendar year equal to the greater of (i) 100% of its net earnings to date during the calendar year plus the amount that would reduce by one-half the excess capital over its capital requirements at the beginning of the calendar year or (ii) 75% of its net income for the previous four quarters. Any additional capital distributions required prior regulatory approval. At December 31, 1998, the Bank was a Tier 1 Bank. Effective April 1, 1999, the OTS's capital distribution regulation will change. Under the new regulation, an application to and the prior approval of the OTS will be required prior to any capital distribution if the institution does not meet the criteria for "expedited treatment" of applications under OTS regulations (i.e., generally, examination ratings in the two top categories), the total capital distributions for the calendar year exceed net income for that year plus the amount of retained net income for the preceding two years, the institution would be undercapitalized following the distribution or the distribution would otherwise be contrary to a statute, regulation or agreement with OTS. If an application is not required, the institution must still provide prior notice to OTS of the capital distribution. In the event the Bank's capital fell below its regulatory requirements or the OTS notified it that it was in need of more than normal supervision, the Bank's ability to make capital distributions could be restricted. In addition, the OTS could prohibit a proposed capital distribution by any institution, which would otherwise be permitted by the regulation, if the OTS determines that such distribution would constitute an unsafe or unsound practice.

Liquidity. The Bank is required to maintain an average daily balance of specified liquid assets equal to a monthly average of not less than a specified percentage of its net withdrawable deposit accounts plus short-term borrowings. This liquidity requirement is currently 4%, but may be changed from time to time by the OTS to any amount within the range of 4% to 10%. Monetary penalties may be imposed for failure to meet these liquidity requirements. The Bank has never been subject to monetary penalties for failure to meet its liquidity requirements.

Assessments. Savings institutions are required to pay assessments to the OTS to fund the agency's operations. The general assessments, paid on a semi-annual basis, are computed upon the savings institution's total assets, including consolidated subsidiaries, as reported in the Bank's latest quarterly thrift financial report. The assessments paid by the Bank for the fiscal year ended December 31, 1998 totaled $10,000.

Transactions with Related Parties. The Bank's authority to engage in transactions with "affiliates" (e.g., any company that controls or is under common control with an institution, including the Company and its non-savings institution subsidiaries) is limited by federal law. The aggregate amount of covered transactions with any individual affiliate is limited to 10% of the capital and surplus of the savings institution. The aggregate amount of covered transactions with all affiliates is limited to 20% of the savings institution's capital and surplus. Certain transactions with affiliates are required to be secured by collateral in an amount and of a type described in federal law. The purchase of low quality assets from affiliates is generally prohibited. The transactions with affiliates must be on terms and under circumstances, that are at least as favorable to the institution as those prevailing at the time for comparable transactions with non-affiliated companies. In addition, savings institutions are prohibited from lending to any affiliate that is engaged in activities that are not permissible for bank holding companies and no savings institution may purchase the securities of any affiliate other than a subsidiary.

The Bank's authority to extend credit to executive officers, directors and 10% shareholders ("insiders"), as well as entities such persons control, is also governed by federal law. Such loans are required to be made on terms substantially the same as those offered to unaffiliated individuals and not involve more than the normal risk of repayment. Recent legislation created an exception for loans made pursuant to a benefit or compensation program that is widely available to all employees of the institution and does not give preference to insiders over other employees. The law limits both the individual and aggregate amount of loans the Bank may make to insiders based, in part, on the Bank's capital position and requires certain board approval procedures to be followed.

Enforcement. The OTS has primary enforcement responsibility over savings institutions and has the authority to bring actions against the institution and all institution-affiliated parties, including stockholders, and any attorneys,

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appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on an insured institution. Formal enforcement action may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors to institution of receivership, conservatorship or termination of deposit insurance. Civil penalties cover a wide range of violations and can amount to $25,000 per day, or even $1 million per day in especially egregious cases. The FDIC has the authority to recommend to the Director of the OTS that enforcement action to be taken with respect to a particular savings institution. If action is not taken by the Director, the FDIC has authority to take such action under certain circumstances. Federal law also establishes criminal penalties for certain violations.

Standards for Safety and Soundness. The federal banking agencies have adopted Interagency Guidelines prescribing Standards for Safety and Soundness. The guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the OTS determines that a savings institution fails to meet any standard prescribed by the guidelines, the OTS may require the institution to submit an acceptable plan to achieve compliance with the standard.

Federal Reserve System

The Federal Reserve Board regulations require savings institutions to maintain non-interest earning reserves against their transaction accounts (primarily NOW and regular checking accounts). The regulations generally provide that reserves be maintained against aggregate transaction accounts as follows: for accounts aggregating $46.5 million

or less (subject to adjustment by the Federal Reserve Board) the reserve requirement is 3%; and for accounts aggregating greater than $46.5 million, the reserve requirement is $1.395 million plus 10% (subject to adjustment by the Federal Reserve Board between 8% and 14%) against that portion of total transaction accounts in excess of $46.5 million. The first $4.9 million of otherwise reservable balances (subject to adjustments by the Federal Reserve Board) are exempted from the reserve requirements. The Bank complies with the foregoing requirements.

FEDERAL AND STATE TAXATION

Federal Taxation

General. The Company and the Bank report their income on a calendar year, consolidated basis and the accrual method of accounting, and are subject to federal income taxation in the same manner as other corporations with some exceptions, including particularly the Bank's reserve for bad debts discussed below. The following discussion of tax matters is intended only as a summary and does not purport to be a comprehensive description of the tax rules applicable to the Bank or the Company. The Bank has not been audited by the IRS since 1995, which covered the tax year 1994. For its 1998 taxable year, the Bank is subject to a maximum federal income tax rate of 34%.

Bad Debt Reserves. For fiscal years beginning prior to December 31, 1995, thrift institutions which qualified under certain definitional tests and other conditions of the Internal Revenue Code of 1986 (the "Code") were permitted to use certain favorable provisions to calculate their deductions from taxable income for annual additions to their bad debt reserve. A reserve could be established for bad debts on qualifying real property loans (generally secured by interests in real property improved or to be improved) under (i) the Percentage of Taxable Income Method (the "PTI Method") or (ii) the Experience Method. The reserve for nonqualifying loans was computed using the Experience Method.

The Small Business Job Protection Act of 1996 (the "1996 Act"), which was enacted on August 20, 1996, repeals the reserve method of accounting for bad debts for tax years beginning after 1995 and requires savings institutions to recapture (i.e., take into income) certain portions of their accumulated bad debt reserves. Thrift institutions eligible to be treated as "small banks" (assets of $500 million or less) are allowed to use the Experience Method applicable to such institutions, while thrift institutions that are treated as large banks (assets exceeding $500 million) are required to use only the specific charge-off method. Thus, the PTI Method of accounting for bad debts is no longer available for any financial institution.

A thrift institution required to change its method of computing reserves for bad debts will treat such change as a change in method of accounting, initiated by the taxpayer, and having been made with the consent of the IRS. Any Section 481(a) adjustment required to be taken into income with respect to such change generally will be taken into income ratably over a six-taxable year period, beginning with the first taxable year beginning after 1995, subject to a 2-year

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suspension if the "residential loan requirement" is satisfied.

Under the residential loan requirement provision, the recapture required by the 1996 Act will be suspended for each of two successive taxable years, beginning with the Bank's 1996 taxable year, in which the Bank originates a minimum of certain residential loans based upon the average of the principal amounts of such loans made by the Bank during its six taxable years preceding its current taxable year.

The Bank is required to recapture (i.e., take into income) over a six year period the excess of the balance of its tax bad debt reserves as of December 31, 1995 over the balance of such reserves as of December 31, 1987. The Bank has no post-1987 reserves subject to recapture.

Distributions. Under the 1996 Act, if the Bank makes "non-dividend distributions" to the Company, such distributions will be considered to have been made from the Bank's unrecaptured tax bad debt reserves (including the balance of its reserves as of December 31, 1987) to the extent thereof, and then from the Bank's supplemental reserve for losses on loans, to the extent thereof, and an amount based on the amount distributed (but not in excess of the amount

of such reserves) will be included in the Bank's income. Non-dividend distributions include distributions in excess of the Bank's current and accumulated earnings and profits, as calculated for federal income tax purposes, distributions in redemption of stock, and distributions in partial or complete liquidation. Dividends paid out of the Bank's current or accumulated earnings and profits will not be so included in the Bank's income.

The amount of additional taxable income triggered by a non-dividend is an amount that, when reduced by the tax attributable to the income, is equal to the amount of the distribution. Thus, if the Bank makes a non-dividend distribution to the Company, approximately one and one-half times the amount of such distribution (but not in excess of the amount of such reserves) would be includable in income for federal income tax purposes, assuming a 35% federal corporate income tax rate. The Banks does not intend to pay dividends that would result in a recapture of any portion of its bad debt reserves.

Indiana Taxation

Indiana imposes an 8.5% franchise tax based on a financial institution=s adjusted gross income as defined by statute. In computing adjusted gross income, deductions for municipal interest, U.S. Government interest, the bad debt deduction computed using the reserve method and pre-1990 net operating losses are disallowed. The Bank's state franchise tax returns have not been audited for the past five years.

Item 2. Description of Property

The Bank owns its one office. At December 31, 1998, the net book value of the Bank's properties (including land and buildings), fixtures, furniture and equipment was $218,000.

Item 3. Legal Proceedings

Periodically, there have been various claims and lawsuits involving the Bank, such as claims to enforce liens, condemnation proceedings on properties in which the Bank holds security interests, claims involving the making and servicing of real property loans and other issues incident to the Bank's business. Neither the Company nor the Bank is a party to any pending legal proceedings that it believes would have a material adverse effect on the financial condition or operations of the Company.

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

None.

PART II

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

Information relating to the market for the Company's common equity and related stockholder matters is disclosed in the Company's 1998 Annual Report to

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Shareholders on page 35 and is incorporated herein by reference.

Item 6. Management's Discussion and Analysis or Plan of Operation.

This information is disclosed in the Company's 1998 Annual Report to Shareholders at pages 4 through 12 and is incorporated herein by reference.

Item 7. Financial Statements.

The consolidated financial statements of the Company and its subsidiary, together with the report thereon by Monroe Shine & Co., Inc. for the year ended December 31, 1998 are included in the Company's 1998 Annual Report to Shareholders at pages 14 through 33 and are incorporated herein by reference.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

Prior to the fiscal year ended December 31, 1997, the Bank's consolidated financial statements were audited by Umbach & Associates. The former accountant was replaced by Monroe Shine & Co., Inc., which was engaged on January 28, 1998 and continues as the independent auditors of the Bank. The decision to change auditors was approved by the Board of Directors on January 12, 1998. For the fiscal years ended December 31, 1996 and 1995 and up to the date of the replacement of the Bank's former accountant, there were no disagreements with the former accountant on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure which, if not resolved to the satisfaction of the former accountant, would have caused it to make a reference to the subject matter of the disagreement in connection with its reports. The independent auditors' report on the consolidated financial statements for the fiscal years ended December 31, 1996 and 1995 did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope, or accounting principles.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance with Section 16(a) of the Exchange Act.

Information regarding directors of the Company is incorporated herein by reference to the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on April 22, 1999, at pages 2 through 4.

The following table sets forth certain information regarding the executive officers of the Company and the Bank.

<TABLE>
<CAPTION>

Name	Age	Position
Carl D. Smith	52	President and Chief Executive Officer of the Company and the Bank
Clarke A. Blackford	51	Vice President, Treasurer and Secretary of the Company and the Bank

</TABLE>

Carl D. Smith has served as President and Chief Executive Officer of the Bank since 1976 and as President and Chief Executive Officer of the Company since its formation in 1998.

Clarke A. Blackford has served as Vice President of the Bank since 1993 and as Treasurer and Secretary since 1980. He has served as Vice President, Treasurer and Secretary of the Company since its formation in 1998.

Item 10. Executive Compensation.

Information regarding the compensation of directors and executive officers of the Company is incorporated herein by reference to the Company's Proxy

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Statement for the Annual Meeting of Shareholders to be held on April 22, 1999, at pages 5 through 6.

Item 11. Security Ownership of Certain Beneficial Owners and Management.

Information regarding security ownership of certain beneficial owners and management of the Company is incorporated herein by reference to the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on April 22, 1999, at page 2.

Item 12. Certain Relationships and Related Transactions.

Information regarding certain relationships and related transactions is incorporated herein by reference to the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on April 22, 1999, at page 6.

Item 13. Exhibits and Reports on Form 8-K.

(a) The following exhibits are filed as a part of this report:

3.1 Articles of Incorporation of PCB Holding Company (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form SB-2 (File No. 333-48191))
3.2 Bylaws of PCB Holding Company (incorporated by reference to Exhibit 3.2 to the Company's Registration Statement on Form SB-2 (File No. 333-48191))
4.0 Stock Certificate of PCB Holding Company (incorporated by reference to Exhibit 4.0 to the Company's Registration Statement on Form SB-2 (File No. 333-48191))
10.1 Employment Agreement with Carl D. Smith
13.0 Portions of Annual Report to Stockholders
21.0 Subsidiaries of Registrant
27.0 Financial Data Schedule

(b) Reports on Form 8-K.

None.

SIGNATURES

In accordance with Section 13 of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PCB HOLDING COMPANY

By: /s/ Carl D. Smith
Carl D. Smith
President and Chief Executive Officer

DATED: March 15, 1999

In accordance with the Exchange Act, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.
<TABLE>
<CAPTION>

Name	Title	Date
<S>	<C>	<C>
/s/ Carl D. Smith Carl D. Smith	President, Chief Executive Officer and Director (Principal Executive Officer)	March 15, 1999
/s/ Clarke A. Blackford Clarke A. Blackford	Treasurer and Corporate Secretary (Principal Accounting and Financial Officer)	March 15, 1999
/s/ James L. Wittmer	Chairman of the Board	March 15, 1999

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------------------------- James L. Wittmer		
/s/ Howard L. Traphagen ------------------------- Howard L. Traphagen	Director	March 15, 1999
/s/ James G. Tyler ------------------------- James G. Tyler	Director	March 15, 1999
/s/ Daniel P. Lutgring ------------------------- Daniel P. Lutgring	Director	March 15, 1999
/s/ Marion L. Ress ------------------------- Marion L. Ress	Director	March 15, 1999

</TABLE>

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EXHIBIT 10.1

Employment Agreement with Carl D. Smith

EMPLOYMENT AGREEMENT

THIS AGREEMENT is made effective as of July 1, 1998, by and between PEOPLES COMMUNITY BANK (the "BANK"), PCB HOLDING COMPANY (the "COMPANY"), an Indiana corporation; and CARL D. SMITH ("EXECUTIVE").

WHEREAS, EXECUTIVE serves in a position of substantial responsibility;

WHEREAS, the BANK wishes to assure itself of the services of EXECUTIVE for the period provided in this Agreement; and

WHEREAS, EXECUTIVE is willing to serve in the employ of the BANK on a full-time basis for said period.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, and upon the other terms and conditions hereinafter provided, the parties hereby agree as follows:

1. POSITION AND RESPONSIBILITIES.

During the period of his employment hereunder, EXECUTIVE agrees to serve as President and Chief Executive Officer of the BANK. During said period, EXECUTIVE also agrees to serve, if elected, as an officer and director of the COMPANY or any subsidiary or affiliate of the COMPANY or the BANK. Executive shall render administrative and management duties to the BANK such as are customarily performed by persons situated in a similar executive capacity.

Specifically, EXECUTIVE shall perform all duties which are commonly incident to the office of President and Chief Executive Officer including, but not limited to, (i) managing the day-to-day operations of the BANK, (ii) oversight of the BANK's compliance with applicable laws and regulations, (iii) marketing of the BANK and its services, (iv) supervising the BANK's employees, (v) reporting to the Board on the activities and condition of the BANK, and (vi) making recommendations to the Board concerning the strategies, capital structure, tactics and general operations of the BANK.

2. TERMS AND DUTIES.

(a) The term of this Agreement shall be deemed to have commenced as of the date first above written and shall continue for a period of thirty-six (36) full calendar months thereafter. Commencing on the first anniversary date, and continuing at each anniversary date thereafter, the Board of Directors of the BANK (the "Board") may extend the Agreement for an additional year. Prior to the extension of the Agreement as provided herein, the Board of Directors of the

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BANK will conduct a formal performance evaluation of EXECUTIVE for purposes of determining whether to extend the Agreement, and the results thereof shall be included in the minutes of the Board's meeting.

(b) During the period of his employment hereunder, except for periods of absence occasioned by illness, reasonable vacation periods, and reasonable leaves of absence, EXECUTIVE shall devote substantially all his business time, attention, skill, and efforts to the faithful performance of his duties hereunder including activities and services related to the organization, operation and management of the BANK; provided, however, that, with the approval of the Board, as evidenced by a resolution of such Board, from time to time, EXECUTIVE may serve, or continue to serve, on the boards of directors of, and hold any other offices or positions in, companies or organizations, which, in such Board's judgment, will not present any conflict of interest with the BANK, or materially affect the performance of EXECUTIVE's duties pursuant to this Agreement.

3. COMPENSATION AND REIMBURSEMENT.

(a) The compensation specified under this Agreement shall constitute the salary and benefits paid for the duties described in Sections 1 and 2. The BANK shall pay EXECUTIVE as compensation a salary of $59,500 per year ("Base Salary"). Such Base Salary shall be payable in accordance with the customary payroll practices of the BANK. During the period of this Agreement, EXECUTIVE's Base Salary shall be reviewed at least annually; the first such review will be made no later than one year from the date of this Agreement. Such review shall be conducted by a Committee designated by the Board, and the Board may increase EXECUTIVE's Base Salary. In addition to the Base Salary provided in this Section 3(a), the BANK shall provide EXECUTIVE at no cost to EXECUTIVE with all such other benefits as are provided uniformly to permanent full-time employees of the BANK.

(b) The BANK will provide EXECUTIVE with employee benefit plans, arrangements and perquisites substantially equivalent to those in which EXECUTIVE was participating or otherwise deriving benefit from immediately prior to the beginning of the term of this Agreement, and the BANK will not, without EXECUTIVE's prior written consent, make any changes in such plans, arrangements or perquisites which would adversely affect EXECUTIVE's rights or benefits thereunder. Without limiting the generality of the foregoing provisions of this Subsection (b), EXECUTIVE will be entitled to participate in or receive benefits under any employee benefit plans including, but not limited to, retirement plans, supplemental retirement plans, pension plans, profit-sharing plans, health-and-accident plan, medical coverage or any other employee benefit plan or arrangement made available by the BANK in the future to its senior executives and key management employees, subject to, and on a basis consistent with, the terms, conditions and overall administration of such plans and arrangements. EXECUTIVE will be entitled to incentive compensation and bonuses as provided in any plan, or pursuant to any arrangement of the BANK, in which EXECUTIVE is eligible to participate. Nothing paid to EXECUTIVE under any such plan or arrangement will be deemed to be in lieu of other compensation to which

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EXECUTIVE is entitled under this Agreement, except as provided under Section 5(e).

(c) In addition to the Base Salary provided for by paragraph (a) of this Section 3, the BANK shall pay or reimburse EXECUTIVE for all reasonable travel and other obligations under this

Agreement and may provide such additional compensation in such form and such amounts as the Board may from time to time determine.

4. PAYMENTS TO EXECUTIVE UPON AN EVENT OF TERMINATION.

(a) Upon the occurrence of an Event of Termination (as herein defined) during EXECUTIVE's term of employment under this Agreement, the provisions of this Section shall apply. As used in this Agreement, an "Event of Termination" shall mean and include any one or more of the following: (i) the termination by the BANK of EXECUTIVE's full-time employment hereunder for any reason other than a Change in Control, as defined in Section 5(a) hereof; disability, as defined in Section 6(a) hereof; death; retirement, as defined in Section 7 hereof; or Termination for Cause, as defined in Section 8 hereof; (ii) EXECUTIVE's resignation from the BANK's employ, upon (A) unless consented to by EXECUTIVE, a material change in EXECUTIVE's function, duties, or responsibilities, which change would cause EXECUTIVE's position to become one of lesser responsibility, importance, or scope from the position and attributes thereof described in Sections 1 and 2, above (any such material change shall be deemed a continuing breach of this Agreement), (B) a relocation of EXECUTIVE's principal place of employment by more than 35 miles from its location at the effective date of this Agreement, or a material reduction in the benefits and perquisites to EXECUTIVE from those being provided as of the effective date of this Agreement, (C) the liquidation or dissolution of the BANK, or (D) any material breach of this Agreement by the BANK. Upon the occurrence of any event described in clauses (A), (B), (C) or (D), above, EXECUTIVE shall have the right to elect to terminate his employment under this Agreement by resignation upon not less than sixty (60) days prior written notice given within a reasonable period of time not to exceed, except in case of a continuing breach, four (4) calendar months after the event giving rise to said right to elect.

(b) Upon the occurrence of an Event of Termination, the BANK shall pay EXECUTIVE, or, in the event of his subsequent death, his beneficiary or beneficiaries, or his estate, as the case may be, as severance pay or liquidated damages, or both, a sum equal to the payments due to EXECUTIVE for the remaining term of the Agreement, including Base Salary, bonuses, and any other cash or deferred compensation paid or to be paid (including the value of employer contributions that would have been made on EXECUTIVE's behalf over the remaining term of the agreement to any tax-qualified retirement plan sponsored by the BANK as of the Date of Termination), to EXECUTIVE for the term of the Agreement provided, however, that if the BANK is not in compliance with its minimum capital requirements or if such payments would cause the BANK's capital to be

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reduced below its minimum capital requirements, such payments shall be deferred until such time as the BANK is in capital compliance. All payments made pursuant to this Section 4(b) shall be paid in substantially equal monthly installments over the remaining term of this Agreement following EXECUTIVE's termination; provided, however, that if the remaining term of the Agreement is less than one (1) year (determined as of EXECUTIVE's Date of Termination), such payments and benefits shall be paid to EXECUTIVE in a lump sum within thirty (30) days of the Date of Termination.

(c) Upon the occurrence of an Event of Termination, the BANK will cause to be continued life, medical, dental and disability coverage substantially identical to the coverage maintained by the BANK for EXECUTIVE prior to his termination. Such coverage shall cease upon the expiration of the remaining term of this Agreement.

5. CHANGE IN CONTROL.

(a) No benefit shall be paid under this Section 5 unless there shall have occurred a Change in Control of the COMPANY or the BANK. For purposes of this Agreement, a "Change in Control" of the COMPANY or the BANK shall be deemed to occur if and when (a) there occurs a change in control of the BANK or the COMPANY within the meaning of the Home Owners Loan Act of 1933 and 12 C.F.R. Part 574, (b) any person (as such term is used in Sections 13(d) and 14(d)(2) of the Exchange Act) is or becomes the beneficial owner, directly or indirectly, of securities of the COMPANY or the BANK representing twenty-five percent (25%) or more of the combined voting power of the COMPANY's or the BANK's then outstanding securities, (c) the membership of the board of directors of the COMPANY or the BANK changes as the result of a contested election, such that individuals who were directors at the beginning of any twenty-four (24) month period (whether commencing before or after the date of adoption of this Agreement) do not constitute a majority of the Board at the end of such period, or (d) shareholders of the COMPANY or the BANK approve a merger, consolidation, sale or disposition of all or substantially all of the COMPANY's or the BANK's assets, or a plan of partial or complete liquidation.

(b) If any of the events described in Section 5(a) hereof constituting a Change in Control have occurred or the Board of the BANK or the COMPANY has reasonably determined that a Change in Control (as defined herein) has occurred, EXECUTIVE shall be entitled to the benefits provided in paragraphs (c), (d) and (e) of this Section 5 upon his subsequent involuntary termination following the effective date of a Change in Control (or voluntary termination within twelve (12) months of the effective date of a Change in Control following any material demotion, loss of title, office or significant authority, material reduction in his annual compensation or benefits (other than a reduction affecting the BANK's personnel generally), or the relocation of his principal place of employment by more than 35 miles from its location immediately prior to the Change in Control), unless such termination is because of his death, retirement as provided in Section 7, termination for Cause, or termination for Disability.

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(c) Upon the occurrence of a Change in Control followed by EXECUTIVE's termination of employment, the BANK shall pay EXECUTIVE, or in the event of his subsequent death, his beneficiary or beneficiaries, or his estate, as the case may be, as severance pay or liquidated damages, or both, a sum equal to 2.99 times EXECUTIVE's "base amount," within the meaning of (S)280G(b)(3) of the Internal Revenue Code of 1986 ("Code"), as amended. Such payment shall be made in a lump sum paid within ten (10) days of EXECUTIVE's Date of Termination.

(d) Upon the occurrence of a Change in Control followed by EXECUTIVE's termination of employment, the BANK will cause to be continued life, medical, dental and disability coverage

substantially identical to the coverage maintained by the BANK for EXECUTIVE prior to his severance. Such coverage shall cease upon the expiration of thirty-six (36) months. In addition, EXECUTIVE shall be entitled to receive the value of employer contributions that would have been made on EXECUTIVE's behalf over the remaining term of the agreement to any tax-qualified retirement plan sponsored by the BANK as of the Date of Termination.

(e) Notwithstanding the preceding paragraphs of this Section 5, in the event that the aggregate payments or benefits to be made or afforded to EXECUTIVE under this Section, together with any other payments or benefits received or to be received by EXECUTIVE in connection with a Change in Control, would be deemed to include an "excess parachute payment" under (S)280G of the Code, then, at the election of EXECUTIVE, (i) such payments or benefits shall be payable or provided to EXECUTIVE over the minimum period necessary to reduce the present value of such payments or benefits to an amount which is one dollar ($1.00) less than three (3) times EXECUTIVE's "base amount" under (S)280G(b)(3) of the Code or (ii) the payments or benefits to be provided under this Section 5 shall be reduced to the extent necessary to avoid treatment as an excess parachute payment with the allocation of the reduction among such payments and benefits to be determined by EXECUTIVE.

6. TERMINATION FOR DISABILITY.

(a) If EXECUTIVE shall become disabled as defined in the BANK's then current disability plan (or, if no such plan is then in effect, if EXECUTIVE is permanently and totally disabled within the meaning of Section 22(e)(3) of the Code as determined by a physician designated by the Board), the BANK may terminate EXECUTIVE's employment for "Disability."

(b) Upon EXECUTIVE's termination of employment for Disability, the BANK will pay EXECUTIVE, as disability pay, a bi-weekly payment equal to three-quarters (3/4) of EXECUTIVE's bi-weekly rate of Base Salary on the effective date of such termination. These disability payments shall commence on the effective date of EXECUTIVE's termination and will end on the earlier of (i) the

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date EXECUTIVE returns to the full-time employment of the BANK in the same capacity as he was employed prior to his termination for Disability and pursuant to an employment agreement between EXECUTIVE and the BANK; (ii) EXECUTIVE's full-time employment by another employer; (iii) EXECUTIVE attaining the age of sixty-five (65); or (iv) EXECUTIVE's death; or (v) the expiration of the term of this Agreement. The disability pay shall be reduced by the amount, if any, paid to EXECUTIVE under any plan of the BANK providing disability benefits to EXECUTIVE.

(c) The BANK will cause to be continued life, medical, dental and disability coverage substantially identical to the coverage maintained by the BANK for EXECUTIVE prior to his termination for Disability. This coverage and payments shall cease upon the earlier of (i) the date EXECUTIVE returns to the full-time employment of the BANK, in the same capacity as he was employed prior to his termination for Disability and pursuant to an employment agreement between

EXECUTIVE and the BANK; (ii) EXECUTIVE's full-time employment by another employer; (iii) EXECUTIVE's attaining the age of sixty-five (65); (iv) EXECUTIVE's death; or (v) the expiration of the term of this Agreement.

(d) Notwithstanding the foregoing, there will be no reduction in the compensation otherwise payable to EXECUTIVE during any period during which EXECUTIVE is incapable of performing his duties hereunder by reason of temporary disability.

7. TERMINATION UPON RETIREMENT; DEATH OF EXECUTIVE; RESIGNATION

Termination by the BANK of EXECUTIVE based on "Retirement" shall mean retirement at or after attaining age sixty-five (65) or in accordance with any retirement arrangement established with EXECUTIVE's consent with respect to him. Upon termination of EXECUTIVE upon Retirement, EXECUTIVE shall be entitled to all benefits under any retirement plan of the BANK or the COMPANY and other plans to which EXECUTIVE is a party. Upon the death of EXECUTIVE during the term of this Agreement, the BANK shall pay to EXECUTIVE's estate the compensation due to EXECUTIVE through the last day of the calendar month in which his death occurred. Upon the voluntary resignation of EXECUTIVE during the term of this Agreement, other than in connection with an Event of Termination, the BANK shall pay to EXECUTIVE the compensation due to EXECUTIVE through his Date of Termination.

8. TERMINATION FOR CAUSE.

For purposes of this Agreement, "Termination for Cause" shall include termination because of EXECUTIVE's personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule, or regulation (other than traffic violations or similar infractions) or final

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cease-and-desist order, or material breach of any provision of this Agreement. Notwithstanding the foregoing, EXECUTIVE shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to him a copy of a resolution duly adopted by the affirmative vote of not less than three-fourths (3/4) of the members of the Board at a meeting of the Board called and held for that purpose (after reasonable notice to EXECUTIVE and an opportunity for him, together with counsel, to be heard before the Board), finding that in the good faith opinion of the Board, EXECUTIVE was guilty of conduct justifying termination for Cause and specifying the reasons thereof. EXECUTIVE shall not have the right to receive compensation or other benefits for any period after termination for Cause. Any stock options granted to EXECUTIVE under any stock option plan or any unvested awards granted under any other stock benefit plan of the BANK, the COMPANY, or any subsidiary or affiliate thereof, shall become null and void effective upon EXECUTIVE's receipt of Notice of Termination for Cause pursuant to Section 10 hereof, and shall not be exercisable by EXECUTIVE at any time subsequent to such Termination for Cause.

9. REQUIRED PROVISIONS.

(a) The BOARD may terminate EXECUTIVE's employment at any time, but any termination by the BOARD, other than Termination for Cause, shall not prejudice EXECUTIVE's right to compensation or other benefits under this Agreement. EXECUTIVE shall not have the right to receive compensation or other benefits for any period after Termination for Cause as defined in Section 8 herein.

(b) If EXECUTIVE is suspended and/or temporarily prohibited from participating in the conduct of the BANK's affairs by a notice served under Section 8(e)(3) or (g)(1) of the Federal Deposit Insurance Act ("FDIA") (12 U.S.C. 1818(e)(3) and (g)(1)), the BANK's obligations under the Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the BANK may, in its discretion, (i) pay EXECUTIVE all or part of the compensation withheld while its contract obligations were suspended and (ii) reinstate (in whole or in part) any of its obligations that were suspended.

(c) If EXECUTIVE is removed and/or permanently prohibited from participating in the conduct of the BANK's affairs by an order issued under Section 8(e)(4) or (g)(1) of the FDIA (12 U.S.C. 1818(e)(4) or (g)(1)), all obligations of the BANK under the Agreement shall terminate as of the effective date of the order, but vested rights of the contracting parties shall not be affected.

(d) If the BANK is in default (as defined in Section 3(x)(1) of the FDIA), all obligations under this Agreement shall terminate as of the date of default, but this paragraph shall not affect any vested rights of the parties.

(e) All obligations under this Agreement shall be terminated (except to the extent determined that continuation of the Agreement is necessary for the

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continued operation of the BANK): (i) by the Director of the Office of Thrift Supervision (the "Director") or his designee at the time the Federal Deposit Insurance Corporation enters into an agreement to provide assistance to or on behalf of the BANK under the authority contained in Section 13(c) of the FDIA or (ii) by the Director, or his designee at the time the Director or such designee approves a supervisory merger to resolve problems related to operation of the BANK or when the BANK is determined by the Director to be in an unsafe or unsound condition. Any rights of the parties that have already vested, however, shall not be affected by such action.

(f) Any payments made to EXECUTIVE pursuant to this Agreement, or otherwise, are subject to and conditioned upon compliance with 12 U.S.C. (S)1828(k) and any regulations promulgated thereunder.

10. NOTICE.

(a) Any purported termination by the BANK or by EXECUTIVE shall be communicated by Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of

Termination" shall mean a written notice which shall indicate the specific termination provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of EXECUTIVE's employment under the provision so indicated.

(b) "Date of Termination" shall mean (A) if EXECUTIVE's employment is terminated for Disability, thirty (30) days after a Notice of Termination is given (provided that he shall not have returned to the performance of his duties on a full-time basis during such thirty (30) day period), and (B) if his employment is terminated for any other reason, other than Termination for Cause, the date specified in the Notice of Termination . In the event of EXECUTIVE's Termination for Cause, the Date of Termination shall be the same as the date of the Notice of Termination.

(c) If, within thirty (30) days after any Notice of Termination is given, the party receiving such Notice of Termination notifies the other party that a dispute exists concerning the termination, except upon the occurrence of a Change in Control and voluntary termination by EXECUTIVE in which case the Date of Termination shall be the date specified in the Notice, the Date of Termination shall be the date on which the dispute is finally determined, either by mutual written agreement of the parties, by a binding arbitration award, or by a final judgment, order or decree of a court of competent jurisdiction (the time for appeal therefrom having expired and no appeal having been perfected) and provided further that the Date of Termination shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution of such dispute with reasonable diligence.

11. NON-COMPETITION.

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(a) Upon any termination of EXECUTIVE's employment hereunder pursuant to an Event of Termination as provided in Section 4 hereof, EXECUTIVE agrees not to compete with the BANK and/or the COMPANY for a period of one (1) year following such termination in Perry and Spencer Counties, Indiana. EXECUTIVE agrees that during such period and within said counties, EXECUTIVE shall not work for or advise, consult or otherwise serve with, directly or indirectly, any entity whose business materially competes with the depository, lending or other business activities of the BANK and/or the COMPANY. The parties hereto, recognizing that irreparable injury will result to the BANK and/or the COMPANY, its business and property in the event of EXECUTIVE's breach of this Subsection 11(a) agree that in the event of any such breach by EXECUTIVE, the BANK and/or the COMPANY will be entitled, in addition to any other remedies and damages available, to an injunction to restrain the violation hereof by EXECUTIVE, EXECUTIVE's partners, agents, servants, employers, employees and all persons acting for or with EXECUTIVE. EXECUTIVE represents and admits that in the event of the termination of his employment pursuant to Section 4 hereof, EXECUTIVE's experience and capabilities are such that EXECUTIVE can obtain employment in a business engaged in other lines and/or of a different nature than the BANK and/or the COMPANY, and that the enforcement of a remedy by way of injunction will not prevent EXECUTIVE from earning a livelihood. Nothing herein will be construed as prohibiting the BANK and/or the COMPANY from pursuing any other remedies

available to the BANK and/or the COMPANY for such breach or threatened breach, including the recovery of damages from EXECUTIVE.

(b) EXECUTIVE recognizes and acknowledges that the knowledge of the business activities and plans for business activities of the BANK and affiliates thereof, as it may exist from time to time, is a valuable, special and unique asset of the business of the BANK. EXECUTIVE will not, during or after the term of his employment, disclose any knowledge of the past, present, planned or considered business activities of the BANK or affiliates thereof to any person, firm, corporation, or other entity for any reason or purpose whatsoever. Notwithstanding the foregoing, EXECUTIVE may disclose any knowledge of banking, financial and/or economic principles, concepts or ideas which are not solely and exclusively derived from the business plans and activities of the BANK. In the event of a breach or threatened breach by EXECUTIVE of the provisions of this Section, the BANK will be entitled to an injunction restraining EXECUTIVE from disclosing, in whole or in part, the knowledge of the past, present, planned or considered business activities of the BANK or affiliates thereof, or from rendering any services to any person, firm, corporation, other entity to whom such knowledge, in whole or in part, has been disclosed or is threatened to be disclosed. Nothing herein will be construed as prohibiting the BANK from pursuing any other remedies available to the BANK for such breach or threatened breach, including the recovery of damages from EXECUTIVE.

12. SOURCE OF PAYMENTS.

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All payments provided in this Agreement shall be timely paid in cash or check from the general funds of the BANK. The COMPANY, however, guarantees all payments and the provision of all amounts and benefits due hereunder to EXECUTIVE and, if such payments are not timely paid or provided by the BANK, such amounts and benefits shall be paid or provided by the COMPANY.

13. EFFECT ON PRIOR AGREEMENTS AND EXISTING BENEFITS PLANS.

This Agreement contains the entire understanding between the parties hereto and supersedes any prior employment agreement between the BANK or any predecessor of the BANK and EXECUTIVE, except that this Agreement shall not affect or operate to reduce any benefit or compensation inuring to EXECUTIVE of a kind elsewhere provided. No provision of this Agreement shall be interpreted to mean that EXECUTIVE is subject to receiving fewer benefits than those available to him without reference to this Agreement.

14. NO ATTACHMENT.

(a) Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation, or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to affect any such action shall be null, void, and of no effect.

(b) This Agreement shall be binding upon, and inure to the benefit of, EXECUTIVE, the BANK, the COMPANY and their respective successors and assigns.

15. MODIFICATION AND WAIVER.

(a) This Agreement may not be modified or amended except by an instrument in writing signed by the parties hereto.

(b) No term or condition of this Agreement shall be deemed to have been waived, nor shall there by any estoppel against the enforcement of any provision of this Agreement, except by written instrument of the party charged with such waiver or estoppel. No such written waiver shall be deemed a continuing waiver unless specifically stated therein, and each such waiver shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future as to any act other than that specifically waived.

16. SEVERABILITY.

If, for any reason, any provision of this Agreement, or any part of any provision, is held invalid, such invalidity shall not affect any other provision of this Agreement or any part of such provision not held so invalid, and each

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such other provision and part thereof shall to the full extent consistent with law continue in full force and effect.

17. HEADINGS FOR REFERENCE ONLY.

The headings of sections and paragraphs herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

18. GOVERNING LAW.

This Agreement shall be governed by the laws of the State of Indiana, unless otherwise specified herein; provided, however, that in the event of a conflict between the terms of this Agreement and any applicable federal or state law or regulation, including , specifically, 12 C.F.R. Section 563.39(b), the provisions of such law or regulation shall prevail.

19. PAYMENT OF LEGAL FEES.

All reasonable legal fees paid or incurred by EXECUTIVE pursuant to any dispute or question of interpretation relating to this Agreement shall be paid or reimbursed by the BANK, if EXECUTIVE is successful pursuant to a legal judgment, arbitration or settlement.

20. INDEMNIFICATION.

The BANK shall provide EXECUTIVE (including his heirs, executors and administrators) with coverage under a standard directors' and officers' liability insurance policy at its expense, or in lieu thereof, shall indemnify EXECUTIVE (and his heirs, executors and administrators) to the fullest extent permitted under Indiana law against all expenses and liabilities reasonably incurred by him in connection with or arising out of any action, suit or proceeding in which he may be involved by reason of his having been a director or officer of the BANK (whether or not he continues to be a directors or officer at the time of incurring such expenses or liabilities), such expenses and liabilities to include, but not be limited to, judgment, court costs and attorneys' fees and the cost of reasonable settlements. The provisions of 12 C.F.R. 545.121 shall apply to the BANK's obligations under this Section 20.

21. SUCCESSOR TO THE BANK OR THE COMPANY.

The BANK and the COMPANY shall require any successor or assignee, whether direct or indirect, by purchase, merger, consolidation or otherwise, to all or substantially all the business or assets of the BANK or the COMPANY, expressly and unconditionally to assume and agree to perform the BANK's or the COMPANY's obligations under this Agreement, in the same manner and to the same extent that the BANK or the COMPANY would be required to perform if no such succession or assignment had taken place.

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IN WITNESS WHEREOF, the BANK and the COMPANY have caused this Agreement to be executed and their seal to be affixed hereunto by a duly authorized officer, and EXECUTIVE has signed this Agreement, all on the 23rd day of June, 1998.

ATTEST:	PEOPLES COMMUNITY BANK
/s/ Marion L. Ress	BY: /s/ James L. Wittmer
ATTEST:	PCB HOLDING COMPANY
/s/ Marion L. Ress	BY: /s/ James L. Wittmer
WITNESS:	
/s/ Tammy A. Bruner	/s/ Carl D. Smith
	Carl D. Smith

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EXHIBIT 13

Portions of 1998 Annual Report to Stockholders

PCB HOLDING COMPANY

TABLE OF CONTENTS

	Page
Letter to Stockholders...........................	1
Selected Financial and Other Data................	2-3
Management's Discussion and Analysis of Financial Condition and Results of Operations...	4-12
Independent Auditor's Report.....................	14
Financial Statements.............................	15-18
Notes to Financial Statements....................	19-33
Board of Directors...............................	34
Corporate Information............................	35

BUSINESS OF THE COMPANY

PCB Holding Company (the Company) is the holding company of Peoples Community Bank (the Bank).

The Bank's savings accounts are insured up to applicable legal limits by the Federal Deposit Insurance Corporation through the Savings Association Insurance Fund. The Bank is a member of the Federal Home Loan Bank System. The Bank conducts its operations through its office located at 819 Main Street, Tell City, Indiana. The telephone number is (812) 547-7094.

The Bank is a community-oriented financial institution offering traditional financial services primarily to residents of Perry County, Indiana, and, to a lesser extent, contiguous counties. The Bank's primary business is attracting deposits from the general public and using those funds to originate one-to-four family residential mortgage loans. The Bank also purchases participation interests in multi-family and commercial real estate loans originated by other financial institutions and secured by properties located throughout Indiana. To a lesser extent, the Bank originates multi-family loans, commercial real estate loans, residential construction loans and consumer loans. The Bank invests excess liquidity primarily in U.S. government and agency securities and, to a lesser extent, mortgage-backed securities issued by U.S. government agencies, and local municipal obligations.

PCB HOLDING COMPANY
819 Main Street
P. O. Box 68
Tell City, Indiana 47586

TO OUR STOCKHOLDERS

Fellow Shareholders of PCB Holding Company,

I am pleased to present to you the first Annual Report of PCB Holding Company.

This has been a year of change. In July of 1998, we completed our conversion from a state chartered, mutual building and loan association to a federally chartered stock savings bank. As part of this conversion, we adopted the name Peoples Community Bank. Our new name reflects our goal of providing a wider variety of products and services to our customers.

For over 80 years we operated as a traditional "Building and Loan," investing primarily in single family housing and offering a small variety of deposit services. As the financial environment changed, our board of directors recognized that we needed to change as well in order to continue to satisfy the banking needs of our community.

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The conversion reorganized the Bank into the form used by most commercial banks and businesses and provided us with additional capital to support the expansion of our banking services.

Since our conversion, we have added a variety of services, including three different types of consumer loans and several types of checking accounts. We are currently investigating other opportunities, including ATM's, line of credit lending, and increasing our commercial loan portfolio.

We remain committed to increasing our services without jeopardizing the value of the institution.

The enclosed Annual Report indicates an increase in profits from 1997, which was due primarily to the investment of the proceeds of our stock offering. We hope to increase profits as additional services are added and the initial expense of "start-up" is absorbed.

We thank you for your support and interest. As fellow shareholders, we look forward to what we believe is a bright future together.

Sincerely,

/s/ Carl D. Smith

Carl D. Smith
President-Chief Executive Officer

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

General

PCB Holding Company (the Company) is the parent to its wholly owned subsidiary, Peoples Community Bank (the Bank), a community-oriented financial institution offering traditional financial services primarily to residents of Perry County, Indiana, and, to a lesser extent, contiguous counties. The Company has no other material income other than that generated by the Bank. The Bank's primary business is attracting deposits from the general public and using those funds to originate one-to-four family residential mortgage loans. The Bank's lending activity also includes multi-family residential loans, commercial real estate loans and consumer loans. The Bank invests excess liquidity primarily in U.S. government and agency securities, local municipal obligations and, to a lesser extent, mortgage-backed securities.

Management's discussion and analysis of financial condition and results of operations is intended to assist in understanding the financial condition and results of operations of the Bank. The information contained in this section should be read in conjunction with the financial statements and the accompanying notes to financial statements included elsewhere in this report.

Operating Strategy

The Bank's results of operations depend primarily on net interest income, which is the difference between the income earned on its interest-earning assets, such as loans and investments, and the cost of its interest-bearing liabilities, consisting of deposits and, if utilized, borrowings from the Federal Home Loan Bank of Indianapolis. The Bank's net income is also affected by, among other things, fee income, provisions for loan losses, operating expenses and income tax provisions. The Bank's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government legislation and policies concerning monetary and fiscal affairs, housing and financial institutions and the intended actions of the regulatory authorities.

The Bank's current business strategy is to operate as a well capitalized, locally owned community bank. This strategy has been implemented in recent years by controlling growth, emphasizing the origination of residential mortgage loans in the Bank's primary market area, improving asset quality, controlling operating expenses, and expanding customer services. The Bank has been successful in implementing its business strategy as the results have been reflected in the stated growth in assets, loans and stockholders' equity.

Conversion and Stock Offering

On July 1, 1998, the Bank completed a conversion and stock offering whereby the

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Bank converted from the mutual to the stock form of organization. As part of the conversion, the Bank became a wholly-owned subsidiary of the Company which offered common stock to certain current and former depositor and borrower customers of the Bank in a subscription offering. The Company issued 396,750 shares of common stock with gross proceeds of $3,967,500 as a result of the offering. Total expenses in connection with the conversion and offering amounted to $308,000 and were charged against the proceeds from the offering.

Comparison of Financial Condition at December 31, 1998 and 1997

Total assets increased 15.7% from $22.0 million at December 31, 1997 to $25.4 million at December 31, 1998, primarily as a result of increases in loans receivable and interest bearing deposits with banks, which were funded by the proceeds from the issuance of common stock.

Loans receivable, net, were $20.9 million at December 31, 1998, compared to $19.3 million at December 31, 1997, a 8.5% increase. This increase resulted primarily from increases in residential real estate mortgage loans of $1.0 million and consumer loans of $550,000.

Securities available for sale, carried at fair value increased 16.2% from $1.3 million at December 31, 1997 to $1.5 million at December 31, 1998. During 1998, the Bank had maturities of $1.7 million and purchases of $1.9 million.

The investment in mortgage-backed securities held to maturity was eliminated due to principal repayment during 1998.

Cash and interest bearing deposits increased from $752,000 at December 31, 1997 to $2.4 million at December 31, 1998 as a result of excess liquidity funded by the net proceeds from the issuance of common stock.

Total deposits decreased 1.7% from $19.8 million at December 31, 1997 to $19.5 million at December 31, 1998 primarily as a result of deposit account holders use of deposits for the purchase of common stock in the conversion.

Stockholders' equity increased from $2.1 million at December 31, 1997 to $5.8 million at December 31, 1998. This increase resulted from retained net income during the year ended December 31, 1998 of $89,000, net proceeds from the issuance of common stock of $3.7 million and a net decrease in the unrealized loss on securities available for sale of $9,000. Stockholders' equity as a percent of total assets increased from 9.5% at December 31, 1997 to 23.0% at December 31.

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

Net Income. Net income was $109,000 for the year ended December 31, 1998, compared to $70,000 for the year ended December 31, 1997. The primary reason for the increase in net income for 1998 was the increase in net interest income provided by the growth in interest earning assets which was funded primarily by the issuance of common stock.

Net Interest Income. Net interest income increased 29.0% from $539,000 in 1997 to $696,000 in 1998 as a result of an increase in total interest income, and a decrease in interest expense. The average yield earned on interest-earning assets and the average cost of interest-bearing liabilities remained relatively constant. See "Average Balance Sheet" below. The changes in interest income and interest expense resulting from changes in volume and changes in rates for 1998 and 1997 are shown in the schedule captioned "Rate/Volume Analysis" included herein.

Provision for Loan Losses. Provisions for loan losses are charges to earnings to bring the total allowance for loan losses to a level considered reasonable by management to provide for probable known and inherent loan losses based on management's evaluation of the collectibility of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, and economic conditions. In determining the adequacy of the allowance for loan losses, the Bank reviews all loans quarterly, and loans are assigned a risk weighting based on asset classification.

There was no provision for loan losses in 1998 and 1997. The allowance for loan losses was $51,000 at December 31, 1998, and management deemed that amount reasonable at that date based on its best estimate of probable known and inherent loan losses. The Bank's total non-performing loans as of December 31, 1998 were approximately $29,000 or 0.11% of total assets.

Non-Interest Income. Non-interest income totaled $8,000 for 1998 compared to $7,000 for 1997.

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Non-Interest Expense. Non-interest expenses increased 20.9% from $448,000 in 1997 to $542,000 in 1998. Occupancy and equipment expenses and deposit insurance premiums remained relatively constant for 1998 compared to 1997 while compensation and benefits and other operating expenses increased for 1998 compared to 1997. Compensation and benefits increased 18.7% from $269,000 in 1997 to $319,000 in 1998 primarily do to normal increases in employee compensation and benefits and additional staff. Other operating expenses increased 30.6% from $124,000 in 1997 to $161,000 in 1998. Third-party computer processing fees increased 19.5% from $39,000 in 1997 to $46,000 in 1998 primarily due to increased volume in loan and deposit accounts and inflationary increases. The Bank increased its advertising expenditures in 1998 to $21,000 compared to $17,000 in 1997. Also, in 1998, the Bank was subject to one-time printing and stationery costs related to a name change and an increase in professional fees.

Income Tax Expense. Income tax expense increased from $28,000 in 1997 to $53,000 in 1998 as a result of higher income before income taxes. The effective tax rate for 1998 was 32.8% compared to 29.0% in 1997 due to the effect of the graduated federal tax rates.

AVERAGE BALANCE SHEETS

The following table sets forth certain information for the periods indicated regarding average balances of assets and liabilities as well as the total dollar amounts of interest income from average interest earning assets and interest expense on average interest bearing liabilites and average yields and costs. Such yields and costs for the periods indicated are derived by dividing income or expense by the average balances of assets or liabilities, respectively, for the periods presented. Average balances are derived from daily balances.

<TABLE>
<CAPTION>

	Year ended December 31,					
	1998			1997		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
	(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest earning assets:						
Loans receivable, net (1)	$19,769	$1,518	7.68%	$19,403	$1,494	7.70%
Investment securities (2)	1,602	94	5.85%	1,365	85	6.21%
Federal Home Loan Bank stock	196	16	8.16%	196	16	8.16%
Interest bearing deposits with banks	2,031	103	5.07%	1,179	51	4.33%
Total interest earning assets	23,598	1,731	7.34%	22,143	1,646	7.43%
Non-interest earning assets	414			777		
Total assets	$24,012			$22,920		
Interest bearing liabilities:						
Savings and interest bearing demand deposits	$ 3,781	122	3.23%	$ 3,564	132	3.70%
Time deposits	16,073	913	5.68%	16,462	960	5.83%
Total deposits	19,854	1,035	5.21%	20,026	1,092	5.45%
FHLB advances	-	-	-	254	15	5.91%
Total interest bearing liabilities	19,854	1,035	5.21%	20,280	1,107	5.46%
Non-interest bearing liabilities	124			473		
Total liabilities	19,978			20,753		

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Stockholders' equity	4,034			2,167		
Total liabilities and stockholders' equity	$24,012			$22,920		
Net interest income		$ 696			$ 539	
Interest rate spread			2.13%			1.97%
Net interest margin			2.95%			2.43%
Ratio of average interest earning assets to average interest bearing liabilities			118.86%			109.19%

</TABLE>

---

(1) Average loans receivable includes non-performing loans. Interest income does not include interest on loans 90 days or more past due.
(2) Includes debt securities classified as available for sale and mortgage-backed securities classified as held to maturity.

RATE/VOLUME ANALYSIS

The following table sets forth the effects of changing rates and volumes on interest income and interest expense. Information is provided with respect to (i) effects on interest income attributable to changes in volume (changes in volume multiplied by prior rate); (ii) effects attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) effects attributable to changes in rate and volume (change in rate multiplied by changes in volume).

<TABLE>
<CAPTION>

	1998 Compared to 1997 Increase (Decrease) Due to			
	Rate	Volume	Rate/ Volume	Net
	(In thousands)			
<S>	<C>	<C>	<C>	<C>
Interest earning assets:				
Loans receivable, net	$ (4)	$ 27	$ -	$ 23
Investment securities	(5)	15	(1)	9
Federal Home Loan Bank stock	-	-	-	-
Interest bearing deposits with banks	9	37	6	52
Total net change in income on interest earning assets	-	79	5	84
Interest bearing liabilities:				
Savings and interest bearing demand deposits	(17)	8	(1)	(10)
Time deposits	(25)	(24)	1	(48)
FHLB advances	-	(15)	-	(15)
Total net change in expense on interest bearing liabilities	(42)	(31)	-	(73)
Net change in net interest income	$ 42	$110	$ 5	$157

</TABLE>

Liquidity and Capital Resources

The Bank's primary sources of funds are deposits and proceeds from loan repayments and prepayments, and from the sale and maturity of securities. The

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Bank may also borrow from the Federal Home Loan Bank of Indianapolis. While loan repayments and maturities and sales of securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by market interest rates, general economic conditions and competition. At December 31, 1998, the Bank had cash and interest-bearing deposits with banks of $2.4 million and securities available for sale with a fair value of $1.5 million. At December 31, 1998, the Bank also had an available, but undrawn, credit line of $3.9 million from the Federal Home Loan Bank of Indianapolis.

The Bank's primary investing activity is the origination of one-to-four family mortgage loans and, to a lesser extent, consumer, multi-family, commercial real estate and residential construction loans. The Bank also invests in U.S. government and agency securities and mortgage-backed securities issued by U.S. government agencies.

The Bank must maintain an adequate level of liquidity to ensure the availability of sufficient funds to support loan growth and deposit withdrawals, to satisfy financial commitments and to take advantage of investment opportunities. At December 31, 1998, the Bank had total commitments to extend credit of $706,000. See Note 9 of Notes to Consolidated Financial Statements. At December 31, 1998, the Bank had certificates of deposit scheduled to mature within one year of $8.0 million. Historically, the Bank has been able to retain a significant amount of its deposits as they mature.

Current Office of Thrift Supervision (OTS) regulations require the Bank to maintain an average daily balance of liquid assets (cash and eligible investments) equal to at least 4.0% of the average daily balance of its net withdrawable deposits and short-term borrowings. Historically, the Bank has maintained liquidity levels in excess of regulatory requirements.

The Bank is required to maintain specific amounts of capital pursuant to OTS requirements. As of December 31, 1998, the Bank was in compliance with all regulatory capital requirements which were effective as of such date with tangible, core and risk-based capital ratios of 15.9%, 15.9% and 30.4%, respectively.

Effect of Inflation and Changing Prices

The financial statements and related financial data presented herein have been prepared in accordance with generally accepted accounting principles, which generally require the measurement of financial position and operating results in terms of historical dollars, without considering the changes in relative purchasing power of money over time due to inflation. The primary impact of inflation is reflected in the increased cost of the Bank's operations. Unlike most industrial companies, virtually all the assets and liabilities of the financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on the financial institutions performance than do general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

Market Risk Analysis

Qualitative Aspects of Market Risk. The Bank's principal financial objective is to achieve long-term profitability while reducing its exposure to fluctuating market interest rates. The Bank has sought to reduce the exposure of its earnings to changes in market interest rates by attempting to manage the mismatch between asset and liability maturities and interest rates. In order to reduce the exposure to interstate fluctuations, the Bank has developed strategies to manage its liquidity, shorten its effective maturities of certain interest-earning assets and increase the interest rate sensitivity of its asset base. Management has sought to decrease the average maturity of its assets by emphasizing the origination of short-term commercial and consumer loans, all of which are retained by the Bank for its portfolio. The Bank relies on retail deposits as its primary source of funds. Management believes retail deposits, compared to brokered deposits, reduce the effects of interest rate fluctuations because they generally represent a more stable source of funds.

Quantitative Aspects of Market Risk. The Bank does not maintain a trading account for any class of financial instrument nor does the Bank engage in hedging activities or purchase high-risk derivative instruments. Furthermore, the Bank is not subject to foreign currency exchange rate risk or commodity price risk.

The Bank uses interest rate sensitivity analysis to measure its interest rate risk by computing changes in NPV(net portfolio value) of its cash flows from assets, liabilities and off-balance sheet items in the event of a range of assumed changes in market interest rates. NPV represents the market value of

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portfolio equity and is equal to the market value of assets minus the market value of liabilities, with adjustments made for off-balance sheet items. This analysis assesses the risk of loss in market risk sensitive instruments in the event of a sudden and sustained 100 to 400 basis point increase or decrease in market interest rates with no effect given to any steps that management might take to counter the effect of that interest rate movement. Using data compiled by the OTS, the Bank receives a report which measures interest rate risk by modeling the change in NPV (net portfolio value) over a variety of interest rate scenarios. This procedure for measuring interest rate risk was developed by the OTS to replace the "gap" analysis (the difference between interest-earning assets and interest-bearing liabilities that mature or reprice within a specific time period).

The following table is provided by the OTS and sets forth the change in the Bank's NPV at December 31, 1998, based on OTS assumptions, that would occur in the event of an immediate change in interest rates, with no effect given to any steps that management might take to counteract that change.

<TABLE>
<CAPTION>

	At December 31, 1998				
	Net Portfolio Value			Net Portfolio Value as a Percent of Present Value of Assets	
Change In Rates	Dollar Amount	Dollar Change	Percent Change	NPV Ratio	Change
<S>	<C>	<C>	<C>	<C>	<C>
400bp	$2,809	$(1,363)	(33)%	11.85%	434bp
300bp	3,230	(942)	(23)	13.30	289bp
200bp	3,623	(549)	(13)	14.58	161bp
100bp	3,945	(227)	(5)	15.56	63bp
--bp	4,172	-	-	16.19	--bp
(100)bp	4,319	147	4	16.55	36bp
(200)bp	4,462	290	7	16.88	69bp
(300)bp	4,658	486	12	17.36	117bp
(400)bp	4,796	624	15	17.65	146bp

</TABLE>

The above table indicates that in the event of a sudden and sustained increase in prevailing market interest rates, the Bank's NPV would be expected to decrease, and that in the event of a sudden and sustained decrease in prevailing market interest rates, the Bank's NPV would be expected to increase.

Certain assumptions utilized by the OTS in assessing the interest rate risk of savings associations within its region were utilized in preparing the preceding table. These assumptions relate to interest rates, loan prepayment rates, deposit decay rates, and the market values of certain assets under differing interest rate scenarios, among others.

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

Year 2000 Issues

The Bank is a user of computers, computer software, and equipment utilizing embedded microcontrollers that will be affected by the Year 2000 ("Y2K") issue. The Y2K issue exists because many computer systems and applications use two-digit date fields to designate a year. As the century date change occurs, date sensitive systems may incorrectly recognize the year 2000. This inability to recognize or properly treat the Y2K issue may cause systems to process financial and operational information incorrectly. The Y2K issue presents several potential risks to the Bank:

1. The banking transactions of the Bank's customers are processed by one or more computer systems provided by a third-party service bureau. The failure of one or more of those systems to function as a result of the Y2K

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date change could result in the Bank's inability to properly process customer transactions. If that were to occur, the Bank could lose customers to other financial institutions, resulting in a loss of revenue.

2. A number of the Bank's borrowers utilize computers and computer software to varying degrees in conjunction with the operation of their businesses. The customers and suppliers of those businesses may utilize computers as well. Should the Bank's borrowers, or the businesses on which they depend, experience Y2K related computer problems, such borrowers' cash flow could be disrupted, adversely effecting their ability to repay their loans with the Bank.

3. Concern on the part of certain depositors that the Y2K related problems could impair access to their deposit account balances following the Y2K date change could result in the Bank experiencing a deposit outflow prior to December 31, 1999.

4. Should the Y2K related problems occur which cause any of the Bank's systems, or the systems of the third-party service bureau upon which the Bank depends, to become inoperative, increased personnel costs could be incurred if additional staff is required to perform functions that the inoperative systems would have otherwise performed.

5. Certain utility services, such as electrical power and telecommunication services, could be disrupted if those services experience Y2K related problems. The Bank's Y2K contingency plan will address such possible situations.

Management believes it is not possible to estimate the potential lost revenue due to the Y2K issue, as the extent and longevity of such potential problems cannot be predicted. The Bank adopted a Y2K Action Plan in October 1997 to assess all systems to insure that they will function properly in the Y2K. This process involves separate phases which include: awareness, assessment, renovation, validation, and implementation.

During 1997, the Bank completed the systems assessment phase, identifying each internal system that could potentially be affected by the Y2K issue. Those systems include the Bank's in-house microcomputer systems and third-party service bureau as well as equipment such as the alarm system, vault locks, telephone system, etc., that may contain embedded microprocessors. For each such system, an action plan was created to set forth the process for determining whether or not the system is Y2K compliant. Those determinations involved obtaining Y2K compliant certifications from vendors wherever possible, and by the Bank conducting its own validation testing.

When the results of the Bank's validation testing programs have revealed that a particular system is not Y2K compliant, a contingency plan is formulated to either upgrade the system in order to meet the Y2K compliance requirements or replace the system with one that is certified as Y2K compliant. The Bank is currently in the validation and implementation phases of this process. A third-party service bureau processes all customer transactions and has completed upgrades to its systems to be Y2K compliant. On November 8, 1998, the Bank began testing those third-party systems by processing transactions for each type of account.

As of December 31, 1998, the testing was complete and the results of the testing indicated that those third party systems were Y2K compliant for all critical test dates selected.

Other third parties upon which the Bank depends for processing include correspondent banks, brokerage firms, and the pension plan administrator. These third parties have indicated their compliance or intended compliance with the Y2K. Should the testing of any third-party system or service reveal that such system or service is not Y2K compliant, a specific deadline will be set by which time the system or service must be brought into Y2K compliance. Should Y2K compliance not be achieved by the specified deadlines, the Bank has developed a contingency plan for each such external system or service. Those contingency plans document the action the Bank will take for each such non-compliant system.

In certain cases, such as the potential loss of electrical power or telecommunication services due to Y2K problems, testing by the Bank is either not practical or not possible. In those cases, contingency plans will be designed that specify how the Bank will deal with such potential situations. For example, the Bank is considering the purchase or lease of an electrical power generator with sufficient capacity to allow the Bank to maintain critical functions in the event power from the electric utility is interrupted.

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The Bank, as a federally chartered thrift institution, is regulated by the Office of Thrift Supervision. The federal regulators have established specific guidelines and time tables to follow in addressing the Y2K issue. The Bank is currently in compliance with the federally mandated Y2K guidelines and time tables.

As of December 31, 1998, the Bank was on schedule with its internal Y2K preparation efforts. All internal systems identified in the assessment phase of the project that are considered "mission critical" have been tested for Y2K compliance. Systems that have been determined to be Y2K compliant will be retested during 1999 following any material upgrades or enhancements. The Bank has replaced non-compliant microcomputer equipment and has installed and tested the related software for Y2K compliance. Other equipment containing embedded microprocessors have been certified as Y2K compliant by the applicable vendors. The Bank's estimated total cost to replace computer equipment, software programs, or other equipment containing embedded microprocessors that were not Y2K compliant, is approximately $8,000, substantially all of which has been incurred at December 31, 1998. System maintenance or modification costs are being expensed as incurred, while the cost of new hardware, software, or other equipment, is capitalized and amortized over their estimated useful lives. While the third-party service bureau has not indicated what, if any, costs it may pass onto its customers, the Bank does not believe that the cost associated with its actions or those of its vendors will be material to the Bank. However, in the event that the third-party service bureau is unable to fulfill its contractual obligations to the Bank could have a significant adverse impact on the financial condition and results of operations of the Bank.

MONROE SHINE & CO., INC.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS
P.O. BOX 1407, 222 E. MARKET ST., NEW ALBANY, IN 47150 812-945-2311

Independent Auditor's Report

The Board of Directors
PCB Holding Company
Tell City, Indiana

We have audited the accompanying consolidated balance sheets of PCB Holding Company and Subsidiary as of December 31, 1998 and 1997, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of PCB Holding Company and Subsidiary as of December 31, 1998 and 1997, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

/s/ Monroe Shine & Co., Inc.

January 29, 1999

PCB HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1998 AND 1997

<TABLE>
<CAPTION>

	1998	1997
<S>	<C>	<C>

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ASSETS		
Cash and due from banks	$ 43,327	$ 18,028
Interest bearing deposits with banks	2,322,875	733,720
Securities available for sale, at fair value	1,531,994	1,318,817
Mortgage-backed securities held to maturity (fair value $20,696)	-	20,944
Loans, net of allowance for loan losses of $50,802 in 1998 and 1997	20,929,684	19,295,524
Federal Home Loan Bank stock, at cost	196,100	196,100
Premises and equipment	218,271	198,040
Accrued interest receivable:		
Loans	111,323	108,636
Debt securities and other	36,463	23,378
Other assets	49,066	75,494
Total Assets	$25,439,103	$21,988,681
LIABILITIES		
Deposits:		
Non-interest bearing demand deposits	$ 13,844	$ -
Savings and interest bearing demand deposits	4,005,692	3,430,092
Time deposits	15,497,155	16,416,025
Total deposits	19,516,691	19,846,117
Accrued interest payable on deposits	5,990	6,174
Accrued expenses and other liabilities	66,480	44,871
Total Liabilities	19,589,161	19,897,162
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock of $.01 par value per share Authorized 1,000,000 shares; none issued	-	-
Common stock of $.01 par value per share Authorized 4,000,000 shares; issued 396,750 in 1998	3,967	-
Additional paid-in capital	3,655,917	-
Retained earnings-substantially restricted	2,198,860	2,109,721
Accumulated other comprehensive income-net unrealized loss on securities available for sale	(8,802)	(18,202)
Total Stockholders' Equity	5,849,942	2,091,519
Total Liabilities and Stockholders' Equity	$25,439,103	$21,988,681

</TABLE>
See notes to consolidated financial statements.

PCB HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 1998 AND 1997

<TABLE>
<CAPTION>

<S>	Common Stock <C>	Additional Paid-in Capital <C>	Retained Earnings <C>	Accumulated Other Comprehensive Income <C>	Total <C>
Balances at January 1, 1997	$ -	$ -	$2,039,738	$(21,795)	$2,017,943
COMPREHENSIVE INCOME					
Net income	-	-	69,983	-	69,983
Other comprehensive income:					
Change in unrealized loss on securities available for sale, net of deferred income tax expense of $2,357	-	-	-	3,593	3,593
Less: reclassification adjustment					-

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Total comprehensive income	-	-	-	-	73,576
Balances at December 31, 1997	-	-	2,109,721	(18,202)	2,091,519
COMPREHENSIVE INCOME					
Net income	-	-	108,976	-	108,976
Other comprehensive income:					
Change in unrealized loss on securities available for sale, net of deferred income tax expense of $6,166	-	-	-	9,400	9,400
Less: reclassification adjustment					-
Total comprehensive income	-	-	-	-	118,376
Issuance of common stock	3,967	3,655,917	-	-	3,659,884
Cash dividends ($.05 per share)	-	-	(19,837)	-	(19,837)
Balances at December 31, 1998	$3,967	$3,655,917	$2,198,860	$ (8,802)	$5,949,942

</TABLE>

See notes to consolidated financial statements.

PCB HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 1998 AND 1997

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
INTEREST INCOME		
Loans:		
Real estate mortgage loans	$1,490,756	$1,479,590
Other loans	27,177	13,961
Mortgage-backed securities	813	1,837
Other debt securities	93,354	83,404
Federal Home Loan Bank dividends	15,703	15,666
Interest bearing deposits with banks	102,700	51,443
Total interest income	1,730,503	1,645,901
INTEREST EXPENSE		
Deposits	1,035,012	1,091,908
Advances from Federal Home Loan Bank	-	14,711
Total interest expense	1,035,012	1,106,619
Net interest income	695,491	539,282
Provision for loan losses	-	-
Net interest income after provision for loan losses	695,491	539,282
NON-INTEREST INCOME		
Service charges on deposit accounts	220	-
Other income	7,989	7,215
Total non-interest income	8,209	7,215
NON-INTEREST EXPENSES		
Compensation and benefits	319,123	268,960
Occupancy and equipment	47,910	45,229
Deposit insurance premiums	13,126	10,168
Other operating expenses	161,411	123,596
Total non-interest expenses	541,570	447,953

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Income before income taxes	162,130	98,544
Income tax expense	53,154	28,561
Net Income	$ 108,976	$ 69,983
Net income per common share, basic	$.27	N/A

</TABLE>

See notes to consolidated financial statements.

PCB HOLDING COMPANY AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 1998 AND 1997

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 108,976	$ 69,983
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of premiums and accretion of discounts on securities, net	3,981	(3,221)
Depreciation expense	17,524	17,093
Deferred income taxes (credit)	(1,995)	6,246
(Increase) decrease in accrued interest receivable	(15,772)	2,501
Decrease in accrued interest payable	(184)	(191)
Net change in other assets/liabilities	43,866	7,837
Net Cash Provided By Operating Activities	156,396	100,248
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (increase) decrease in interest bearing deposits with banks	(1,589,155)	231,231
Proceeds from maturity of securities available for sale	1,735,022	599,850
Purchases of securities available for sale	(1,935,832)	(1,097,118)
Principal collected on mortgage-backed securities	20,162	5,862
Net (increase) decrease in loans receivable	(1,634,160)	612,756
Purchase of participation loans	-	(71,117)
Purchase of premises and equipment	(37,755)	(28,004)
Net Cash Provided (Used) By Investing Activities	(3,441,718)	253,460
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase (decrease) in demand and savings deposits	589,444	(149,289)
Net decrease in time deposits	(918,870)	(198,742)
Repayment of advances from Federal Home Loan Bank	-	(750,000)
Advances from Federal Home Loan Bank	-	750,000
Proceeds from issuance of common stock	3,659,884	-
Cash dividends paid	(19,837)	-
Net Cash Provided (Used) By Financing Activities	3,310,621	(348,031)
Net Increase in Cash and Due From Banks	25,299	5,677
Cash and due from banks at beginning of year	18,028	12,351
Cash and Due From Banks at End Of Year	$ 43,327	$ 18,028

</TABLE>

See notes to consolidated financial statements.

PCB HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

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(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

PCB Holding Company (the Company) was incorporated by Peoples Building and Loan Association (now known as Peoples Community Bank) (the Bank) in connection with a conversion from a federally chartered mutual savings and loan association to a federally chartered stock savings bank. Upon consummation of the conversion and reorganization on July 1, 1998, the Company became the holding company for the Bank.

The Bank provides a variety of banking services to customers through its office in Tell City, Indiana. The Bank's primary source of revenue is single-family residential loans.

Consolidation

The consolidated financial statements include the accounts of the Company, the Bank and its wholly-owned subsidiary, Peoples Building and Loan Service Corp., which was inactive in 1998 and 1997. All material intercompany balances and transactions have been eliminated in consolidation.

Statements of Cash Flows

For purposes of the statements of cash flows, the Company has defined cash and cash equivalents as those amounts included in the balance sheet caption "Cash and due from banks."

Use of Estimates

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.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of foreclosed real estate. In connection with the determination of the estimated losses on loans and foreclosed real estate, management obtains appraisals for significant properties.

Securities Available for Sale

Securities available for sale consist of debt securities not classified as held to maturity and are stated at fair value. Amortization of premium and accretion of discount are recognized in interest income using the interest method. Unrealized gains and losses, net of tax, on securities available for sale are reported as a separate component of retained earnings until realized. Gains and losses on the sale of securities available for sale are determined using the specific identification method.

(1 - continued)

Securities Held to Maturity

Debt securities, including mortgage-backed securities, for which the Bank has the positive intent and ability to hold to maturity are carried at cost, adjusted for amortization of premium and accretion of discount using the interest method over the remaining period to maturity, adjusted for anticipated prepayments. Mortgage-backed securities represent participating interests in pools of long-term first mortgage loans originated and serviced by issuers of the securities.

Loans

Loans are stated at unpaid principal balances, less net deferred loan fees

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and the allowance for loan losses. The Bank's real estate loan portfolio consists primarily of long-term loans collateralized by first mortgages on single-family residences and multi-family residential property located in the southern Indiana area and commercial real estate loans. In addition to real estate loans, the Bank makes consumer loans secured by savings accounts.

Loan origination fees and certain direct costs of underwriting and closing loans are deferred and the net fee or cost is recognized as an adjustment to interest income over the contractual life of the loans using the interest method.

The accrual of interest is discontinued on a loan when, in the judgment of management, the probability of collection of interest is deemed to be insufficient to warrant further accrual. The Bank does not accrue interest on loans past due 90 days or more except when the estimated value of collateral and collection efforts are deemed sufficient to ensure full recovery. When a loan is placed on non-accrual status, previously accrued but unpaid interest is deducted from interest income.

Subsequent receipts on nonaccrual loans, including specific impaired loans, are recorded as a reduction of principal, and interest income is only recorded once principal recovery is reasonably assured.

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectibility of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specified impaired loans, and economic conditions. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses. Because of uncertainties inherent in the estimation process, management's estimate of credit losses inherent in the loan portfolio and the related allowance may change in the near term.

(1 - continued)

Foreclosed Real Estate

Foreclosed real estate is carried at the lower of fair value minus estimated costs to sell or cost. Costs of holding foreclosed real estate are charged to expense in the current period, except for significant property improvements, which are capitalized. Valuations are periodically performed by management and an allowance is established by a charge to non-interest expense if the carrying value exceeds the fair value minus estimated costs to sell. The net expense from operations of foreclosed real estate held for sale is reported in non-interest expense.

Premises and Equipment

The Bank uses the straight line and accelerated methods of computing depreciation at rates adequate to amortize the cost of the applicable assets over their useful lives. Items capitalized as part of premises and equipment are valued at cost. Maintenance and repairs are expensed as incurred. The cost and related accumulated depreciation of assets sold, or otherwise disposed of, are removed from the related accounts and any gain or loss is included in earnings.

Income Taxes

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of available for sale securities, allowance for loan losses, accumulated depreciation, and accrued income and expenses for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

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Advertising Costs

Advertising costs are charged to operations when incurred.

New Accounting Pronouncements

In June 1996, the Financial Accounting Standards Board issued SFAS No. 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. The Statement provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings based on a control-oriented "financial-components" approach. Under this approach, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and liabilities it has incurred, derecognizes financial assets when control has been surrendered and derecognizes liabilities when extinguished. The provisions of SFAS No. 125 are effective for transactions occurring after December 31, 1996, except those provisions relating to repurchase agreements, securities lending, and other similar transactions and pledged collateral, which have been delayed until after December 31, 1997 by SFAS No. 127, Deferral of the Effective Date of Certain Provisions of FASB Statement No. 125, an amendment of FASB Statement No. 125. The adoption of these statements has no material impact on financial position or results of operations.

(2) DEBT SECURITIES

Debt securities have been classified in the balance sheets according to management's intent.

The Bank's investment in debt securities at December 31, 1998 and 1997 is summarized as follows:

<TABLE>
<CAPTION>

<S>	Amortized Cost <C>	Gross Unrealized Gains <C>	Gross Unrealized Losses <C>	Fair Value <C>
December 31, 1998:				
Securities available for sale:				
U.S. government agency	$1,446,953	$6,396	$ 20,855	$1,432,494
Corporate notes	99,616	-	116	99,500
	$1,546,569	$6,396	$ 20,971	$1,531,994
December 31, 1997:				
Securities available for sale:				
U.S. government agency	$ 999,596	$ -	$ 29,097	$ 970,499
Corporate notes	349,362	-	1,044	348,318
	$1,348,958	$ -	$ 30,141	$1,318,817
Securities held to maturity:				
Mortgage-backed securities:				
FNMA certificates	$ 17,269	$ -	$ 1,008	$ 16,261
FHLMC certificates	3,675	760	-	4,435
	$ 20,944	$ 760	$ 1,008	$ 20,696

The amortized cost and fair value of debt securities as of December 31, 1998 by contractual maturity, are shown below.

	Securities Available for Sale Amortized Cost	Fair Value
Due in one year or less	$ 99,616	$ 99,500
Due after one year through		

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five years	749,453	732,974
Due after five years through ten years	100,000	99,926
Due after ten years	597,500	599,594
	$1,546,569	$1,531,994

</TABLE>

(3) LOANS RECEIVABLE

Loans receivable at December 31, 1998 and 1997 consisted of the following:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Real estate mortgage loans:		
One to four family residential	$17,891,615	$16,892,966
Multi-family residential	361,699	468,147
Commercial real estate	900,758	863,876
Land	654,006	527,971
Residential construction	980,000	783,200
Loan secured by savings accounts	274,559	177,664
Consumer loans	453,884	-
	21,516,521	19,713,824
Less:		
Deferred loan origination fees, net	63,939	72,167
Undisbursed portion of loans in process	472,096	295,331
Allowance for loan losses	50,802	50,802
	586,837	418,300
Loans receivable, net	$20,929,684	$19,295,524

An analysis of the allowance for loan losses is as follows:

	1998	1997
Beginning balances	$ 50,802	$ 51,729
Recoveries	-	-
Loans charged-off	-	(927)
Provision for loan losses	-	-
Ending balances	$ 50,802	$ 50,802

</TABLE>

The Bank had no loans specifically classified as impaired at December 31, 1998 and 1997.

The Bank has entered into loan transactions with certain directors, officers and their affiliates (related parties). In the opinion of management, such indebtedness was incurred in the ordinary course of business on substantially the same terms as those prevailing at the time for comparable transactions with other persons and does not involve more than normal risk of collectibility or present other unfavorable features.

The following represents the aggregate activity for related party loans which exceeded $60,000 in total:

<TABLE>
<CAPTION>

<S>	<C>
Balance, December 31, 1997	$177,028
New loans	120,649
Payments	(7,376)

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Balance, December 31, 1998	$290,301

(4) PREMISES AND EQUIPMENT

Premises and equipment consisted of the following:

	1998	1997
Land and land improvements	$ 36,000	$ 36,000
Office buildings	373,194	354,654
Furniture, fixtures and equipment	140,141	120,926
	549,335	511,580
Less accumulated depreciation	331,064	313,540
Totals	$218,271	$198,040

(5) DEPOSITS

The aggregate amount of time deposit accounts with balances of $100,000 or more was approximately $2,272,000 at December 31, 1998.

At December 31, 1998, scheduled maturities of time deposits were as follows:

Year ending December 31:	
1999	$ 7,999,840
2000	4,670,356
2001	1,081,860
2002	830,983
2003 and thereafter	914,116
Total	$15,497,155

The Bank held deposits of approximately $552,000 and $610,000 for related parties at December 31, 1998 and 1997, respectively.

Deposit account balances in excess of $100,000 are not federally insured.

Interest expense on deposits is summarized as follows:

	1998	1997
Savings and interest bearing demand deposits	$ 121,671	$ 131,452
Time deposits	913,341	960,456
Totals	$1,035,012	$1,091,908

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(6) INCOME TAXES

The components of income tax expense were as follows:

	1998	1997
Current	$55,149	$22,315
Deferred	(1,995)	6,246
Totals	$53,154	$28,561

Significant components of the Bank's deferred tax assets and liabilities as of December 31, 1998 and 1997 are as follows:

	1998	1997
Deferred tax assets:		
Deferred loan fees and costs	$ 20,528	$ 23,473
Allowance for loan losses	20,123	20,123
Unrealized loss on securities available for sale	5,773	11,939
Total deferred tax assets	46,424	55,535
Deferred tax liabilities:		
Cumulative effect of change to the accrual basis of accounting for tax reporting	(27,611)	(36,816)
Depreciation	(10,718)	(6,453)
Total deferred tax liabilities	(38,329)	(43,269)
Net deferred tax asset	$ 8,095	$ 12,266

The reconciliation of income tax expense with the amount which would have been provided at the federal statutory rate of 34 percent follows:

	1998	1997
Provision at federal statutory rate	$ 55,124	$ 33,505
State income tax-net of federal tax benefit	9,445	6,529
Effect of federal graduated rates	(11,750)	(11,750)
Other	335	277
Totals	$ 53,154	$ 28,561
Effective tax rate	32.8%	29.0%

(6 - continued)

Prior to January 1, 1996, the Bank was permitted by the Internal Revenue Code to deduct from taxable income an annual addition to a statutory bad debt reserve subject to certain limitations. Retained earnings at December 31, 1998 include approximately $695,000 of cumulative deductions for which no deferred federal income tax liability has been recorded. Reduction of these reserves for purposes other than tax bad debt losses or adjustments

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arising from carryback of net operating losses would create income for tax purposes subject to the then current corporate income tax rate. The unrecorded deferred liability on these amounts was approximately $236,000 at December 31, 1998.

Recently enacted federal legislation repealed the reserve method of accounting for bad debts by qualified thrift institutions for tax years beginning after December 31, 1995. As a result, the Bank will no longer be able to calculate the annual addition to the statutory bad debt reserve using the percentage-of-taxable-income method. Instead, the Bank will be required to compute its federal tax bad debt deduction based on actual loss experience over a period of years. The legislation requires the Bank to recapture into taxable income over a six-year period its post-1987 additions to the statutory bad debt reserve, thereby generating additional tax liability. The recapture may be suspended for up to two years, if during those years the Bank satisfies a residential loan requirement. The Bank has no post-1987 reserves subject to recapture.

The legislation also provides that the Bank will not be required to recapture its pre-1988 statutory bad debt reserves if it ceases to meet the qualifying thrift definitional tests and if the Bank continues to qualify as a "bank" under existing provisions of the Internal Revenue Code.

(7) EMPLOYEE BENEFIT PLANS

The Bank has a qualified contributory defined contribution plan that allows participating employees to make tax-deferred contributions under Internal Revenue Code Section 401(k).

The Bank also has a qualified defined contribution money-purchase plan available to all eligible employees. Contributions to the plan are based on a formula set forth in the plan documents.

The Bank made contributions to these plans of $26,612 and $24,044 for 1998 and 1997, respectively.

(8) CONCENTRATIONS OF CREDIT RISK

At December 31, 1998, the Bank had concentrations of credit risk with a correspondent bank representing interest bearing deposits with banks in excess of federal deposit insurance limits of $443,769.

(9) COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding various commitments and contingent liabilities, such as commitments to extend credit and legal claims, which are not reflected in the financial statements.

(9 - contined)

The following is a summary of the commitments to extend credit at December 31:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Mortgage loans:		
Variable rate	$179,000	$ 80,000
Fixed rate	54,400	76,650
Undisbursed home improvement loans in process	22,240	43,498
Undisbursed portion of construction loans in process	449,866	251,833
Total commitments to extend credit	$705,506	$451,981

</TABLE>

Commitments to originate mortgage loans generally expire in 90 days. No commitment fees are required for commitments to originate mortgage loans.

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(10) FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the balance sheet.

The Bank'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 notional amount of those instruments (see Note 9). The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

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 Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount and type of collateral obtained, if deemed necessary by the Bank upon extension of credit, varies and is based on management's credit evaluation of the counterparty.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

The Bank has not been required to perform on any financial guarantees during the past two years. The Bank has not incurred any losses on its commitments in either 1998 or 1997.

(11) STOCKHOLDERS' EQUITY

Capital Stock

As part of the conversion completed on July 1, 1998, the Bank became a wholly-owned subsidiary of the Company which offered common stock to certain current and former deposit and borrower customers of the Bank in a subscription offering. The Company issued 396,750 shares of common stock with gross proceeds of $3,967,500 as a result of the offering. Total expenses in connection with the conversion and offering amounted to $307,616 and were charged against the proceeds from the offering.

Liquidation Account

Upon completion of the conversion, the Bank established a liquidation account in an amount equal to its retained earnings at December 31, 1997 totaling $2,091,519. The liquidation account will be maintained for the benefit of depositors as of the December 31, 1996 eligibility record date (or the March 31, 1998 supplemental eligibility record date) who maintain their deposits in the Bank after conversion.

In the event of complete liquidation, and only in such an event, each eligible depositor will be entitled to receive a liquidation distribution from the liquidation account in the proportionate amount of the then current adjusted balance for deposits held, before any liquidation distribution may be made with respect to the stockholders. Except for the repurchase of stock and payment of dividends by the Bank, the existence of the liquidation account does not restrict the use or application of retained earnings of the Bank.

Dividends

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The payment of dividends by the Bank is subject to regulation by the Office of Thrift Supervision (OTS). The Bank may not declare or pay a cash dividend or repurchase any of its capital stock if the effect would cause retained earnings of the Bank to be reduced below regulatory capital requirements imposed by the OTS.

(12) REGULATORY MATTERS

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

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of tangible capital to adjusted total assets (as defined), Tier I (core) capital (as defined) to adjusted total assets, Tier I capital to risk-weighted assets (as defined), and of total risk-based capital (as defined) to risk-weighted assets. Management believes, as of December 31, 1998, that the Bank meets all capital adequacy requirements to which it is subject.

(12 - continued)

As of December 31, 1998, the most recent notification from the OTS categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table below. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's actual capital amounts and ratios are also presented in the table. No amount was deducted from capital for interest-rate risk in either year.

<TABLE>
<CAPTION>

	Actual		Minimum For Capital Adequacy Purposes:		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
(Dollars in thousands)						
As of December 31, 1998:						
Total equity capital and ratio to total assets	$ 4,037	15.9%				
Adjustments to equity capital	9					

Tangible capital and ratio to adjusted total assets	$ 4,046	15.9%	$ 382	1.5%		
	======		=====			
Tier I (core) capital and ratio to adjusted total assets	$ 4,046	15.9%	$ 763	3.0%	$1,272	5.0%

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	======		=====		=====	
Tier I capital and ratio to risk-weighted assets	$ 4,046	30.1%			$ 809	6.0%
					=====	
Allowance for loan losses	51					

Total risk-based capital and ratio to risk-weighted assets	$ 4,097	30.4%	$1,077	8.0%	$1,346	10.0%
	======		=====		=====	
Total assets	$25,439					
	======					
Adjusted total assets	$25,448					
	======					
Risk-weighted assets	$13,464					
	======					

</TABLE>

(12 - continued)
<TABLE>
<CAPTION>

	Actual		Minimum For Capital Adequacy Purposes:		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
(Dollars in thousands)						
As of December 31, 1997:						
Total equity capital and ratio to total assets	$ 2,092	9.5%				
Adjustments to equity capital	18					

Tangible capital and ratio to adjusted total assets	$ 2,110	9.6%	$330	1.5%		
	======		===			
Tier I (core) capital and ratio to adjusted total assets	$ 2,110	9.6%	$660	3.0%	$1,100	5.0%
	======		===		=====	
Tier I capital and ratio to risk-weighted assets	$ 2,110	17.7%			$ 714	6.0%
					=====	
Allowance for loan losses	51					

Total risk-based capital and ratio to risk-weighted assets	$ 2,161	18.2%	$952	8.0%	$1,199	10.0%
	======		===		=====	
Total assets	$21,989					

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	======
Adjusted total assets	$22,007
	======
Risk-weighted assets	$11,898
	======

</TABLE>

(13) SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Cash payments for:		
Interest	$1,035,196	$1,106,810
Taxes	39,763	(10,655)
Noncash investing activities:		
Proceeds from sale of foreclosed real estate financed through loans	21,233	-

</TABLE>

(14) SUPPLEMENTAL DISCLOSURE FOR EARNINGS PER SHARE

Basic earnings per share for 1998 is calculated by dividing net income by the 396,750 common shares outstanding after consummation of the conversion and offering. The Company has no dilutive potential common shares.

(15) DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value and estimated fair value of financial instruments at December 31 are as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Carrying Value	Fair Value	Carrying Value	Fair Value
		(In thousands)		
<S>	<C>	<C>	<C>	<C>
Financial assets:				
Cash and due from banks	$ 43	$ 43	$ 18	$ 18
Interest bearing deposits with banks	2,323	2,323	734	734
Securities available for sale	1,532	1,532	1,319	1,319
Securities held to maturity	-	-	21	21
Loans, net	20,930	21,498	19,296	19,320
Federal Home Loan Bank stock	196	196	196	196
Financial liabilities:				
Deposits	(19,517)	(19,705)	(19,846)	(19,916)
Unrecognized financial instruments:				
Commitments to extend credit	-	(3)	-	-

</TABLE>

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate that value:

Cash and Short-Term Investments

For cash and short-term investments, including cash and due from banks and interest bearing deposits with banks, the carrying value is a reasonable estimate of fair value.

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PCB HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 1998 AND 1997

(15 - continued)

Debt and Equity Securities

For debt securities, including mortgage-backed securities, the fair values are based on quoted market prices. For restricted equity securities held for investment, the carrying value is a reasonable estimate of fair value.

Loans

The fair value of loans is estimated by discounting the estimated future cash flows using current rates at which loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Deposits

The fair value of savings and demand deposits is the amount payable on demand at the balance sheet date. The fair value of fixed-maturity time deposits is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

Commitments to Extend Credit

The majority of commitments to extend credit would result in loans with a market rate of interest if funded. The value of those commitments are the fees that would be charged to customers to enter into similar agreements. For fixed rate loan commitments, the fair value also considers the difference between current levels of interest rates and the committed rates.

(16) PARENT COMPANY CONDENSED FINANCIAL INFORMATION

Condensed financial information for PCB Holding Company (parent company only) for the year ended December 31, 1998 follows:

Balance Sheet

(In thousands)

<TABLE>
<CAPTION>

Assets:	
Cash and interest bearing deposits	$1,817
Investment in bank subsidiary	4,037
	$5,854
Liabilities and Stockholders' Equity:	
Other liabilities	$ 4
Stockholders' equity	5,850
	$5,854

</TABLE>

PCB HOLDING COMPANY AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 1998 AND 1997

(16 - continued)

Statement of Income

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(In thousands)

Interest income	$ 20
Other operating expenses	15
Income before income taxes and equity in undistributed net income of subsidiary	5
Income tax expense	2
Income before equity in undistributed net income of subsidiary	3
Equity in undistributed net income of subsidiary	106
Net income	$ 109

Statement of Cash Flows

(In thousands)

Operating Activities:	
Net income	$ 109
Adjustments to reconcile net income to cash provided by operating activities:	
Equity in undistributed net income of subsidiary	(106)
Increase in other liabilities	4
Net cash provided by operating activities	7
Investing Activities:	
Investment in bank subsidiary	(1,830)
Financing Activities:	
Proceeds from issuance of common stock	3,660
Cash dividends paid	(20)
Net cash provided by financing activities	3,640
Net increase in cash	1,817
Cash at beginning of year	-
Cash at end of year	$ 1,817

BOARD OF DIRECTORS/OFFICERS

Directors

James L. Wittmer
Retired businessman and investor

Howard L. Traphagen
Retired businessman

James G. Tyler
Practicing attorney in Tell City, Indiana

Daniel P. Lutgring
Co-owner of Lutgring Bros., Inc.

Marion L. Ress
Retired president and majority owner of Frederick Sheet Metal, Inc.

Carl D. Smith
President and Chief Executive Officer

Executive Officer

Clarke A. Blackford

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Vice-President and Treasurer

CORPORATE INFORMATION

General Counsel

James G. Tyler
717 Jefferson Street
P. O. Box 456
Tell City, Indiana 47586

Independent Auditors

Monroe Shine & Co., Inc.
222 East Market Street
New Albany, Indiana 47150

Special Counsel

Muldoon, Murphy & Faucette, LLP
5101 Wisconsin Ave., NW
Washington, D.C. 20016

Transfer Agent

Registrar and Transfer Company
10 Commerce Drive
Crawford, New Jersey 07016

Common Shares

The common shares of the Company are traded on the over-the-counter market through the OTC "Electronic Bulletin Board" under the symbol "PCBH." As of December 31, 1998, the Company has 256 stockholders of record and 396,750 common shares outstanding. This does not reflect the number of persons whose shares are in nominee or "street" name accounts through brokers.

Quarterly market price and dividend information per common share for 1998:

	First	Second	Third	Fourth
Market price-end of period	N/A	N/A		
Dividends	N/A	N/A	$-	$.05

Annual Meeting

The Annual Meeting of Stockholders will be held at 10:00 a.m., Thursday, April 22, 1999, at the office of the Bank, 819 Main Street, Tell City, Indiana 47586.

General Inquiries and Reports

The Company is required to file an Annual Report on Form 10-KSB for its fiscal year ended December 31, 1998 with the Securities and Exchange Commission. Copies of this annual report and the Company's quarterly reports on Form 10-QSB may be obtained without charge by contacting:

Carl D. Smith
President and Chief Executive Officer
PCB Holding Company
819 Main Street
Tell City, Indiana 47586
(812) 547-7094

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EXHIBIT 21

Subsidiaries of the Registrant

Exhibit 21

Subsidiaries of Registrant

Parent

PCB Holding Company
<TABLE>
<CAPTION>

Subsidiaries (a)	Percentage of Ownership	Jurisdiction or State of Incorporation
<S>	<C>	<C>
Peoples Community Bank	100%	United States
Peoples Building and Loan Association Service Corporation(b)	100%	Indiana

</TABLE>

(a) The operations of the Company's subsidiaries are included in the Company's consolidated financial statements.

(b) This is an inactive company owned directly by Peoples Community Bank.

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<TABLE> <S> <C>

<ARTICLE> 9
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This schedule contains financial information extracted from the consolidated finacial statements of PCB Holding Company for the year ended December 31, 1998 and in qualified in its entirety by reference to such financial statements.
</LEGEND>

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