FORM 10-K

Annual report pursuant to section 13 and 15(d)

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PEOPLES FINANCIAL CORP INC /PA/
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NEW BETHLEHEM PA 16242
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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark one)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM ____________TO_____________

COMMISSION FILE NUMBER 33-88802

PEOPLES FINANCIAL CORP., INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

PENNSYLVANIA	25-1469914
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
323 FORD STREET, FORD CITY, PA	16226
(Address of principal executive offices)	(Zip Code)

Registrants telephone number, including area code: (814) 275-3133

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value of $0.30 per share	None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Act of 1934 during the preceeding 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 [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-B is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10K or any amendment to this Form 10-K. [X]

The Issuer's revenues for the year ended December 31, 1998, were: $20,982,293.

State the aggregate market value of the voting stock held by non-affiliates of the registrant: $36,782,980 on March 1, 1999

Indicate the number of shares outstanding of the registrant's common stock, as of March 1, 1999: Peoples Financial Corp., Inc. Common Stock, par value $0.30 per share: 1,768,694 shares

DOCUMENTS INCORPORATED BY REFERENCE

Excerpts from the following documents have been incorporated by reference in answer or partial answer to certain Items required herein and are attached hereto as Exhibits:

1) Annual Report to Shareholders, Part I - II.
2) Proxy Statement pursuant to Regulation 14A promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, Part III.

DESCRIPTION OF PEOPLES FINANCIAL CORP, INC. AND PFC BANK

Part I

ITEM 1 - DESCRIPTION OF BUSINESS

Peoples Financial Corp, Inc., ("PFC", "Corporation" or the "Company") is a Pennsylvania business corporation, incorporated in June, 1984. PFC was organized as a holding company for Peoples Bank of PA. Peoples Bank of PA, in turn owned approximately 53% of New Bethlehem Bank common stock. Effective April 1, 1995, New Bethlehem merged with and into Peoples and changed its name to PFC Bank (the "Bank").

The Bank is a Pennsylvania-chartered banking institution and, as successor to Peoples and New Bethlehem, traces its origins to 1914 and 1895, respectively. PFC Bank offers a full range of banking services through seven banking offices in Pennsylvania, two of which are located in Ford City, two in New Bethlehem, one in each of Clarion and Indiana, and the seventh banking office opened in Butler, Pennsylvania, in September 1998, as a full service branch. As of December 31, 1998, the Bank had total assets of $266.0 million and stockholders' equity of $40.6 million. All of PFC Bank's outstanding common stock is owned by PFC.

PFC Service Corporation (the "Service Corp") is a Delaware corporation and a wholly owned subsidiary of the Bank. The Service Corp was incorporated in Delaware, on May 16, 1997. The primary purpose of the Service Corp is to buy and sell equity securities, primarily Pennsylvania bank securities. As of December 31, 1998, the Service Corp had total assets of $37.4 million and shareholder's equity of $27.1 million.

Forward-Looking Statements

From time to time, the Corporation may publish forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Corporation notes that a variety of factors could cause the Corporation's actual results and experience to differ materially from the anticipated results or other expectations expressed in the Corporation's forward-looking statements. The risks and uncertainties that may affect the operations, performance, development and results of the Corporation's business include the following: general economic conditions, including their impact on capital expenditures; business conditions in the banking industry; the regulatory environment; rapidly changing technology and evolving banking industry standards; competitive factors, including increased competition with community, regional and national financial institutions; new service and product offerings by competitors and price pressures; the inability of the Corporation to accurately estimate the cost of systems preparation for Year 2000 compliance and similar items.

Employees

As of December 31, 1998, PFC, PFC Bank and PFC Service Corp. had 83 full-time employees and 20 part-time employees.

Competition

The Financial services industry in the Company's service area is extremely competitive. The Company's competitors within its service area include multi-bank holding companies, with resources substantially greater than those of the Company. Many competitor financial institutions have legal lending limits substantially higher than the Bank's legal lending limit. In addition, the Bank competes with savings banks, savings and loan associations, credit unions, money market and other mutual funds, mortgage companies, leasing companies, finance companies, and other financial services companies that offer products and services similar to those offered by the Bank on competitive terms. The Bank is not dependent on one or a few major competitors.

In September 1994, federal legislation was enacted that is expected to have a significant effect in restructuring the banking industry in the United States. As a result, the Company expects the operating environment for Pennsylvania-based financial institutions to become increasingly competitive.

Additionally, the manner in which banking institutions conduct their operations may change materially as the activities increase in which bank holding companies and their banking and nonbanking subsidiaries are permitted to engage, and funding and investment alternatives continue to broaden, although the long-range effects of these changes cannot be predicted with reasonable certainty at this time. These changes probably will further narrow the differences and intensify competition between and among commercial banks, thrift institutions, and other financial service companies.

Supervision and Regulation of PFC and PFC Bank

PFC is subject to the provisions of the Bank Holding Company Act of 1956, and to supervision by the Board of Governors of the Federal Reserve System. Under Federal Reserve Board policy, PFC, as a holding company, is expected to act as a source of financial strength to its subsidiaries and to commit resources to support the subsidiaries. This support may be required at times when, absent such Federal Reserve Board policy, PFC may not be in a position to provide it. Under the Federal Deposit Insurance Corporation Improvement Act of 1991, a bank holding company is required to guarantee the compliance of any insured depository institution subsidiary that may become "undercapitalized" (as defined by regulations) with the terms of any capital restoration plan filed by such subsidiary with its appropriate federal banking agency, up to specified limits.

Under the Bank Holding Company Act, the Federal Reserve Board has the authority to require a bank holding company to terminate any activity or relinquish control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) upon the Federal Reserve Board's determination that such activity or control constitutes a serious risk to the financial soundness and stability of any bank subsidiary of the bank holding company.

The Bank Holding Company Act prohibits the Company from acquiring direct or indirect control of more than 5% of the outstanding shares of any class of voting stock or substantially all of the assets of any bank or merging or consolidating with another bank holding company without prior approval of the Federal Reserve Board. Such a transaction would also require approval of the Pennsylvania Department of Banking. Pennsylvania law permits Pennsylvania bank holding companies to control an unlimited number of banks.

Additionally, the Bank Holding Company Act prohibits the Company from engaging in or from acquiring ownership or control of more than 5% of the outstanding shares of any class of voting stock of any company engaged in a nonbanking business unless such business is determined by the Federal Reserve Board to be so closely related to banking as to be a proper incident thereto.

As a bank holding company, PFC is prohibited from engaging in or acquiring direct or indirect control of more than 5 percent of the voting shares of any company engaged in non-banking activities unless the Federal Reserve Board, by order or regulation, has found such activities to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. In making this determination, the Federal Reserve Board considers whether the performance of these activities by a bank holding company would offer benefits to the public that outweigh possible adverse effects.

As a bank holding company, PFC is required to file reports with the Federal Reserve Board and is subject to examinations thereby.

The activities that the Federal Reserve has determined by regulation to be permissible are:

(1) making, acquiring, or servicing loans or other extensions of credit for its own account or for the account of others;

(2) operating an industrial bank, Morris Plan bank, or industrial loan company, in the manner authorized by state law, so long as the institution is not a bank;

(3) operating as a trust company in the manner authorized by federal or state law so long as the institution is not a bank and does not make loans or investments or accept deposits, except as may be permitted by the Federal Reserve Board;

(4) subject to limitations, acting as an investment or financial advisor (i) to a mortgage or real estate investment trust, (ii) to certain registered investment companies, (iii) by providing portfolio investment advice to other persons, (iv) by furnishing general economic information and advice, general economic statistical forecasting services, and industry studies, (v) by providing financial advice to state and local governments, or (vi) by providing financial and transaction advice to corporations, institutions, and certain persons in connection with mergers, acquisitions, and other financial transactions;

(5) subject to limitations, leasing real or personal property or acting as agent, broker, or adviser in leasing such property in accordance with prescribed conditions;

(6) investing in corporations or projects designed primarily to promote community welfare;

(7) providing to others data processing services and data transmission services, data bases, and facilities, within certain limitations;

(8) subject to limitations, engaging in certain agency and underwriting activities with respect to credit insurance, and certain other insurance activities as permitted by the Federal Reserve Board;

(9) owning, controlling, or operating a savings association, if the savings association engages only in deposit-taking activities and lending and other activities that are permissible for bank holding companies under Federal Reserve Board regulations;

(10) providing courier services for certain financial documents;

(11) subject to limitations, providing management consulting advice to nonaffiliated bank and nonbank depository institutions;

(12) retail selling of money orders and similar consumer-type payment instruments having a face value of $1,000 or less, selling U.S. Savings Bonds, and issuing and selling traveler's checks;

(13) performing appraisals of real estate and personal property;

(14) subject to limitations, acting as intermediary for the financing of commercial or industrial income-producing real estate by arranging for the transfer of the title, control, and risk of such a real estate project to one or more investors;

(15) providing certain securities brokerage services;

(16) subject to limitations, underwriting and dealing in government obligations and certain other instruments;

(17) subject to limitations, providing foreign exchange and transactional services;

(18) subject to limitations, acting as a futures commission merchant for nonaffiliated persons;

(19) subject to limitations, providing investment advice on financial futures and options to futures;

(20) subject to limitations, providing consumer financial counseling;

(21) subject to limitations, tax planning and preparation;

(22) providing check guaranty services;

(23) subject to limitations, operating a collection agency; and,

(24) operating a credit bureau.

Federal Reserve Board approval may be required before the Company or its nonbank subsidiaries may begin to engage in any such activity and before any such business may be acquired.

PFC is a legal entity separate and distinct from the Bank. The Company's revenues (on a parent Company only basis) result almost entirely from dividends paid to the Company by its subsidiary. The right of the Company, and consequently the right of creditors and shareholders of the Company, to participate in any distribution of the assets or earnings of any subsidiary through the payment of such dividends or otherwise is necessarily subject to the prior claims of creditors of the subsidiary (including depositors, in the case of the Bank), except to the extent that claims of the Company in its capacity as a creditor may be recognized.

Federal and state laws regulate the payment of dividends by the Company's subsidiaries.

Further, it is the policy of the Federal Reserve Board that bank holding companies should pay dividends only out of current earnings. Federal banking regulators also have the authority to prohibit banks and bank holding companies from paying a dividend if they should deem such payment to be an unsafe or unsound practice.

Capital Adequacy

Bank holding companies are required to comply with the Federal Reserve Board's risk-based capital guidelines. The required minimum ratio of total capital to risk-weighted assets (including certain off-balance sheet activities, such as standby letters of credit) is 8%. At least half (4%) of the total capital is required to be "Tier 1 capital," consisting principally of common stockholders' equity, noncumulative perpetual preferred stock, a limited amount of cumulative perpetual preferred stock, and minority interests in the equity accounts of consolidated subsidiaries, less certain intangible assets. The remainder ("Tier 2 capital") may consist of a limited amount of subordinated debt and intermediate-term preferred stock, certain hybrid capital instruments and other debt securities, perpetual preferred stock, and a limited amount of the general loan loss allowance. In addition to the risk-based capital guidelines, the Federal Reserve Board requires a bank holding company to maintain a minimum "leverage ratio." This requires a minimum level of Tier 1 capital (as determined under the risk-based capital rules) to average total consolidated assets of 3% for those bank holding companies that have the highest regulatory examination ratings and are not contemplating or experiencing significant growth or expansion. All other bank holding companies that have the highest regulatory examination ratings and are not contemplating or experiencing significant growth or expansion. All other bank holding companies are expected to maintain a ratio of at least 1% to 2% above the stated minimum. Further, the Federal Reserve Board has indicated that it will consider a "tangible Tier 1 capital leverage ratio" (deducting all intangibles) and other indicia of capital strength in evaluating proposals for expansion or new activities. The Federal Reserve Board has not advised management of any specific minimum leverage ratio applicable to PFC.

Pursuant to Federal Deposit Insurance Corporation Improvement Act, the federal banking agencies have specified, by regulation, the levels at which an insured institution is considered "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or critically undercapitalized." Under these regulations, an institution is considered "well capitalized" if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater, a leverage ratio of 5% or greater, and is not subject to any order or written directive to meet and maintain a specific capital level. PFC and PFC Bank, at December 31, 1998, qualify as "well capitalized" under these regulatory standards.

PFC Bank is subject to supervision, regulation and examination by the Commonwealth of Pennsylvania Department of Banking (the "Department of Banking") and the Federal Deposit Insurance Corporation ("FDIC"). In addition, the Bank is subject to a variety of local, state and federal laws that affect its operation.

The laws of the Department of Banking applicable to PFC Bank include, among other things, provisions that:

- require the maintenance of certain reserves against deposits;
- limit the type and amount of loans that may be made and the interest that may be charged thereon
- restrict investments and other activities; and,
- limit the payment of dividends. The amount of funds that the Bank may lend to a single borrower is generally limited under Pennsylvania law to 15% of the aggregate of its capital, surplus, undivided profits, loan loss reserves and capital securities of the Bank, all as defined by statute and regulation.

Applicable Pennsylvania law also requires that a bank obtain the approval of the Department of Banking prior to effecting any merger where the surviving bank would be a Pennsylvania-chartered bank. In reviewing merger applications, consideration is given, among other things, to whether the merger would be consistent with adequate and sound banking practices and in the public interest on the basis of several factors, including the potential effect of the merger on competition and the convenience and needs of the area primarily to be served by the bank resulting from the merger.

Applicable Pennsylvania law permits Pennsylvania-chartered banks to engage in banking activity in other states (interstate banking) provided that such activity is within a state that permits reciprocal privileges.

The FDIC, which has primary supervisory authority over the Bank, regularly examines banks in such areas as reserves, loans, investments, management practices, and other aspects of operations. These examinations are designed for the protection of the Bank's depositors rather than the Company's stockholders. The Bank must furnish annual and quarterly reports to the FDIC, which has the authority under the Financial Institutions Supervisory Act to prevent a state non-member bank from engaging in an unsafe or unsound practice in conducting its business.

Federal and state banking laws and regulations govern, among other things, the scope of a bank's business, the investments a bank may take, the reserves against deposits a bank must maintain, the types and terms of loans a bank may make and the collateral it may take, the activities of a bank with respect to mergers and consolidations, and the establishment of branches. Pennsylvania law permits statewide branching.

Under the Federal Deposit Insurance Act, as amended, the Bank is required to obtain the prior approval of the FDIC for the payment of dividends if the total of all dividends declared by the Bank in one year would exceed the Bank's net profits (as defined and interpreted by regulation) for the current year plus its retained net profits (as defined and interpreted by regulation) for the two preceding years, less any required transfers to surplus. In addition, the Bank may only pay dividends to the extent that its retained net profits (including the portion transferred to surplus) exceed statutory bad debts (as defined by regulation). Under Federal Deposit Insurance Corporation Improvement Act, any depository institution, including the Bank, is prohibited from paying any dividends, making other distributions or paying any management fees if, after such payment, it would fail to satisfy its minimum capital requirements.

A subsidiary bank of a bank holding company, such as the Bank, is subject to certain restrictions imposed by the Federal Reserve Act on any extensions of credit to the bank holding company or its subsidiaries, on investments in the stock or other securities of the bank holding company or its subsidiaries, and on taking such stock or securities as collateral for loans. The Federal Reserve Act and Federal Reserve Board regulations also place certain limitations and reporting requirements on extensions of credit by a bank to the principal shareholders of its parent holding company, among others, and to related interests of such principal shareholders. In addition, such legislation and regulations may affect the terms upon which any person becoming a principal shareholder of a holding company may obtain credit from banks with which the subsidiary bank maintains a correspondent relationship.

The Bank, and the banking industry in general, are affected by the monetary and fiscal policies of government agencies, including the Federal Reserve Board. Through open market securities transactions and changes in its discount rate and reserve requirements, the Board of Governors of the Federal Reserve exerts considerable influence over the cost and availability of funds for lending and investment.

Year 2000 Issues

The following section contains forward-looking statements which involve risks and uncertainties. The actual impact on the Corporation of the Year 2000 issue could materially differ from that which is anticipated in the forward-looking statements as a result of certain factors identified below.

The "Year 2000 Problem" ("Y2K") arose because many existing computer programs use only the last two digits to refer to a year. Therefore, these computer programs do not properly recognize a year that begins with "20" instead of the familiar "19". If not corrected, many computer applications could fail or create erroneous results by or at the year 2000. This could cause entire system failures, miscalculations, and disruptions of normal business operations

including, among other things, a temporary inability to process transactions, send statements, or engage in similar day to day business activities. The extent of the potential impact of the Year 2000 Problem is not yet known, and if not timely corrected, it could affect the global economy.

The Bank is subject to the regulation and oversight of various banking regulators, whose oversight includes the provision of specific timetables, programs and guidance regarding Year 2000 issues. Regulatory examination of the Bank's Year 2000 programs are conducted on a periodic basis.

Corporation's State of Readiness

The Board of Directors is committed to ensuring that the Corporation's daily operations suffer little or no impact from the century date change. The Corporation has applied due diligence throughout the Y2K process, following the guidelines contained in the series of Federal Financial Institutions Examinations Council's Interagency Guidelines. The guidelines identify the following phases: awareness, assessment, renovation or remediation, testing or validation and implementation.

Based on an ongoing assessment, the Corporation has determined that it will be required to modify or replace portions of its software so that its computer systems will properly use dates beyond December 31, 1999. The Corporation presently believes that as a result of modifications to existing software and hardware and conversions to new software, the Year 2000 Problem can be mitigated. However, if such modifications and conversions are not made, or are not completed on a timely basis, the Year 2000 Problem could have a material adverse impact on the operations of the Corporation.

Management has initiated an enterprise-wide program to prepare the Corporation's computer systems and applications for the Year 2000. The Corporation has developed a comprehensive inventory of all mainframe and PC based applications, third-party relationships, environmental systems, proprietary programs and noncomputer related systems (such as postage meters and fax machines). This assessment identified 112 systems, processes or proprietary programs, which could be impacted by the century date change. As of March 1, 1999, the Corporation has remedied 110 or 98% of the programs, systems to be Year 2000 ready, with all systems expected to be ready/compliant by April 30, 1999.

The Corporation has acquired its mission-critical system which supports the Corporation's core business processes from a highly regarded third-party vendor. Thus, even though the Corporation does not have direct control over the renovation process, it is monitoring the progress of its third-party vendors to assess the status of their Y2K readiness efforts and plans to retest their systems for Y2K compliance in May 1999. However, because most computer systems are, by their very nature, interdependent, it is possible that noncompliant third-party computers could impact the Corporation's computer systems. The Corporation could be adversely affected by the Y2K problem if it or unrelated parties fail to successfully address the problem. The Corporation has taken steps to communicate with the unrelated parties with whom it deals to coordinate Year 2000 compliance. Additionally, the Corporation is dependent on external suppliers, such as, wire transfer systems, telephone systems, electric companies, and other utility companies for continuation of service. The Corporation is also assessing the impact, if any, the century date change may have on its credit risk.

The Corporation has initiated communications with all of its significant vendors, suppliers and large commercial customers to determine the extent to which the Corporation is vulnerable to those third-parties' failure to remedy their own Year 2000 Problems. The Y2K Project Manager has available each vendor's Y2K readiness efforts. In the event that any of the Corporation's significant vendors, suppliers and large commercial customers do not successfully achieve Year 2000 compliance in a timely manner, the Corporation's business or operations could be adversely affected. For significant vendors, the Corporation will validate that they are Year 2000 compliant by March 31, 1999, or make plans to switch to a new vendor or system that is compliant. For insignificant vendors, the Corporation will not necessarily validate that they are Year 2000 compliant. However, for any insignificant vendor who responds that they will not be compliant by March 31, 1999, the Corporation will seek a new vendor or system that is compliant.

Year 2000 Issues also affect certain of the Bank's customers, particularly in the areas of access to funds and additional expenditures to achieve compliance. The Bank has engaged in a program of contacting its commercial customers regarding the customers' awareness of the Year 2000 Issue. The Corporation cannot guarantee that the inability of loan customers to adequately correct the Year 2000 Issue will not have an adverse effect on the Corporation. For large commercial loan customers, the Bank will take appropriate action based upon their level of readiness for Year 2000. Nevertheless, the Corporation does not believe that the cost of addressing the Y2K issues will be a material event or uncertainty that would cause reported financial information not to be necessarily indicative of future operating results or financial conditions, not does it believe that the costs or the consequences of incomplete or untimely resolution of its Year 2000 issues represent a known material event or uncertainty that is reasonably likely to affect its future financial results, or cause its reported financial information not to be necessarily indicative of future operating results or future financial condition.

Costs of Year 2000

The Corporation will use both internal and external resources to reprogram, or replace, and test its software and hardware for the Year 2000 modifications. Concurrent with the Year 2000 project, the Corporation will also be converting all its major data processing systems, both hardware and software, to current technology. The Corporation plans to complete both the Year 2000 and systems conversion projects no later than June 30, 1999, for all critical systems.

As of March 1, 1999, $27,500 has been expended as Year 2000 costs. Management expects to spend a total of $110,000 for the entire project. Of the total project's cost, approximately $61,000 is attributable to the purchase of new software which will be capitalized. The remaining $21,500 will be expensed as incurred through December 31, 1999. The estimated Year 2000 project costs include the costs and time associated with the impact of third-parties' Year 2000 issues, and are based on presently available information. The total cost of the project is being funded through operating cash flows. The Corporation continues to evaluate appropriate courses of corrective action, including replacement of certain systems whose associated costs would be recorded as assets and amortized. Accordingly, the Corporation does not expect the amounts required to be expensed through December 31, 1999 to have a material effect on the financial position or results of operation. However, if compliance is not achieved in a timely manner by the Corporation or any of its significant related third-parties, be it a supplier of services or customer, the Y2K issue could possibly have a material effect on the Corporation's operations and financial position.

The cost of the projects and the date on which the Corporation plans to complete both Year 2000 modifications and systems conversions are based on management's best estimates, which were derived utilizing numerous assumptions of future events including the continued availability of certain resources, third-party modification plans and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those plans. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

Risks of Year 2000

At present, management believes it's progress is remedying the Corporation's systems, programs and applications and installing Y2K compliant upgrades is on target. The Y2K computer problem creates risk for the Corporation from unforeseen problems in its own computer systems and from third-party vendors who provide the majority of mainframe and PC based computer applications. Failure of third-party systems relative to the Y2K issue could have a material impact on the Corporation's ability to conduct business.

Contingency Plans

The Corporation is in the process of obtaining back-up service providers, working up contingency plans and assessing the potential adverse risks to the Corporation. The Corporation's contingency plans involve the use of manual labor to compensate for the loss of certain automated computer systems and inconveniences caused by disruption in command systems.

The Corporation is in the process of working up contingency plans and assessing the potential adverse risks to the Corporation. The Corporation's contingency plans involve the use of manual labor to compensate for the loss of certain automated computer systems and inconveniences caused by disruption in command systems.

A business resumption contingency plan was developed for mission-critical and required mainframe and PC based applications, third-party relationships, proprietary programs and non-computer related systems. This contingency plan identifies scheduled completion dates. The plan was ratified by the Board of Directors on October 21, 1998.

FDIC Insurance

PFC Bank's deposits are insured by the FDIC pursuant to the system of federal deposit insurance initially established by the Banking Act of 1933. This insurance covers $100,000 per deposit account. The Bank pays insurance premiums into a fund according to rates established by the FDIC. The Federal Deposit Insurance Corporation Improvement Act was enacted, in part, to prevent the deposit insurance funds related to savings institutions from becoming insolvent. The act authorized the FDIC to raise insurance premium assessments in order to achieve and maintain an adequate level of funds. The depletion of the deposit insurance funds had been due, in part, to a large number of failed financial institutions in the 1980's, as well as increases in coverage per deposit account. As a result, the future cost of deposit insurance for the Bank is in large part dependent upon the extent of future banking failures and the amount of insurance coverage provided by the FDIC per deposit account, neither of which is within the Bank's control. Moreover, the act required the FDIC to establish a risk-based insurance premium assessment system in order to differentiate between higher and lower risk institutions and to assess lower premiums against institutions in a lower risk category. As a result, the Bank's future cost of deposit insurance will depend, in part, upon its risk rating.

Interstate Banking Legislation

In September 1994, the Riegle-Neal Interstate Banking and Branching Efficiency Act was enacted. The Interstate Banking Act facilitates the interstate expansion and consolidation of banking organizations:

- by permitting bank holding companies that are adequately capitalized and adequately managed, beginning September 29, 1995, to acquire banks located in states outside their home states regardless of whether such acquisitions are authorized under the law of the host state;
- by permitting the interstate merger of banks after June 1, 1997, subject to the right of individual states to "opt in" or "opt out" of this authority before that date;
- by permitting banks to establish new branches on an interstate basis provided that such action is specifically authorized by the law of the host state;
- by permitting, beginning September 29, 1995, a bank to engage in certain agency relationships (i.e., to receive deposits, renew time deposits, close loans (but not including loan approvals or disbursements), service loans, and receive payments on loans and other obligations) as agent for any bank or thrift affiliate, whether the affiliate is located in the same state or a different state then the agent bank; and
- by permitting foreign banks to establish, with approval of the regulators in the United States, branches outside their "home" states to the same extent that national or state banks located in the home state would be authorized to do so. One effect of this legislation will be to permit the Company to acquire banks and bank holding companies located in any state and to permit qualified banking organizations located in any state to acquire banks and bank holding companies located in Pennsylvania, irrespective of state law.

Since 1995, the Pennsylvania Banking Code has authorized full interstate banking and branching under Pennsylvania law. Specifically, the legislation:

- eliminates the "reciprocity" requirement previously applicable to interstate commercial bank acquisitions by bank holding companies,
- authorizes interstate bank mergers and reciprocal interstate branching into Pennsylvania by interstate banks, and
- permits Pennsylvania institutions to branch into other states with the prior approval of the Pennsylvania Department of Banking.

Overall, this federal and state legislation has, as was predicted, had the effect of increasing consolidation and competition and promoting geographic diversification in the banking industry.

Proposed Legislation and Regulations

From time to time, various federal and state legislation is proposed that could result in additional regulation of, and restrictions on, the business of the Company and the Bank, or otherwise change the business environment.

Management cannot predict whether any of this legislation, if enacted, will have a material effect on the business of the Company.

Environmental Laws

Neither PFC nor the Bank anticipate that compliance with environmental laws and regulations will have any material effect on capital, expenditures, or earnings. However, environmentally related hazards have become a source of high risk and potentially unlimited liability for financial institutions. Environmentally contaminated properties owned by an institution's borrowers may result in a drastic reduction in the value of the collateral securing the institution's loans to such borrowers, high environmental clean up costs to the borrower affecting its ability to repay the loans, the subordination of any lien in favor of the institution to a state or federal lien securing clean up costs, and liability to the institution for clean up costs if it forecloses on the contaminated property or becomes involved in the management of the borrower. To minimize this risk, the Bank may require an environmental examination of and report with respect to the property of any borrower or prospective borrower if circumstances affecting the property indicate a potential for contamination taking into consideration a potential loss to the institution in relation to the borrower. Such examination must be performed by an engineering firm experienced in environmental risk studies and acceptable to the institution, and the cost of

such examinations and reports are the responsibility of the borrower. These costs may be substantial and may deter prospective borrowers from entering into a loan transaction with the Bank. PFC is not aware of any borrower who is currently subject to any environmental investigation or clean up proceeding that is likely to have a material adverse effect on the financial condition or results of operations of the Bank.

In 1995, the Pennsylvania General Assembly enacted the Economic Development Agency, Fiduciary and Lender Environmental Liability Protection Act which, among other things, provides protection to lenders from environmental liability and remediation costs under the environmental laws for releases and contamination caused by others. A lender who engages in activities involved in the routine practices of commercial lending, including, but not limited to, the providing of financial services, holding of security interests, workout practices, foreclosure or the recovery of funds from the sale of property shall not be liable under the environmental acts or common law equivalents to the Pennsylvania Department of Environmental Resources or to any other person by virtue of the fact that the lender engages in such commercial lending practice. A lender, however, will be liable if it, its employees or agents, directly cause an immediate release or directly exacerbate a release of regulated substances on or from the property, or knowingly and willfully compel a borrower to commit an action which caused such release or violate an environmental act. The Economic Development Agency, Fiduciary and Lender Environmental Liability Protection Act, however, does not limit federal liability which still exists under certain circumstances.

ITEM 2 - DESCRIPTION OF PROPERTIES

The Corporation has seven full service offices at the following locations:

1. Ford City Office, 323 Ford Street, Ford City, Pennsylvania, Corporate office, containing 8,300 square feet;

2. New Bethlehem Office, 363 Broad Street, New Bethlehem, Pennsylvania, Operations Office, containing 11,867 square feet;

3. Clarion Office, 650 Main Street, Clarion, Pennsylvania, containing 7,101 square feet;

4. Butler Office, 181 New Castle Road, Butler, Pennsylvania, containing 1,400 square feet;

5 Indiana Office, 500 Philadelphia Street, Indiana, Pennsylvania, containing 4,000 square feet;

6. New Bethlehem Branch Office, 628 Broad Street, New Bethlehem, Pennsylvania, containing 2,800 square feet;

7. Manor Township Office, Pleasantview Drive, Ford City, Pennsylvania, containing 1,600 square feet;

All properties listed are owned by the Company and are used by the Company in its operations. In management's opinion, the above properties are in good condition and are adequate for the Bank's purposes.

ITEM 3 - LEGAL PROCEEDINGS

Management believes there are no proceedings pending to which PFC or the Bank is a party or to which its property is subject, which, if determined adversely, would be material in relation to its undivided profits or financial condition. There are no proceedings pending other than routine litigation incidental to the business of PFC and the Bank. In addition, no material proceedings are pending or are known to be threatened or contemplated against PFC or the Bank by governmental authorities.

ITEM 4 - SUBMISSIONS OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 1998.

Part II

ITEM 5 - MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

PFC's common stock is held by 385 stockholders of record as of March 1, 1999, and is rarely traded. Management of PFC believes that a few securities dealers are attempting to form a market for the PFC Common Stock even though there are very few trades recorded. As of March 1, 1999, there were 1,768,694 shares outstanding after payment of a 100% stock dividend, in the form of a 2 for 1 stock split, payable February 10, 1999, to stockholders of record January 20, 1999. PFC paid dividends of $0.24 per share the first and second quarters of 1997 followed by dividends in each of the third and fourth quarters of 1997 of $0.25 per share. A special dividend of $0.15 per share was paid December 22, 1997. A dividend of $0.25 per share was paid in each of the first two quarters of 1998 followed by a $0.26 per share dividend in the third and fourth quarters. A special dividend of $0.15 per share was paid December 22, 1998. Because corporate and banking laws limit the amount of dividends that can be paid generally, there can be no assurance that dividends will be paid in the future and, if paid, the amount of such dividends. See Note 11, Regulatory Matters, in the footnotes to PFC's financial statement attached at Exhibit 13.

The following table sets forth quarterly highs and lows of PFC Common Stock for the years 1996 through 1998. Quotations were received from Elmer Powell and Associates and reflect inter-dealer prices, without retail markup, mark down or commission and may not represent actual transactions.

Common Stock
Market Performance
(in dollars)

Qtr.	High	Low
1996		
1	25.25	24.00
2	27.00	24.00
3	29.75	28.25
4	38.25	29.00
1997		
1	38.25	36.50
2	38.25	38.25
3	38.25	38.25
4	38.25	38.25
1998		
1	43.00	42.00
2	42.00	42.00
3	50.00	50.00
4	* 30.00	* 30.00

* Adjusted stock price to reflect retroactive treatment of 100% stock dividend in the form of a stock split.

ITEM 6 - SELECTED FINANCIAL DATA

The following is selected financial data of PFC and its wholly owned subsidiary, PFC Bank. Dollar amounts are in thousands, except per share data. The average balances shown consist of daily average balances.

<TABLE>
<CAPTION>

	Years Ended				
Summary of Operations	12/31/98	12/31/97	12/31/96	12/31/95	12/31/94
<S>	<C>	<C>	<C>	<C>	<C>
Total interest income	$ 17,355	$ 15,571	$ 13,933	$ 13,168	$ 12,792
Net interest income	8,905	8,082	7,457	6,869	7,506
Provision for loan losses	200	80	75	60	192
Gains on securities	3,001	1,065	1,053	1,253	2,405
Other operating income	626	870	1,067	661	568
Other operating expenses	6,037	5,934	6,830	6,835	6,578
Net income before deducting minority interest	4,464	2,997	2,110	1,542	2,679
Net income	4,464	2,997	2,110	1,378	1,872
Earnings per share (2)	2.53	1.70	1.20	.88	1.52
Earnings per share (fully diluted) (2)	2.53	1.70	1.20	.88	1.52
Average Balance Sheet Totals					
Total assets (1)	227,803	206,871	185,907	180,598	190,810
Investment securities (1)	43,337	41,946	41,846	56,678	70,088
Loans & leases (net of unearned income and allowance for loan losses)	163,520	142,266	123,115	110,803	106,390
Total deposits	203,096	183,770	164,496	156,450	155,774
Stockholders' equity (1)	21,230	18,505	17,737	19,075	24,980
Historical number of shares outstanding at period end (2)	1,768,694	1,764,336	1,759,980	1,759,980	997,728
Weighted average number of shares outstanding (2)	1,765,792	1,761,126	1,759,980	1,570,114	1,234,084
Period End Total Assets (3)	266,002	240,271	210,812	186,888	181,259

</TABLE>

(1) Excludes the effect of SFAS No. 115 (Statement of Financial Accounting Standards No. 115 - Accounting for Certain Debt and Equity Securities).
(2) Reflects retroactive effect of 333 to 1 stock split in August 1994 and 100% stock dividend in the form of a stock split in February 1999.
(3) Reflects the effect of SFAS No. 115.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion and analysis of the consolidated financial condition and results of operations of PFC and its wholly owned subsidiary, PFC Bank. The consolidated financial information should be read in conjunction with PFC's the consolidated financial statements included at Exhibit 13 to this report. Substantially all of the income and expenses of PFC are attributable to PFC Bank and the Bank's subsidiary, PFC Service Corporation.

Financial Condition

The total assets of PFC at December 31, 1998 were $266.0 million, an increase of $25.7 million, or 10.70% over total assets at December 31, 1997 of $240.3 million. Total assets at December 31, 1997 increased by $29.5 million or 13.99% over December 31, 1996.

The increase in total assets from December 31, 1997 to December 31, 1998 was comprised primarily of an increase in the loan portfolio of over $22.3 million and an increase in interest-bearing balances with depository institutions of over $8.2 million offsetting a decrease in federal funds sold of $2.2 million.

The increase in total assets as of December 31, 1997 over December 31, 1996 was comprised primarily of an increase of over $16.3 million in loan balances in addition to increases of $12.8 million in securities available-for-sale and $6.7 million in securities held to maturity. These increases more than offset a decrease of over $3.2 million in federal funds sold.

Total liabilities of PFC increased by $22.5 million from $202.9 million at December 31, 1997 to $225.4 million at December 31, 1998. This increase was due to an increase in interest-bearing deposits of $20.0 million and an increase in non-interest bearing deposits of $2.9 million.

The total liabilities of PFC at December 31, 1997 were $202.9 million, an increase of $18.9 or 10.28% over total liabilities at December 31, 1996 of $183.9 million. The increase in liabilities during the 12 months ended December 31, 1997 resulted primarily from interest bearing deposit increases of $11.8 million and a deferred tax increase of almost $4.6 million due primarily to the tax effects of Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities.

Net Income

PFC reported net income, before deducting the income taxes for the 12 month period ended December 31, 1998 of $6,295,000 as compared to $4,003,000 for the 12 month period ended December 31, 1997, an increase of $2,292,000 or 57.26%. An increase in interest income of $1,784,000 was slightly offset by an increase in interest expense of $961,000. PFC's net income for the period ended December 31, 1998, after deducting taxes, was $4,464,000 as compared to $2,996,000 for the year ended December 31, 1997. PFC reported net income, before deducting income taxes, for the year ended December 31, 1997 of $4,003,000 which was an increase of $1,330,000 or 49.76% as compared to $2,673,000 reported for the year ended December 31, 1996. PFC's net income, after taxes, for the year ended December 31, 1997 was $886,000 higher than for the year ended December 31, 1996.

Earnings per share adjusted for the 100% stock dividend in the form of a 2 for 1 stock split effective February 10, 1999 to shareholders of record January 20, 1999, for the 12 month periods ended December 31, 1998, 1997 and 1996 was $2.53, $1.70 and $1.20, respectively.

Since most of the assets and liabilities of banks are monetary in nature, changes in interest rates can have a significant effect on earnings. PFC, through its asset and liability management, positions itself to react and compensate for the volatility of interest rates. See additional analysis of interest rate sensitivity presented on page 25.

Interest Income and Expenses

Total interest income increased to $17,355,000 in 1998 from $15,571,000 in 1997, an increase of $1,784,000 or 11.46%. This increase is primarily attributable to an increase in interest earned on loans of $1,523,000 or 12.35% along with an increase in interest on interest bearing deposits of $292,000 and investment securities of $188,000. The average yield on interest-earning assets decreased from 7.31% for the 12 month period ended December 31, 1997 to 7.07% for the 12 month period ended December 31, 1998. The average yield on interest-earning assets decreased from 7.53% for the 12 month period ended December 31, 1996 to 7.31% for the 12 month period ended December 31, 1997. The increase in total interest income from 1997 to 1998 results from an increase in average earning assets of $33.0 million. Total average loans increased by $20.0 million while average investment securities and interest-bearing deposits increased by $8.8 and $7.7 million, respectively.

Total interest income increased to $15,571,000 in 1997 from $13,933,000 for the year ended December 31, 1996, an increase of $1,638,000 or 11.76%. The increase in total interest income from 1996 to 1997 results from an increase in earning assets of $32.7 million. Total securities increased by $19.5 million while gross loans increased by over $16.3 million.

Total interest expense increased to $8,450,000 in 1998 from $7,489,000 in 1997, an increase of $961,000, or 12.83%. This increase is the result of an increase in interest bearing deposits of $19.9 million. Total interest expense increased to $7,489,000 in 1997 from $6,475,000 in 1996, an increase of $1,014,000 or 15.66%. The increase is primarily the result of an increase in interest bearing deposits of $11.8 million for the year ended December 31, 1997. The average rate on interest-bearing liabilities was 4.74% for the 12 months ended December 31, 1998 and 4.66% and 4.52% for the 12 month periods ended December 31, 1997 and 1996, respectively.

Net interest income is the difference between the interest earned on loans and other investments, including dividends received on equity securities, and the interest paid on deposits and other sources of funds. Net interest income for the 12 month period ended December 31, 1998 was $8,905,000 as compared to $8,082,000 for the 12 month period ended December 31, 1997, an increase of $823,000 or 10.18%. Net interest income increased $625,000 or 8.38% in 1997 as compared to $7,457,000 for the year ended December 31, 1996.

PFC obtains a portion of its funds from non-interest bearing deposits. Therefore, the rate paid for all funds is lower than the rate on interest bearing funds alone. PFC has been able to retain a significant base of inexpensive deposits, which consists of checking and savings accounts. These deposits for the years ended December 31, 1998, 1997 and 1996 comprise approximately 50.20%, 52.56% and 56.02% of total deposits, respectively.

Interest Income and Expenses (continued)

The following tables present the average major asset and liability categories for the 12 month periods ended December 31, 1998, 1997 and 1996 along with interest income and yields. The average balances shown consist of daily average balances. Non-performing loans are included in the average balance and yield calculations.

Average Balance Sheets & Net Interest Analysis for 1998
(in thousands)

<TABLE>
<CAPTION>

Selected Asset Categories	Average Balances	Interest	Yield/rate
Interest-bearing assets			
Loans & direct lease financing (net of unearned discount)	$163,520	$ 13,846	8.47%
Investment securities	70,696	3,018	4.27%
Federal funds sold	3,743	198	5.29%
Due from banks	7,684	293	3.81%
Non-interest bearing assets			
Cash and due from banks	4,242	N/A	N/A
Premises and equipment	3,354	N/A	N/A
Other assets	2,436	N/A	N/A
Selected Liability Categories			
Interest-bearing liabilities			
Demand deposits	$ 48,843	$ 1,752	3.59%
Savings deposits	28,138	894	3.18%
Time deposits	101,135	5,804	5.74%
Short-term borrowings	0	0	0
Non-interest-bearing liabilities			
Demand deposits	24,980	N/A	N/A
Other	12,779	N/A	N/A
Net interest income	$ 8,905		
Net interest margin	3.63%		
Average yield on interest-bearing assets	7.07%		
Average rate on interest-bearing liabilities	4.74%		

</TABLE>

Interest Income and Expenses (continued)
<TABLE>
<CAPTION>

Average Balance Sheets & Net Interest Analysis for 1997
(in thousands)

Selected Asset Categories	Average Balances	Interest	Yield/rate
Interest-bearing assets			
Loans & direct lease financing (net of unearned discount)	$143,529	$ 12,323	8.59%
Investment securities	61,864	2,831	4.58%
Federal funds sold	7,637	417	5.46%
Due from banks	0	0	0
Non-interest bearing assets			

Cash and due from banks	7,100	N/A	N/A
Premises and equipment	3,598	N/A	N/A
Other assets	3,047	N/A	N/A

Selected Liability Categories

Interest-bearing liabilities			
Demand deposits	$ 45,058	$ 1,590	3.53%
Savings deposits	28,353	901	3.18%
Time deposits	87,246	4,998	5.73%
Short-term borrowings	0	0	0
Non-interest-bearing liabilities			
Demand deposits	23,113	N/A	N/A
Other	10,168	N/A	N/A

Net interest income	$ 8,082
Net interest margin	3.79%
Average yield on interest-bearing assets	7.31%
Average rate on interest-bearing liabilities	4.66%

</TABLE>

Interest Income and Expenses (continued)

<TABLE>
<CAPTION>

Average Balance Sheets & Net Interest Analysis for 1996
(in thousands)

Selected Asset Categories	Average Balances	Interest	Yield/rate
Interest-bearing assets			
<S>	<C>	<C>	<C>
Loans & direct lease financing (net of unearned discount)	$124,380	$ 10,891	8.76%
Investment securities	54,657	2,738	5.00%
Federal funds sold	5,885	304	5.17%
Due from banks	0	0	0
Non-interest bearing assets			
Cash and due from banks	7,101	N/A	N/A
Premises and equipment	3,788	N/A	N/A
Other assets	2,907	N/A	N/A

Selected Liability Categories

Interest-bearing liabilities			
Demand deposits	$ 41,665	$ 1,465	3.52%
Savings deposits	29,172	921	3.19%
Time deposits	72,339	4,089	5.65%
Short-term borrowings	27	2	7.41%
Non-interest-bearing liabilities			
Demand deposits	21,320	N/A	N/A
Other	7,673	N/A	N/A

Net interest income	$ 7,457
Net interest margin	4.03%
Average yield on interest-bearing assets	7.53%
Average rate on interest-bearing liabilities	4.52%

</TABLE>

Non-interest income

Non-interest income for the twelve month period ended December 31, 1998 totaled $3,627,000 as compared to $1,935,000 for the same period ended 1997, an increase of $1,692,000 or 88.44%. Non-interest income for the year ended December 31, 1997 decreased from the total in 1996 of $2,121,000 by $186,000. Changes in the level of non-interest income during 1998 is primarily attributable to an increase in net investment gains of $1,936,000 from 1997 to 1998. Changes in the level of non-interest income during 1997 is primarily attributable to a decrease in flood proceeds of $153,000 from 1996 to 1997.

Non-interest Expenses

Non-interest expenses for the twelve month period ended December 31, 1998 totaled $6,037,000 as compared to $5,934,000 for the same period in 1997, an increase of $103,000 or 1.74%. The increase is primarily related to the net of an increase in salaries and employee benefits of $199,000 and decreases of $69,000 in legal and professional fees and $48,000 in miscellaneous operating expenses. Non-interest expense for the twelve month period ended December 31, 1997 registered a decrease of $896,000 or 13.12% as compared to the same period in 1996. The decrease is primarily related to a $544,000 decrease in early retirement expenses from 1996 to 1997. Other expenses for the year ended December 31, 1996 were substantially the same as 1995.

Investment Securities

Investments are second only to the loan portfolio when analyzing the source of PFC's earning assets. In addition to generating revenue, securities provide the primary source of liquidity and also serve as collateral for public deposits. PFC historically invests in U.S. Treasury securities, obligations of U.S. government agencies, obligations of state and political subdivisions, selected corporate notes and equity securities of other local and regional financial institutions. PFC accounts for investments in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, which requires PFC to classify investment securities as either held to maturity, available for sale or trading. Management has the ability and intent to hold held-to-maturity securities until maturity. PFC has classified all equity securities as available for sale. Substantially all of these securities are held in PFC Service Corporation, Inc. There are no securities held in PFC's investment portfolio which are considered trading securities. Under SFAS No. 115, PFC is required to adjust the carrying value of its available-for-sale securities to market value. These unrealized gains (losses) are recognized as an increase (decrease) to the carrying value of such securities; the offset of which is an increase (decrease) to PFC's stockholder's equity, adjusted for the deferred income tax effects thereon. For the period ended December 31, 1998, PFC's net unrealized gain on available-for-sale securities was $26.7 million. As of December 31, 1997 the net unrealized gain was $27.1.

PFC's investment securities balance for the period ended December 31, 1998 was $70.8 million, a $400,000 or 0.50% decrease compared to the period ended December 31, 1997. The December 31, 1997 securities balance of $71.2 million was an incease of $19.6 million over the same time period in 1996. This increase was due to increased pledging needs as well as a 91.08% increase in unrealized gains on available-for-sale securities.

Average federal funds sold and securities sold under agreement to repurchase were $3.7 million and $7.6 million for the year ended December 31, 1998 and 1997, respectively.

The table on the following page summarizes the maturity distribution and itemized breakdown of the investment portfolio as of December 31, 1998.

Maturity Distribution of Investment Securities for 1998
(in thousands and excluding SFAS No. 115)

<TABLE>
<CAPTION>

	No Maturity	Yield	Within 1 Year	Yield	1 to 5 Years	Yield	5 to 10 Years	Yield	Total
U.S. Treasuries/Agencies			$7,248	6.16%	$22,494	5.78%	$ 997	7.33%	$30,739
State/Municipal			805	4.02%	310	4.73%	25	4.65%	1,140
Other Securities			750	7.28%	--	0.00%	--	0.00%	750
Equity Securities	$11,515	9.41%							11,515
Totals	$11,515	9.41%	$8,803	6.06%	$22,804	5.77%	$1,022	7.26%	$44,144

</TABLE>

Short-term Borrowings
(in thousands)

For each period:	1998	1997	1996
Balance at period end	$ 0	$ 0	$ 0
Weighted average interest rate	0	0	5.67%
Maximum amount outstanding	0	0	2,100
Maximum amount at any month end	0	0	0
Average amount outstanding	0	0	27

Loans

As of December 31, 1998, the net loan portfolio of PFC Bank comprised 65.67% of total consolidated assets as compared with 63.43% for the year ending December 31, 1997.

Traditionally, PFC Bank has been highly dependent on home mortgage lending. While this type of loan comprises a large portion of the loan portfolio, PFC Bank has a wide range of other loans.

While the Bank offers a variety of loans to individual and corporate customers in Armstrong, Butler, Clarion and Indiana Counties of Pennsylvania, they concentrate their lending activities in residential mortgages in their local market area. These loans comprised approximately 62.57% of PFC Bank's gross loan portfolio as of December 31, 1998. As of that date, the remainder of the portfolio was made up of real estate construction loans comprising loans of 1.39%, commercial and agricultural loans of 19.91%, consumer loans of 13.69%; and, other loans comprising 2.44% of the loan portfolio. Although PFC Bank has a significant concentration of residential and commercial mortgage loans collateralized by first mortgage liens located in the Bank's lending areas, there is no concentration of loans to borrowers engaged in similar economic activities which exceed 10% of the loans at December 31, 1998.

The risks associated with the various types of loans placed by PFC Bank are varied. The practices employed by the Bank in addressing these risks constantly evolves in response to economic conditions.

With respect to secured real estate lending, PFC Bank has traditionally placed heavy reliance on collateral value but has tightened its lending policies and is placing more reliance on the borrower's ability to repay. Because the Bank's market is comprised largely of an outlying but moderately prosperous section of Pennsylvania, PFC Bank has been somewhat cushioned from the real estate recessions as well as real estate booms, leaving values at very conservative levels through the years. The Bank experienced a decrease in non-performing assets from 1997 to 1998 of $68,000 or 7.11% following a decrease of $559,000 or 36.87% from 1996 to 1997. Restructured loans, non-accrual loans and loans 90 days or more past-due decreased by 7.64%, 57.14% and 3.77%, respectively. The tightening of lending policies has not decreased loan demand. In fact, total loans as of December 31, 1998, have increased over the balances at December 31, 1997, by $22.3 million following an increase from 1996 to 1997 of $16.3 million. The Bank intends to continue its policy of performing formal credit analyses in support of loan requests.

PFC's total consolidated loans (net of unearned income and the allowance for loan losses) at December 31, 1998, were $174,704,000, an increase of $22,308,000 or 14.64% as compared to $152,396,000 at December 31, 1997. The December 31, 1997 balance increased $16,346,000 or 12.01% over the year ended December 31, 1996. The increase in 1998 was due primarily to a $23.0 million increase in residential property loans. The increase in 1997 was due primarily to increases in residential loans and commercial loans and changes in PFC's pricing structure relative to the marketplace, and a general increase in loan demand due to the economic environment.

Loans (continued)
<TABLE>
<CAPTION>

(in thousands and net of unearned income, but not the allowance for loan losses)

<S>	12/31/98 <C>	12/31/97 <C>	12/31/96 <C>	12/31/95 <C>	12/31/94 <C>
Commercial, financial, agriculture	$ 12,089	$ 17,200	$ 13,859	$ 9,918	$ 7,555
Real estate-construction	2,439	1,966	2,558	947	1,002
Real estate-mortgage	133,035	102,222	90,129	71,038	73,992
Consumer	24,085	28,646	27,774	30,303	28,403
Other	4,294	3,611	2,984	2,639	1,866
Totals	$175,942	$153,645	$137,304	$114,845	$112,818

</TABLE>

<TABLE>
<CAPTION>

Percent of Loan Categories to Total Loans

	12/31/98	12/31/97	12/31/96	12/31/95	12/31/94
<S>	<C>	<C>	<C>	<C>	<C>
Commercial, financial, agriculture	6.87%	11.19%	10.09%	8.63%	6.70%
Consumer/Other	16.13%	21.00%	22.40%	28.69%	26.83%
Real estate	77.00%	67.81%	67.51%	62.68%	66.47%
	100.00%	100.00%	100.00%	100.00%	100.00%

</TABLE>

<TABLE>
<CAPTION>
Maturity Table as of December 31, 1998

	Due 1 year or less	1-5 years	After 5 years	Totals
<S>	<C>	<C>	<C>	<C>
Floating rate	$ 915	$ --	$ --	$ 915
Fixed rate	28,396	63,053	83,578	175,027
	$ 29,311	$ 63,053	$ 83,578	$175,942

</TABLE>

Allowance/Provision for Loan Losses

An allowance for possible loan losses is maintained at a level that management considers adequate to provide for potential losses based upon an evaluation of known and inherent risks in the loan portfolio. Management's judgment is based upon evaluation of individual loans, past loss experience, current economic conditions and other relevant factors. While management uses the best information available to make such evaluations, future adjustments to the allowance may be necessary if conditions differ substantially from the assumptions used in making the evaluation. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgment of information available to them at the time of their examination.

The evaluation of the adequacy of the allowance for loan losses includes a consideration of the following factors: the level and trends in loan delinquencies and non-accrual loans; the current and anticipated local, regional and national economic outlook; concentrations of credit risk; historical charge-off and recovery experience; trends in loan classifications; an assessment of inherent risk and overall portfolio quality; and, consideration of PFC Bank's loan origination standards.

Based on this information, management concluded that the Bank's allowance for loan losses was adequate to provide for known and inherent losses which may exist in the loan portfolio as of December 31, 1998.

The provision for loan losses was $200,000 for the twelve month period ended December 31, 1998 and $80,000 for the same period ended December 31, 1997. The allowance for loan losses was $1,238,000 at December 31, 1998, which was $11,000 less than the amount at December 31, 1997.

The provision for loan losses of $80,000 for the twelve month period ended December 31, 1997 was a $5,000 increase over the provision of $75,000 for the same period ended December 31, 1996. The allowance for loan losses decreased $5,000 from $1,254,000 at December 31, 1996 to $1,249,000 at December 1997.

The provision for loan losses for the year ended December 31, 1996 as compared to the year ended December 31, 1995, increased $15,000 from $60,000 or 25.00%. The allowance for loan losses of $1,254,000 at December 31, 1996 was $10,000 more than the amount reported at December 31, 1995.

Management recognizes the need to maintain an adequate reserve to meet the ongoing risks associated with a growing loan portfolio and intends to continue to maintain the allowance at appropriate levels based on ongoing evaluations of the loan portfolio. Net loan charge-offs were $211,000 for the twelve month period ended December 31, 1998 as compared to 1997 and 1996 net charge-offs of $85,000 and $65,000, respectively. The increase in net charge-offs in 1998 was due to a single loan charge-off of $151,000 arising from a successor letter of credit, derived from a letter of credit originally issued in 1985 by past management.

Non-performing assets of $889,000 were 71.81% of the allowance for loan losses at December 31, 1998. Non-performing assets compared to the allowance for loan losses at December 31, 1997 and 1996 were 76.62% and 120.89%, respectively. Non-performing assets consist of loans no longer accruing interest, loans accruing interest past due more than 90 days, restructured loans and other real estate owned (foreclosed assets).

The table on the following page summarizes the loan portfolio and loan charge-offs for the five years ended December 31, 1998.

Allowance/Provision for Loan Losses (continued)

Loan Loss Summary
(in thousands)

	Years Ended				
	12/31/98	12/31/97	12/31/96	12/31/95	12/31/94
Amount of loans outstanding at end of period, net of unearned income	$175,942	$153,645	$137,304	$114,845	$112,818
Daily average amounts of loans	$163,520	$143,529	$124,380	$111,927	$107,758
Allowance for loan losses at the beginning of period	$ 1,249	$ 1,254	$ 1,244	$ 1,383	$ 1,311
Loans Charged-off:					
Commercial, financial, agriculture	151	4	0	113	164
Real-estate construction	0	0	0	0	0
Real-estate mortgage	0	0	0	0	0
Consumer	95	101	107	110	136
Leasing and other	0	0	0	0	0
Totals	246	105	107	223	300
Recoveries of loans previously charged-off:					
Commercial, financial, agriculture	8	8	9	10	148
Real estate - construction	0	0	0	0	0
Real estate - mortgage	0	0	28	2	2
Consumer	27	12	5	12	30
Leasing and other	0	0	0	0	0
Totals	35	20	42	24	180
Net loans charged off	$ 211	$ 85	$ 65	$ 199	$ 120
Additions to allowance charged to operations	200	80	75	60	192
Allowance for loan losses	$ 1,238	$ 1,249	$ 1,254	$ 1,244	$ 1,383
Ratio of net charge-offs during period to average loans outstanding	0.13%	0.06%	0.05%	0.17%	0.11%
Ratio of reserves to net loans at end of period	0.70%	0.81%	0.91%	1.08%	1.23%
Allocation of Allowance for Loan Losses					
Loan Type					
Commercial. financial, agriculture	$ 260	$ 421	$ 600	$ 600	$ 439
Real estate - construction/mortgage	100	100	100	164	193
Consumer and other	180	505	118	140	189
Not allocated	698	223	436	340	562
Totals	$ 1,238	$ 1,249	$ 1,254	$ 1,244	$ 1,383

Non-Performing Assets

The table below presents non-performing assets in each of the five years ended December 31, 1998. Management is not aware of any significant loans outstanding which are current, but for which there is a serious doubt as to whether the customer can comply with loan repayment terms.

PFC Bank's non-performing assets consist of: (i) non-accrual loans; (ii) loans past due 90 or more days as to interest or principal and still accruing interest; (iii) restructured loans; and, (iv) other real estate acquired through foreclosure, including in-substance foreclosures.

As part of its policy, PFC Bank places all loans that are past due 90 days or more on non-accrual status, unless they are adequately capitalized and in the process of collection.

Properties acquired by foreclosure, or deed in lieu of foreclosure, and properties classified as in-substance foreclosed are transferred to other real estate and recorded at the lower of cost or fair value, less estimated disposal costs. This method of accounting is consistent with the American Institute of Certified Public Accountants' Statement of Position 92-3, Accounting for Foreclosed Assets (SOP 92-3). Management of PFC believes that the adoption of SOP 92-3 has not had a material impact on the financial statements of PFC Bank

<TABLE>
<CAPTION>
Non-Performing Assets
(in thousands)

	12/31/98	12/31/97	12/31/96	12/31/95	12/31/94
<S>	<C>	<C>	<C>	<C>	<C>
Non-accrual loans	$ 93	$ 217	$ 332	$ 498	$ 518
Accruing loans past due 90 days or more	434	451	799	819	416
Restructured loans	133	144	155	167	83
Other real estate	229	145	230	82	271
Totals	$ 889	$ 957	$1,516	$1,566	$1,288

	12/31/98	12/31/97	12/31/96	12/31/95	12/31/94
Interest income which would have been recorded under original terms	$ 7	$26	$27	$32	$34
Interest income recorded during period	40	4	9	14	21
Commitments to lend additional funds	N/A	N/A	N/A	N/A	N/A

</TABLE>

Deposits

PFC Bank continues to rely upon deposits as its primary source of funds. Deposits consist of interest bearing and non-interest bearing demand deposits, savings deposits and time deposits.

The table below presents average daily deposits and interest rates and maturities of time deposits of $100,000 or more for the years ended December 31, 1998, 1997 and 1996.
<TABLE>
<CAPTION>

Deposits
(in thousands)

	Average Amount			Average Rate		
	1998	1997	1996	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Non-interest bearing demand deposits	$24,980	$23,113	$ 21,320	--	--	--
Interest bearing demand deposits	48,843	45,058	41,665	3.59%	3.53%	3.52%
Savings deposits	28,138	28,353	29,172	3.18%	3.18%	3.19%
Time deposits	101,135	87,246	72,339	5.74%	5.73%	5.64%
Totals	$203,096	$183,770	$ 164,496			

==

Maturities of Time Deposits of $100,000 or more

	1998	1997	1996
Three months or less	$20,624	$12,626	$ 6,710
Over three through twelve months	14,871	13,246	6,393
Over 1 year through 5 years	5,987	7,208	9,898
Over 5 years	100	--	100
Totals	$41,582	$33,080	$ 23,101

</TABLE>

PFC's consolidated deposit balance as of December 31, 1998 was $213,359,000, which is a $22,786,000 increase over the December 31, 1997 balance of $190,573,000. The December 31, 1997 balance was a $14,308,000 increase over the December 31, 1996 balance of $176,265,000. The majority of the deposit growth experienced in 1998 and 1997 occurred in time deposits.

Liquidity

PFC Bank's liquidity is a measure of its ability to fund loans, withdrawals of deposits and other cash outflows in a cost effective and timely manner.

PFC Bank's principal sources of funds are deposits, scheduled payments and pre-payments of loan principal, maturities of investment securities and short-term investments, and other funds provided by operations. While loan payments and maturing investments are a relatively predictable source of funds, deposit flows are greatly influenced by general interest rates, economic conditions and competition. In order to meet the cash needs for 1998, PFC Bank maintained an average balance of federal funds sold of $3.7 million for the 12 months ended December 31, 1998, as compared to $7.6 million at December 31, 1997. At December 31, 1998, PFC held $8.8 million of investment securities and $29.3 million of loans maturing in less than one year. PFC Bank has the option to borrow funds from the Federal Home Loan Bank and the Federal Reserve Bank. The Bank also relies on the sale of bank equities as a secondary source of liquidity through the planned taking of capital gains. Management believes that the Bank's liquidity position is adequate at the present time.

Interest Rate Sensitivity

The objective of interest rate sensitivity management is to minimize the Bank's risks associated with changing interest rates by managing interest sensitive assets and liabilities in such a manner that they can be repriced in response to changes in market interest rates. PFC Bank's objective is to maintain a reasonable balance between rate sensitive assets and rate sensitive liabilities.

The difference between interest sensitive assets and liabilities (i.e., balance sheet gap) cannot solely be used to control interest rate sensitivity. Interest rates themselves must be monitored and adjusted to maintain an acceptable return on assets. Management's ability to forecast and simulate rate movements allows changes to be made quickly and advantageously. Although management recognizes PFC Bank's short-term, highly liability sensitive position, it continues to evaluate its earning assets versus liabilities to reduce this gap. Management believes the gap ratio, as indicated in the table below, is acceptable. Management's study of the Bank's primary core deposit base revealed that even in times of interest rate fluctuation, the base has remained stable. As a result, management believes that these core deposits (demand, NOW and savings accounts) are not necessarily tied to interest rate sensitivity.

<TABLE>
<CAPTION>

Interest Sensitivity Cumulative Gap Analysis
(in thousands)

	December 31, 1998			
Assets:	0-3 Months	0-6 Months	0-12 Months	0-5 Years
<S>	<C>	<C>	<C>	<C>
Investments Securities	$ 3,754	$ 6,404	$ 9,601	$ 31,456
Loans	9,006	17,016	29,311	92,364
Federal Funds sold	1,900	1,900	1,900	1,900
Interest Bearing Depository Balances	8,268	8,268	8,268	8,268
Total Earning Assets	$ 22,928	$ 33,588	$ 49,080	$ 133,988
Liabilities:				
NOW Accounts	$ 8,776	$ 8,776	$ 8,776	$ 8,776
MMDA	17,568	17,568	17,568	17,568

>$100,000	20,624	30,264	35,495	41,482
<$100,000	16,067	25,202	43,639	65,780
Total Interest-bearing Liabilities	$ 63,035	$ 81,810	$ 105,478	$ 133,606
Cumulative Gap	(40,107)	(48,222)	(56,398)	382
Cumulative Gap Ratio	(15.07)	(18.11)	(21.19)	0.14
Rate Sensitive Assets/ Rate Sensitive Liabilities	36.37%	41.06%	46.53%	100.29%

</TABLE>

<TABLE>
<CAPTION>

Peoples Financial Corp., Inc.
Changes in Interest Income/ Expense
(in thousands)

	December 31 1998 vs. 1997 Increase/Decrease due to change in		
Interest income on:	Volume	Rate	Net
<S>	<C>	<C>	<C>
Loans	$ 1,719	$ (196)	$ 1,523
Investment securities	408	(219)	189
Due from banks	459	(168)	291
Federal funds sold and securities purchases	(213)	(6)	(219)
Total interest-earning assets	$ 2,373	$ (589)	$ 1,784
Interest expense on:			
Demand deposits	$ 134	$ 29	$ 163
Savings deposits	(7)	0	(7)
Time deposits	795	10	805
Short-term borrowings	0	0	0
Total interest-bearing liabilities	$ 922	$ 39	$ 961

</TABLE>

<TABLE>
<CAPTION>

	December 31 1997 vs. 1996 Increase/Decrease due to change in		
Interest income on:	Volume	Rate	Net
<S>	<C>	<C>	<C>
Loans	$ 1,677	$ (245)	$ 1,432
Investment securities	357	(263)	94
Due from banks	0	0	0
Federal funds sold and securities purchases	91	22	113
Total interest-earning assets	$ 2,125	$ (486)	$ 1,639
Interest expense on:			
Demand deposits	$ 120	$ 5	$ 125
Savings deposits	(17)	(3)	(20)
Time deposits	822	87	909
Short-term borrowings	0	0	0
Total interest-bearing liabilities	$ 925	$ 89	$ 1,014

</TABLE>

<TABLE>
<CAPTION>

	December 31 1996 vs. 1995 Increase/Decrease due to change in		
Interest income on:	Volume	Rate	Net
<S>	<C>	<C>	<C>
Loans	$ 1,106	$ (159)	$ 947
Investment securities	235	(347)	(112)

Due from banks	0	0	0
Federal funds sold and securities purchases	(30)	(40)	(70)
Total interest-earning assets	$ 1,311	$ (546)	$ 765
Interest expense on:			
Demand deposits	$ 106	$ (17)	$ 89
Savings deposits	(20)	(9)	(29)
Time deposits	197	(51)	146
Short-term borrowings	(48)	20	(28)
Total interest-bearing liabilities	$ 235	$ (57)	$ 178

</TABLE>

Capital Resources

Capital resources are provided by common stock, capital surplus and retained earnings. The objective of management is to emphasize current and future capital needs based upon anticipated growth.

PFC Bank has historically maintained an adequate capital position. The regulations of the FDIC require it to maintain a Leverage Ratio, Tier I Capital to Risk-Weighted Assets Ratio, and a Total Capital to Risk-Weighted Asset Ratio of 3%, 4%, and 8%, respectively. PFC Bank exceeds each of these ratios as shown in the following table representing PFC Bank at December 31, 1998, not including SFAS No. 115.

	PFC Bank
Leverage Ratio	9.48%
Tier I Capital to Risk Weighted Assets	13.18%
Total Capital to Risk Weighted Assets	20.91%

<TABLE>
<CAPTION>

Return on Equity and Assets
(not including SFAS No. 115)

	12/31/98	12/31/97	12/31/96	12/31/95	12/31/94
Return on Assets					
<S>	<C>	<C>	<C>	<C>	<C>
(net income divided by avg total assets)	1.96%	1.45%	1.13%	0.76%	0.98%
Return on Equity (net income divided by average equity)	21.03%	16.19%	11.90%	7.22%	7.49%
Equity to assets ratio (average equity divided by avg total assets)	9.32%	9.15%	9.54%	10.56%	13.15%

</TABLE>

ITEM 8 - FINANCIAL STATEMENTS

The financial statements required by this Item are set forth at Exhibit 13, and incorporated herein by reference.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

Part III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS

The information required by this Item, relating to directors, executive officers, control persons is set forth on pages 4 through 7 of the Registrant's Proxy Statement to be used in connection with the 1999 Annual Meeting of Shareholders, which pages are incorporated herein by reference.

Section 16(a) Beneficial Ownership Compliance. Section 16(a) of the Securities Exchange Act of 1934, as amended, requires the Registrant's officers and directors, and persons who own more than 10% of a registered class of the Registrant's equity securities, to file reports of ownership with the Securities and Exchange Commission. Officers, directors and greater than 10% shareholders are required by SEC regulation to furnish the Registrant with copies of all Section 16(a) forms they file

Based solely on its review of the copies of such forms received by it or written representations from certain reporting persons that no Forms 5 were required for those persons, the Registrant believes that during the period January 1, 1998 through December 31, 1998, its officers and directors were in compliance with all filing requirements applicable to them.

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this Item, relating to executive compensation, is set forth in pages 8 and 9 of the Registrant's Proxy Statement to be used in connection with the 1999 Annual Meeting of Shareholders, which pages are incorporated herein by reference.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item, relating to beneficial ownership of the Registrant's Common Stock, is set forth in pages 10 and 12 of the Registrant's Proxy Statement to be used in connection with the 1999 Annual Meeting of Shareholders, which pages are incorporated herein by reference.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

PFC Bank has a policy of granting loans to eligible directors, officers, employees and members of their immediate families. Loans are made in the ordinary course of business and on the same terms, including collateral requirements and interest rates, as those prevailing at the time for comparable transactions and do not involve more than the normal risk of collection. The table below sets forth information concerning each loan made by PFC Bank to executive officers, directors and major shareholders, for which a loan balance was outstanding at any time since January 1, 1998.

<TABLE>
<CAPTION>

NAME	POSITION	DATE OF LOAN	LARGEST AMOUNT OUTSTANDING SINCE JAN. 1, 1998	BALANCE DEC. 31, 1998
Timothy P. Reddinger	Secretary	various	191,229	155,974(1)
Frank T. Baker	Chairman	1998	85,000	82,460
Darl Hetrick	Director	various	174,260	145,226(2)
James L. Kifer	Exec. V.P.	1998	72,339	72,339(3)
R.B. Robertson	Pres./CEO		-0-	-0-(4)

</TABLE>

(1) Comprised primarily of Standby Letters of Credit fully secured by cash on deposit.
(2) Comprised primarily of third party receivables associated with equipment sales by Mr. Hetrick's farm supply business. The receivables were purchased by PFC Bank from Mr. Hetrick with recourse to Mr. Hetrick in the event of non-payment by the equipment purchaser.
(3) Construction of Residential Mortgage.
(4) Letter of Credit

Part IV

<TABLE>
<CAPTION>

ITEM 14 - EXHIBITS, FINANCIAL STATEMENTS, SCHEDULES AND REPORTS ON FORM 8-K.

<S> <C>

(a) 1. Financial Statements.

The following financial statements are included by reference in Part II, Item 8 hereof:

Report of Independent Certified Public Accountants.
Consolidated Balance Sheets.
Consolidated Statements of Income.
Consolidated Statements of Changes in Stockholders' Equity.
Consolidated Statement of Cash Flows.
Notes to Consolidated Financial Statements.

2. Financial Statement Schedules.

Financial Statement Schedules are omitted because the required information is either not applicable, not required or is shown in the respective financial statements or in the notes thereto.

3. The following Exhibits are files herewith or incorporated by reference as a part of this Annual Report

3(i) Registrant's Articles of Incorporation.
(Incorporated by Reference to Registrant's January 27, 1995, filing of Form S-4.

3(ii) Registrant's By-Laws.
(Incorporated by Reference to Registrant's January 27, 1995, filing of Form S-4.)

10(i) Agreement between R.B. Robertson and Bank.
(Incorporated by Reference to the Registrant's September 30, 1997 filing of Form 10-QSB.)

10(ii) Settlement Agreement.
(Incorporated by Reference to the Registrant's December 31, 1996 filing of Form 10-KSB.)

10(iii) General Release.
(Incorporated by Reference to the Registrant's December 31, 1996 filing of Form 10-KSB.)

11 Statement re: Computation of Earnings Per Share.
(Refer to Exhibit 13, page 3, Consolidated Statement of Income.)

13 Annual report to Security Holders.
(Included with Financial Statements, which are attached as Exhibit 13 hereto.)

21 Subsidiaries of the Registrant.

23 Consent of Independent Auditors.

27 Financial Data Schedule.

99 Proxy Statement.

(b) Reports on Form 8-K.

(c) The exhibits required herein are included at Item 14(a), above.

(d) Not Applicable.

</TABLE>

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

Peoples Financial Corp., Inc.
(Registrant)

March 26, 1999 By R.B. Robertson

R.B. Robertson
President/CEO

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<TABLE>
<CAPTION>

Signature	Title	Date
<S>	<C>	<C>
R.B. Robertson	President/CEO and Director	March 26, 1999
Frank Baker	Chairman/Director	March 26, 1999
Darl Hetrick	Vice President and Director	March 26, 1999
Timothy Reddinger	Secretary and Director	March 26, 1999
William H. Toy	Director	March 26, 1999
R.B. Robertson, Jr	Director	March 26, 1999
Howard H. Shreckengost	Director	March 26, 1999
J. Jack Sherman	Director	March 26, 1999
Francis E. Kane	Director	March 26, 1999
James L. Kifer	Executive Vice President Principal Financial Officer Principal Accounting Officer	March 26, 1999

</TABLE>

<TABLE>
<CAPTION>

EXHIBIT INDEX

PAGE NO.
IN MANUALLY
SIGNED
EXHIBIT NO.
ORIGINAL

<S> <C>

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Consolidated Statements of Income.
Consolidated Statements of Changes in Stockholders' Equity.

Consolidated Statement of Cash Flows.
Notes to Consolidated Financial Statements.

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21	Subsidiaries of the Registrant.	64
23	Consent of Independent Auditors.	65
27	Financial Data Schedule.	66
99	Proxy Statement.	68

(b) Reports on Form 8-K.

(c) The exhibits required herein are included at Item 14(a), above.

(d) Not Applicable.

</TABLE>

PEOPLES FINANCIAL CORP., INC.
AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1998, 1997 and 1996

CONSOLIDATED FINANCIAL STATEMENTS

PEOPLES FINANCIAL CORP., INC. AND SUBSIDIARY

December 31, 1998, 1997 and 1996

CONTENTS	PAGE

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Peoples Financial Corp., Inc.
New Bethlehem, Pennsylvania

We have audited the accompanying consolidated balance sheets of Peoples Financial Corp., Inc. (the Company) and subsidiary as of December 31, 1998 and 1997 and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Peoples Financial Corp., Inc. and subsidiary as of December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

Pittsburgh, Pennsylvania
February 5, 1999

CONSOLIDATED BALANCE SHEETS

PEOPLES FINANCIAL CORP., INC. AND SUBSIDIARY

Years Ended December 31, 1998, 1997 and 1996
<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$ 4,742,511	$ 6,968,221
Interest-bearing deposits in banks	8,267,566	35,313
Federal funds sold	1,900,000	4,075,000
Available-for-sale securities	37,361,888	38,069,171
Held-to-maturity securities (market value of $33,407,392 and $32,862,436 at December 31, 1998 and 1997, respectively)	32,628,821	32,378,224
Federal Home Loan Bank stock, at cost	841,500	740,200
Loans receivable, net	174,704,201	152,395,769
Premises and equipment, net	3,331,643	3,459,173
Other assets	2,224,143	2,149,627
Total Assets	$266,002,273	$240,270,698
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits		
Non-interest bearing	$ 26,205,654	$ 23,343,039
Interest bearing	187,153,692	167,229,668
Total deposits	213,359,346	190,572,707
Deferred taxes	10,056,183	10,271,914
Accrued interest and other liabilities	2,012,623	2,013,127
Total liabilities	225,428,152	202,857,748
Stockholders' Equity		
Common stock, par value $0.30, 5,000,000 shares authorized, 1,768,694 and 1,764,336 shares issued and outstanding at December 31, 1998 and 1997, respectively	530,608	529,300
Surplus	3,750,044	3,668,006
Retained earnings	18,808,764	15,378,699
Accumulated other comprehensive income	17,484,705	17,836,945
Total stockholders' equity	40,574,121	37,412,950
Total Liabilities and Stockholders' Equity	$266,002,273	$240,270,698

</TABLE>

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

CONSOLIDATED STATEMENTS OF INCOME

PEOPLES FINANCIAL CORP., INC. AND SUBSIDIARY

Years Ended December 31, 1998, 1997 and 1996
<TABLE>
<CAPTION>

	Years Ended December 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Interest Income			
Loans	$13,845,749	$12,323,037	$10,890,677
Investment securities	3,017,698	2,829,841	2,734,704
Interest-bearing deposits	293,710	1,648	3,469
Federal funds sold	197,762	416,973	303,927

Total interest income	17,354,919	15,571,499	13,932,777
Interest Expense			
Deposits	8,449,973	7,489,044	6,475,388
Net Interest Income	8,904,946	8,082,455	7,457,389
Provision for Loan Losses	200,000	80,000	75,000
Net Interest Income after Provision for Loan Losses	8,704,946	8,002,455	7,382,389
Other Income			
Service fees	592,421	614,572	672,176
Insurance proceeds	--	205,830	358,694
Net investment security gains	3,001,116	1,065,063	1,053,326
Other	33,837	49,698	36,467
Total other income	3,627,374	1,935,163	2,120,663
Other Expenses			
Salaries	$ 2,173,212	$ 2,077,039	$ 2,178,002
Pension and other employee benefits	743,014	639,535	805,041
Occupancy expense	984,022	1,000,044	1,089,451
Legal and professional fees	146,732	215,619	234,434
Data processing	246,689	245,814	226,005
Separation expenses	--	--	544,322
Pennsylvania bank shares tax	247,544	212,498	201,877
Other	1,496,247	1,543,751	1,551,130
Total other expenses	6,037,460	5,934,300	6,830,262
Income Before Income Taxes	6,294,860	4,003,318	2,672,790
Provision for Income Taxes	1,831,198	1,006,880	562,651
Net Income	$ 4,463,662	$ 2,996,438	$ 2,110,139
Net Income per Share of Common Stock	$ 2.53	$ 1.70	$ 1.20

</TABLE>

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

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

PEOPLES FINANCIAL CORP., INC. AND SUBSIDIARY

Years Ended December 31, 1998, 1997 and 1996

<TABLE>
<CAPTION>

<S>	Common Stock <C>	Surplus <C>	Retained Earnings <C>	Accumulated Other Comprehensive Income <C>	Total <C>
Balance at December 31, 1995	$263,997	$3,850,000	$12,076,974	$ 7,183,103	$23,374,074
Comprehensive Income					
Net income			2,110,139		2,110,139
Other comprehensive income, net of tax:					
Changes in net unrealized holding gains (losses) on available-for-sale securities, net of deferred income tax of $1,125,282				2,184,371	2,184,371
Change in minimum pension liability, net of deferred income tax of $4,718				9,158	9,158
Total Comprehensive Income					4,303,668
Cash dividends			(809,591)		(809,591)
Balance at December 31, 1996	263,997	3,850,000	13,377,522	9,376,632	26,868,151

Comprehensive Income					
Net income			2,996,438		2,996,438
Other comprehensive income, net of tax:					
Changes in net unrealized holding gains (losses) on available-for-sale securities, net of deferred income tax of $4,399,723				8,540,638	8,540,638
Change in minimum pension liability, net of deferred income tax benefit of $41,380				(80,325)	(80,325)
Total Comprehensive Income					11,456,751
Sale of 2,178 shares of common stock	653	82,656			83,309
Dividends					
Cash			(995,261)		(995,261)
Retroactive restatement, 1999 stock dividend in the form of a two-for-one one stock split	264,650	(264,650)			--
	--------	----------	-----------	-----------	-----------
Balance at December 31, 1997	$529,300	$3,668,006	$15,378,699	$17,836,945	$37,412,950
Comprehensive Income					
Net income			4,463,662		4,463,662
Other comprehensive income, net of tax:					
Changes in net unrealized holding gains (losses) on available-for-sale securities, net of deferred income tax benefit of $545,996				(1,059,874)	(1,059,874)
Change in minimum pension liability, net of deferred income tax benefit of $25,264				(49,041)	(49,041)
Reclassification adjustment due to sale of securities, net of deferred income tax of $389,802				756,675	756,675
Total Comprehensive Income					4,111,422
Sale of 4,358 shares of common stock	654	82,692			83,346
Dividends					
Cash			(1,033,597)		(1,033,597)
Adjustment to stock purchase to reflect retroactive treatment of stock split	654	(654)			
	--------	----------	-----------	----------	-----------
Balance at December 31, 1998	$530,608	$3,750,044	$18,808,764	$17,484,705	$40,574,121
	========	==========	===========	===========	===========

</TABLE>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

PEOPLES FINANCIAL CORP., INC. AND SUBSIDIARY

Years Ended December 31, 1998, 1997 and 1996

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 4,463,662	$ 2,996,438	$ 2,110,139
Adjustments to reconcile net cash from operating activities:			
Depreciation and amortization	601,686	584,356	584,626
Net amortization/accretion of premiums and discounts	(10,617)	(17,366)	17,383
Net investment security gains	(3,001,116)	(1,065,063)	(1,053,326)
Provision for loan losses	200,000	80,000	75,000
Net loss on disposal of fixed assets	43,681	30,349	52,963
Reinvestment of stock dividends	(60,669)	(74,811)	(85,384)
Increase (decrease) in cash due to changes in assets and liabilities:			
Other assets	(85,851)	949,711	(642,346)

Accrued interest and other liabilities	(109,082)	199,434	159,594
Net Cash From Operating Activities	2,041,694	3,683,048	1,218,649
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of available-for-sale securities	3,545,958	1,370,112	1,926,307
Proceeds from maturities of held-to-maturity securities	11,125,000	8,800,000	9,250,000
Purchase of held-to-maturity securities	(11,333,169)	(15,446,563)	(2,189,655)
Purchase of available-for-sale securities	(268,094)	(84,000)	(230,293)
Net sales (purchases) of Federal Home Loan Bank stock	(101,300)	(170,700)	32,000
Net loans made to customers	(22,537,032)	(16,469,278)	(22,594,327)
Proceeds from disposal of premises and equipment	1,969		
Purchases of premises and equipment	(499,070)	(284,949)	(743,741)
Net Cash Used By Investing Activities	$(20,065,738)	$(22,285,378)	$(14,549,709)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in deposits	$ 22,805,838	$ 14,323,109	$ 19,184,441
Proceeds from issuing common stock	83,346	83,309	--
Dividends paid	(1,033,597)	(995,261)	(809,591)
Net Cash From Financing Activities	21,855,587	13,411,157	18,374,850
Net Change in Cash and Cash Equivalents	3,831,543	(5,191,173)	5,043,790
Cash and Cash Equivalents at Beginning of Year	11,078,534	16,269,707	11,225,917
Cash and Cash Equivalents at End of Year	$ 14,910,077	$ 11,078,534	$ 16,269,707
SUPPLEMENTAL DISCLOSURES Cash payments for:			
Interest	$ 8,173,810	$ 7,151,078	$ 6,403,061
Income taxes	$ 2,054,842	$ 946,040	$ 611,505
NON-CASH INVESTING AND FINANCING TRANSACTIONS			
Recorded unrealized gains on available-for-sale securities	$ 26,687,984	$ 27,147,378	$ 14,207,018
Loans transferred to foreclosed assets during the year	$ 268,697	$ 343,479	$ 176,376
100% stock dividend in the form of a two-for-one stock split, retroactively restated to 1997			
Common stock	$ --	$ 265,304	$ --
Surplus	$ --	$ (265,304)	$ --
Adjustment due to retroactive restatement to reflect additional share purchases			
Common stock	$ 654	$ --	$ --
Surplus	$ (654)	$ --	$ --

</TABLE>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

PEOPLES FINANCIAL CORP. INC. AND SUBSIDIARY

Years Ended December 31, 1998, 1997 and 1996

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Peoples Financial Corp., Inc. (the Company) is a bank holding company for its wholly owned subsidiary, PFC Bank (the Bank). The Bank is a full-service commercial banking institution. It provides a variety of financial services to individuals and corporate customers in Armstrong, Butler, Clarion and Indiana counties through its six branches and main office located in New Bethlehem, Pennsylvania. The Bank's primary deposit products are non-interest and interest-bearing checking accounts, savings accounts and certificates of deposit. Its primary lending products are single-family and multi-family mortgages and installment and commercial loans. PFC Bank has a wholly owned subsidiary, PFC Service Corporation. PFC Service Corporation is a Delaware holding company for the Bank's equity investments.

Principles of Consolidation: The consolidated financial statements include the accounts of Peoples Financial Corp., Inc., its wholly-owned subsidiary, PFC Bank, and PFC Service Corporation, a wholly owned subsidiary of the Bank. All significant intercompany accounts have been eliminated in the consolidation. Peoples Financial Corp., Inc. transacts no other material business.

Use of Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. Such estimates and assumptions 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 real estate acquired in connection with foreclosures or in satisfaction of loans. Management obtains independent appraisals for significant properties in determining the allowances for loan losses and the valuation of foreclosed real estate.

Investment Securities: The Bank classifies its investment securities as held to maturity, trading or available for sale. Securities which management has positive intent and ability to hold until maturity are classified as held to maturity. Held-to-maturity securities are stated at cost, adjusted for amortization of premium and accretion of discount computed on a level yield basis. Securities that are bought and held principally to sell them in the near term are classified as trading securities. All other securities are classified as available-for-sale securities. Unrealized holding gains and losses for trading securities are included in earnings. Unrealized holding gains and losses for available-for-sale securities are excluded from earnings and reported net of income taxes as a separate component of stockholders' equity until realized. At this time, management does not intend to establish a trading securities classification.

Interest and dividends on investment securities are reported as interest income. Gains and losses realized on sales of investment securities represent the differences between net proceeds and carrying values determined by the specific identification method.

Loans Receivable and Allowance for Loan Losses: Loans are stated at unpaid principal balances, less the allowance for loan losses and unearned discounts.

Unearned discounts on installment loans are recognized as income over the term of the loans using a method that approximates the interest method.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loans Receivable and Allowance for Loan Losses (continued): The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb potential 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, specific impaired loans, and economic conditions. Allowances for impaired loans generally are 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. Loans are placed on non-accrual status when they are 90 days past due, unless they are adequately collateralized and in the process of collection.

Premises and Equipment: Premises and equipment are stated at cost less accumulated depreciation computed on both the straight-line and accelerated methods over the estimated useful lives of the assets. Costs for maintenance and repairs are expensed in the current period. The costs associated with significant additions or improvements are capitalized.

Other Real Estate Owned (OREO): Real estate acquired in satisfaction of a loan and in-substance foreclosures are reported in OREO. In-substance foreclosures are properties in which a borrower, with little or no equity in the collateral, effectively abandons control of the property or has no economic interest to continue involvement in the property. The borrower's ability to rebuild equity based on current financial conditions would also be considered doubtful.

Properties acquired by foreclosure or deed in lieu of foreclosure and properties classified as in-substance foreclosures are transferred to OREO and recorded at the lower of cost or fair value, less estimated costs to sell. Costs to maintain the assets, subsequent write-downs to reflect declines in the fair value of the properties, and subsequent gains and losses related to their disposal are included in other income and expenses.

Employee Retirement Plan: The Bank's defined benefit pension plan (see Note 8) is funded in accordance with the Employee Retirement Income Security Act of 1974. Liabilities are recognized based on the actuarially calculated benefits accrued through the date of the calculation.

Income Taxes: The Company accounts for income taxes using an asset and liability approach to financial accounting and reporting. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. When necessary, valuation allowances are established to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. The Company files consolidated Federal income tax returns with its subsidiary.

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Earnings per Share: Earnings per share are calculated using the weighted-average number of shares outstanding. The weighted average shares outstanding giving retroactive effect to the stock dividend discussed in Note 14, were 1,765,794, 1,761,126 and 1,759,980 for the years ended December 31, 1998, 1997 and 1996, respectively.

Cash Equivalents: For purposes of the Statements of Cash Flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. This includes the balance sheet captions of "Cash and due from banks", "Interest-bearing deposits in banks", and "Federal funds sold".

Reclassifications: Certain previously reported items have been reclassified to conform to the current year's classifications. Specifically, the Company discloses certain non-income statement changes to equity balances under the classification of "Accumulated Other Comprehensive Income" in accordance with Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income. The reclassifications have no effect on total assets, total liabilities and stockholders' equity, or net income.

NOTE 2 - INVESTMENT SECURITIES

Available-for-sale securities consist of the following:

	December 31, 1998			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Equity securities	$10,673,904	$26,698,406	$10,422	$37,361,888

	December 31, 1997			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
Equity securities	$10,921,793	$27,147,378	$ --	$38,069,171

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PEOPLES FINANCIAL CORP. INC. AND SUBSIDIARY

Years Ended December 31, 1998, 1997 and 1996

NOTE 2 - INVESTMENT SECURITIES (continued)

Held-to-maturity securities consist of the following:

<TABLE>
<CAPTION>

	December 31, 1998			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury securities	$23,967,745	$775,586	$ --	$24,743,331
Obligations of U.S. government agencies	6,774,380	17,427	21,707	6,770,100
Obligations of state and political sub-divisions	1,137,866	5,129	1,745	1,141,250
Corporate notes	748,829	3,881	--	752,710
	$32,628,821	$802,023	$23,452	$33,407,392

</TABLE>

<TABLE>
<CAPTION>

	December 31, 1997			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Market Value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury securities	$27,396,668	$472,555	$ 7,293	$27,861,930
Obligations of U.S. government agencies	1,097,184	7,892	826	1,104,250
Obligations of state and political sub-divisions	1,889,897	6,778	11,669	1,885,006
Corporate notes	1,994,475	16,775	--	2,011,250
	$32,378,224	$504,000	$19,788	$32,862,436

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PEOPLES FINANCIAL CORP. INC. AND SUBSIDIARY

Years Ended December 31, 1998, 1997 and 1996

NOTE 2 - INVESTMENT SECURITIES

The amortized cost and estimated market value of held-to-maturity securities at December 31, 1998, by contractual maturity, are shown below. Available-for-sale securities do not have a contractual maturity date as they consist of equity securities. Expected maturities may differ from contractual maturities because issuers have the right to call or prepay obligations.

	Amortized Cost	Market Value
Available-for-sale Securities	$ 10,673,904	$ 37,361,888
Held-to-maturity Securities		
Due in one year or less	$ 8,803,078	$ 8,858,958
Due after one year through five years	23,849,208	24,523,685
Due after five years through ten years	24,795	24,749
	32,677,081	33,407,392
Step-down due to merger	(48,260)	--

	$ 32,628,821	$ 33,407,392

As a member of the Federal Home Loan Bank of Pittsburgh (FHLB), the Bank is required to maintain a minimum amount of FHLB stock. The minimum amount is calculated based on the level of the Bank's assets, residential real estate loans, and FHLB advances. At December 31, 1998 and 1997, the Bank held $841,500 and $740,200, respectively, of FHLB stock. The Bank also has a line of credit with the FHLB in the amount of $7.4 million at 5.8% annual interest. The full amount of the line was available at December 31, 1998.

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES

The primary classifications of loans as of December 31 are as follows:

	1998	1997
Mortgage	$ 112,915,388	$106,617,350
Installment	23,925,546	25,122,377
Commercial	34,396,565	18,377,724
Student and other	4,714,617	3,537,526
	175,952,116	153,654,977
Less: Unearned discounts	9,683	10,329
Allowance for loan losses	1,238,232	1,248,879
	$ 174,704,201	$152,395,769

NOTE 3 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

Changes in the allowance for loan losses for the years ended December 31 were as follows:

	1998	1997	1996
Balance, beginning of year	$1,248,879	$1,253,810	$1,243,619
Provision charged to operations	200,000	80,000	75,000
Loans charged off	(246,182)	(105,016)	(107,354)
Recoveries	35,535	20,085	42,545
Balance, end of year	$1,238,232	$1,248,879	$1,253,810

NOTE 4 - PREMISES AND EQUIPMENT

Premises and equipment, which are stated at cost, as of December 31, are as follows:

	1998	1997
Land	$ 368,054	$ 334,554
Buildings and improvements	3,446,544	3,283,694
Furniture and equipment	4,358,121	4,274,178
	8,172,719	7,892,426
Less: Accumulated depreciation	4,841,076	4,433,253
	$3,331,643	$3,459,173

Depreciation expense was $580,950, $544,349 and $515,125 for the years ended December 31, 1998, 1997 and 1996, respectively.

NOTE 5 - PLEDGED ASSETS

At December 31, 1998 and 1997, assets carried at approximately $31,105,000 and $28,515,000, respectively, were pledged to qualify for fiduciary powers, to secure public monies as required by law, and for other purposes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PEOPLES FINANCIAL CORP. INC. AND SUBSIDIARY

Years Ended December 31, 1998, 1997 and 1996

NOTE 6 - DEPOSITS

The maturities of time deposits over the next five years and thereafter as of December 31, 1998 are, as follows:

DEPOSITS - TIME DEPOSIT MATURITIES

	Amount	Percent
Within one year	$ 78,994,956	72.6%
One to two years	13,365,217	12.3
Two to three years	4,638,384	4.3
Three to four years	3,419,788	3.1
Four to five years	6,704,442	6.2
Over five years	1,688,785	1.5
	$108,811,572	100.0%

NOTE 7 - INCOME TAXES

The provision for income taxes for the years ended December 31 consists of:

	1998	1997	1996
Currently payable	$1,781,535	$ 963,936	$522,995
Deferred taxes	49,663	42,944	39,656
	$1,831,198	$1,006,880	$562,651

The significant components of temporary differences as of December 31 are as follows:

	1998	1997	1996
Provision for loan losses	$ 3,620	$ 1,677	$ 1,528
Depreciation	(90,913)	3,488	97,345
Employee benefits	57,191	(22,299)	52,053
Other	79,765	60,078	(111,270)
Total	$ 49,663	$ 42,944	$ 39,656

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PEOPLES FINANCIAL CORP. INC. AND SUBSIDIARY

Years Ended December 31, 1998, 1997 and 1996

NOTE 7 - INCOME TAXES (CONTINUED)

A reconciliation of the federal statutory tax rate to the effective tax rate applicable to income before income taxes for the years ended December 31 is as follows:

	Percentage of Pre-Tax Income		
	1998	1997	1996
Provision at statutory rate	34.0%	34.0%	34.0%
Effect of tax-exempt income	(1.7)	(2.5)	(4.1)
Dividend received deduction	(3.9)	(5.5)	(7.9)
Other	0.7	(0.8)	(0.9)
Actual tax expense and effective rate	29.1%	25.2%	21.1%

The significant components of the Bank's deferred tax assets and liabilities recorded on the balance sheet as of December 31 are as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Deferred Tax		Deferred Tax	
	Assets	Liabilities	Assets	Liabilities
<S>	<C>	<C>	<C>	<C>
Provision for loan losses	$ 256,671	$ --	$ 260,291	$ --
Depreciation		187,888		278,801
Pension expense	6,453		102,163	
Unrealized gains		9,073,915		9,230,109
Merger adjustment to market value		1,189,426		1,273,351
Additional minimum pension liability	66,653		41,378	
Other	109,303	44,034	118,811	12,296
	$ 439,080	$10,495,263	$ 522,643	$10,794,557

</TABLE>

NOTE 8 - EMPLOYEE RETIREMENT PLAN

PFC Bank maintains a qualified non-contributory defined benefit pension plan which covers substantially all employees meeting minimum age and service requirements. The plan generally provides benefits based on years of credited service and final average earnings. The current funding policy of the plan is to annually contribute the maximum amount that can be deducted for Federal income tax purposes.

NOTE 8 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

PFC Bank's operating divisions, Peoples Bank of PA and New Bethlehem Bank, maintained non-qualified deferred compensation plans with participation designated by the Board of Directors. The plans were terminated effective December 31, 1996. The termination and subsequent recovery of the plans' assets was included in the Bank's results of operations for the year ended December 31, 1996.

Assets for the qualified pension plan and the New Bethlehem non-qualified deferred compensation plan were primarily U.S. government obligations, corporate obligations and equity securities whose valuations are subject to fluctuations of the securities market. Changes in plan asset values attributable to differences between actual and expected returns on plan assets were deferred as unrecognized gains or losses and included in the determination of pension cost over time. The Peoples Bank of PA non-qualified deferred compensation plan was funded primarily through the purchase of life insurance contracts. Consequently, no actuarial valuation was used to determine the funded status and related expenses of the Peoples Bank of PA non-qualified deferred compensation plan.

The following table summarizes financial data for the plan as of December 31:

<TABLE>
<CAPTION>

	1998	1997
<S>	<C>	<C>
Change in Projected Benefit Obligation:		
Beginning of year benefit obligation	$ 1,710,378	$ 1,388,533
Service cost	112,188	68,009
Interest cost	119,322	89,596
Net actuarial gain	131,452	204,190
Less: Benefits paid to participants	(110,613)	(39,970)
End of year benefit obligation	$ 1,962,727	$ 1,710,358
Change in the Fair Value of Plan Assets:		

Beginning of year plan assets, at fair value	$ 1,285,379	$ 1,005,092
Actual return on plan assets	91,921	175,841
Employer contributions	304,735	144,416
Benefits paid to participants	(110,613)	(39,970)
End of year plan assets, at fair value	$ 1,571,422	$ 1,285,379
Accrued Pension Expense:		
Funded status (projected benefit obligation less plan assets at fair value)	$ (391,305)	$ (424,999)
Unamortized transition amount	87,334	92,722
Unrecognized net actuarial loss	670,164	535,926
Additional minimum pension liability adjustment	(196,037)	(121,732)
Unamortized prior service benefit	(459,904)	(465,569)
Accrued pension expense at year end	$ (289,748)	$ (383,652)

</TABLE>

NOTE 8 - EMPLOYEE RETIREMENT PLAN (CONTINUED)

Net periodic pension cost included the following components for the years ended December 31:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Service cost - benefits earned during the period	$112,188	$ 68,009	$ 77,482
Interest cost on projected benefit obligation	119,322	89,596	83,503
Net amortization (deferral)	(3,063)	114,976	55,491
Less: Actual return on plan assets	91,921	175,841	99,694
Net periodic pension cost	$136,526	$ 96,740	$116,782

</TABLE>

The projected benefit obligation was determined using an assumed discount rate of 7.0% for 1998, 7.0% for 1997, and 6.5% for 1996 and an expected rate of increase in compensation of 4.0%, 4.0% and 5.0%, respectively, for the same periods. The assumed rate of return on the plan's investment earnings was 7.0% for 1998, 7.0% for 1997, and 6.5% for 1996.

NOTE 9 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

There are various outstanding commitments and contingent liabilities arising in the normal course of business that are not reflected in the accompanying financial statements. These commitments and contingent liabilities represent financial instruments with off-balance sheet risk. The contract or notional amounts of those instruments were comprised of commitments to extend credit and stand-by letters of credit of $11,958,000 and $8,398,000 as of December 31, 1998 and 1997, respectively, and approximate fair value.

The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The same credit policies are used in making commitments and conditional obligations as for on-balance sheet instruments. The amount of collateral obtained, if deemed necessary, upon extension of credit is based on management's credit evaluation of the party. The terms are typically for a one-year period, with an annual renewal option subject to prior approval by management.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the loan agreement. These commitments are comprised primarily of outstanding commercial and personal lines of credit.

The exposure to loss under these commitments is limited by subjecting them to credit approval and monitoring procedures. Substantially all of the commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of the loan funding. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for loan losses. Since many of the commitments are expected to expire without being drawn upon, the total contractual amounts do not necessarily represent future funding requirements.

NOTE 10 - DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Cash and cash equivalents: The carrying amount is a reasonable estimate of fair value.

Investment securities: The fair value of securities is equal to the available quoted market price. If no quoted market price is available, fair value is estimated using the quoted market price for similar securities.

FHLB stock: The carrying value of the FHLB stock is a reasonable estimate of fair value due to restrictions on the securities.

Loans receivable: For most homogeneous categories of loans, fair value is estimated by comparing rates currently offered on similar loans to the interest rate yield being realized on existing loans. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers for the same remaining maturities.

Deposit liabilities: The fair value of demand deposits, savings accounts and money market deposits is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated by comparing the rates currently offered on similarly maturing deposits to the interest rate being recognized on existing certificates of deposit.

The estimated fair value of the Company's financial instruments as of December 31, 1998 is as follows:

	Carrying Amount	Fair Value
Financial Assets		
Cash and cash equivalents	$ 14,910,077	$ 14,910,077
Investment securities	$ 69,990,709	$ 70,769,280
Federal Home Loan Bank stock	$ 841,500	$ 841,500
Loans receivable	$174,704,201	$174,137,000
Financial Liabilities		
Deposits	$213,359,346	$212,686,000

The market values of classifications of investment securities are contained in Note 2.

NOTE 11 - REGULATORY MATTERS

The Bank pays dividends from its assets. However, the Bank is subject to legal limitations on the amount of dividends that can be paid to the Company. The Pennsylvania Banking Code restricts the payment of dividends, generally to the extent of its retained earnings. Dividends are based on operating results for the period. Consideration for dividend declarations and payments include regulatory guidelines and limitations and the capital requirements of the Bank.

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the 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 qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios, as set forth below, of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 1998 and 1997, that the Bank meets all capital adequacy requirements to which it is subjected.

As of December 31, 1998 and 1997, the most recent notification from the Federal Deposit Insurance Corporation (FDIC) categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Bank's regulatory capital information as of December 31, 1998 and 1997 is, as follows:

	Actual	Minimum Capital Requirements	Well Capitalized Requirements
Risk-based capital ratio			
1998	20.91%	8%	10%
1997	13.10%	8%	10%
Leverage capital ratio			
1998	9.48%	3% to 4%	5%
1997	8.33%	3% to 4%	5%
Tier 1 risk-based capital ratio			
1998	13.18%	4%	6%
1997	12.30%	4%	6%

Included in the "Cash and due from banks" balance are required federal reserves of approximately $1,191,000 and $963,000 at December 31, 1998 and 1997, respectively for facilitating the implementation of monetary policy by the Federal Reserve System. The required reserves are computed by applying prescribed ratios to the classes of average deposit balances.

NOTE 12 - CONCENTRATIONS, RISKS AND UNCERTAINTIES

The Bank primarily grants loans to customers in Armstrong, Butler, Clarion and Indiana counties of Pennsylvania and maintains a diversified loan portfolio. The ability of its debtors to honor their contracts is not substantially dependent on any particular economic business sector.

The Bank has certain risks associated with deposit concentrations. The Bank had 327 accounts greater than $100,000 representing $62.3 million in deposits as of December 31, 1998 (29.2% of deposits as of December 31, 1998) and approximately $53.6 million in 237 accounts as of December 31, 1997 (28.1% of deposits as of

December 31, 1997).

A substantial portion of the Bank's investments in municipal securities is obligations of state or political subdivisions located within Pennsylvania.

At December 31, 1998, approximately $9,000,000 of the Bank's "Cash and due from banks" and "Interest-bearing deposits in banks" was maintained at various financial institutions in amounts that exceeded the $100,000 limit on FDIC insured accounts.

The Company and the Bank are involved in various legal actions from normal business activities. Management believes that the liability, if any, arising from such actions will not have a material adverse effect on the financial position of the Company or the Bank.

NOTE 13 - RELATED PARTIES

At December 31, 1998 and 1997, certain executive officers, directors and principal shareholders of the Company, and companies in which they have beneficial ownership, were indebted to the Bank for $480,998 and $415,408, respectively. During 1998, new loans to such related parties were $172,339 and repayments were $74,331. Additionally the net amount loaned to related parties decreased by $32,418 due to changes in the executive officers, directors or principal shareholders.

Deposits with the Bank by related parties and shareholders' greater than 5% were approximately $3,739,000 and $4,432,000 as of December 31, 1998 and 1997.

NOTE 14 - SUBSEQUENT EVENT

On January 20, 1999, the Company declared a 100% stock dividend in the form of a two-for-one stock split on the Company's outstanding common stock. One additional share of common stock will be issued for each share of common stock held by shareholders of record as of the close of business on January 20, 1999. The distribution of new shares began February 10, 1999. The Company has retroactively restated common stock and surplus for all periods presented to reflect this stock split. Par value will remain unchanged at $0.30 per share. The number of shares issued and outstanding at December 31, 1998, after giving effect to the stock split, was 1,768,694 (884,347 shares issued and outstanding prior to the stock split). All reference to the number of shares and per share amounts elsewhere in the consolidated financial statements and related footnotes have been restated as appropriate to reflect the effect of the stock split for all periods presented.

NOTE 15 - PARENT COMPANY FINANCIAL INFORMATION

The condensed financial information for Peoples Financial Corp., Inc., Inc. as of December 31, 1998 and 1997 and for the years ended December 31, 1998, 1997 and 1996 is as follows:

BALANCE SHEETS

	December 31,	
	1998	1997
ASSETS		
Cash in bank	$ 35,173	$ 173,898
Investment in subsidiary	40,322,888	37,217,593
Available-for-sale securities	216,060	21,459
Other assets	--	--
Total Assets	$40,574,121	$37,412,950
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities	$ --	$ --
Stockholders' Equity	40,574,121	37,412,950
Total Liabilities and Stockholders' Equity	$40,574,121	$37,412,950

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STATEMENTS OF INCOME

	Years Ended December 31,		
	1998	1997	1996
Income			
Dividends from subsidiary	$1,033,597	$1,004,261	$ 822,050
Other	26,113	14,781	7,539
Expenses			
Professional fees	45,142	69,860	--
Miscellaneous	3,100	4,200	5,806
Income Before Income Taxes and Equity in Undistributed Earnings of Subsidiary	1,011,468	944,982	823,783
Equity in Undistributed Earnings of Subsidiary	3,452,194	2,051,456	1,286,356
Net Income	$4,463,662	$2,996,438	$2,110,139

</TABLE>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

PEOPLES FINANCIAL CORP. INC. AND SUBSIDIARY

Years Ended December 31, 1998, 1997 and 1996

NOTE 15 - PARENT COMPANY FINANCIAL INFORMATION (CONTINUED)

STATEMENTS OF CASH FLOWS

<TABLE>
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	Years Ended December 31,		
	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 4,463,662	$ 2,996,438	$ 2,110,139
Adjustments to reconcile net income to net cash provided by operating activities:			
Decrease in cash due to changes in assets and liabilities			
Equity in undistributed earnings of subsidiary	(3,452,194)	(2,051,456)	(1,286,356)
Other assets	--	--	(6,733)
Net Cash From Operating Activities	1,011,468	944,982	817,050
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of available-for-sale securities	(199,942)	(9,000)	--
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuing of common stock	83,346	83,309	--
Dividends paid	(1,033,597)	(995,261)	(809,591)
Net Cash Used By Financing Activities	(950,251)	(911,952)	(809,591)
Net Change in Cash and Cash Equivalents	(138,725)	24,030	7,459
Cash and Cash Equivalents at Beginning of Year	173,898	149,868	142,409
Cash and Cash Equivalents at End of Year	$ 35,173	$ 173,898	$ 149,868

</TABLE>

NOTE 16 - RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 establishes accounting and reporting standards for derivative instruments and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. In addition, certain provisions of this statement will permit, at the date of initial adoption, the transfer of any held-to-maturity security into either the available-for-sale or trading category and the transfer of any available-for-sale security into the trading category. Transfers from the held-to-maturity portfolio at the date of initial adoption will not call into question an entity's intent to hold other debt securities to maturity in the future. SFAS No. 133 is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. At this time, the Bank does not hold any derivative instruments or engage in any hedging activities.

PFC Bank -- incorporated in the state of Pennsylvania.

PFC Service Corporation -- incorporated in the state of Delaware.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report of Form 10-K of Peoples Financial Corp., Inc. of our report dated February 5, 1999, included in the Peoples Financial Corp., Inc. and Subsidiary Consolidated Financial Statements - December 31, 1998, 1997 and 1996.

Edwards, Leap & Sauer

March 22, 1999
Pittsburgh, Pennsylvania

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March 5, 1999

Dear Shareholders:

On behalf of the Board of Directors, I am pleased to invite you to attend our Annual Meeting of Shareholders to be held on Wednesday, March 31, 1999, at 10:00 a.m., at the Holiday Inn, Route 68 and I-80, Clarion, Pennsylvania 16214. At the annual meeting, you will have the opportunity to ask questions and to make comments. We enclose your proxy and the corporation's 1998 Annual Report to Shareholders with this proxy statement.

The principal business of the meeting is to elect nine (9) directors to serve for a one-year term, to ratify the selection of Edwards, Leap & Sauer of Pittsburgh, Pennsylvania, Certified Public Accountants, as the auditors of the corporation for 1999, and to transact any other business that is properly presented at the annual meeting. The notice of meeting and proxy statement accompanying this letter describe the specific business to be acted upon in more detail.

You will notice that our proxy statement is written in "plain english." We hope that our shareholders like the new format and find the proxy statement easier to read.

I am delighted you have chosen to invest in the corporation, and I hope that, whether or not you plan to attend the annual meeting, you will vote as soon as possible by completing, signing and returning the enclosed proxy in the envelope provided. The prompt return of your proxy will save the corporation expenses involved in further communications. Your vote is important. Voting by written proxy will ensure your representation at the annual meeting if you do not attend in person.

I look forward to seeing you on March 31, 1999, at the corporation's annual meeting.

Sincerely,

Raleigh B. Robertson, President and
Chief Executive Officer

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
OF PEOPLES FINANCIAL CORP., INC.
TO BE HELD ON MARCH 31, 1999

TO THE SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that Peoples Financial Corp., Inc. will hold its Annual Meeting of Shareholders on Wednesday, March 31, 1999, at 10:00 a.m., at the Holiday Inn, Route 68 at I-80, Clarion, Pennsylvania 16214, to consider and vote upon the following proposals:

1. Election of nine directors: Frank T. Baker, Darl Hetrick, Francis E. Kane, Raleigh B. Robertson, Raleigh B. Robertson, Jr., Timothy P. Reddinger, J. Jack Sherman, Howard H. Shreckengost, and William H. Toy, each for a term of one year.

2. Ratification of the selection of Edwards, Leap & Sauer, Certified Public Accountants, of Pittsburgh, Pennsylvania, as independent accountants for the corporation for 1999.

3. Transaction of any other business properly brought before the Annual Meeting.

Shareholders, as of March 1, 1999, may vote at the annual meeting, either in person or by proxy. If you plan to attend the annual meeting, please mark the appropriate area when you vote on your proxy.

Management welcomes your attendance at the annual meeting. Whether or not you expect to attend the annual meeting in person, we ask you to complete, sign, date and promptly return the enclosed proxy in the accompanying postage-paid envelope. Prompt return of your proxy saves the expense involved in further communications. Even if you return a proxy, you may vote in person if you give written notice to the Secretary of the Corporation and attend the annual meeting. We urge you to mark, sign, date and promptly return your proxy in the enclosed envelope so that proxyholders may vote your shares in accordance with your wishes and so that we may assure the presence of a quorum.

The corporation's Board of Directors distributes this Proxy Statement, form of proxy and Peoples Financial Corp., Inc.'s 1998 Annual Report on or about March 5, 1999.

By Order of the Board of Directors,

Raleigh B. Robertson, President and
Chief Executive Officer

Ford City, Pennsylvania
March 5, 1999

YOUR VOTE IS IMPORTANT. TO VOTE YOUR SHARES, PLEASE SIGN, DATE AND COMPLETE THE ENCLOSED PROXY AND MAIL IT PROMPTLY IN THE ENCLOSED, POSTAGE-PAID RETURN ENVELOPE.

FREQUENTLY ASKED QUESTIONS AND ANSWERS

Q: WHO IS ENTITLED TO VOTE?

A: Shareholders as of the close of business on the record date, March 1, 1999, may vote at the meeting. Each share of common stock entitles a shareholder to one vote.

Q: HOW DO I VOTE?

A: There are two methods. You may vote by completing and mailing your proxy or by attending the annual meeting and voting in person. More details are on page 3 of this proxy statement.

Q: HOW DOES DISCRETIONARY AUTHORITY APPLY?

A: If you sign your proxy but do not make any selections, you give authority to Raleigh B. Robertson and Timothy P. Reddinger, as proxy holders, to vote on the two proposals and on any other matter that may arise at the meeting.

Q: IS MY VOTE CONFIDENTIAL?

A: Yes. Only the Judge of Elections and the proxy holders will have access to your proxy. All comments will remain confidential unless you ask that your name be disclosed.

Q: WHO WILL COUNT THE VOTES

A: William Strong, Esquire will tabulate the votes and act as the Judge of Election.

Q: WHAT DOES IT MEAN IF I GET MORE THAN ONE PROXY?

A: Your shares are probably registered differently or are in more than one account. Sign and return all proxies to ensure that all your shares are voted. Please have all of your accounts registered in the same name and address. You may do this by contacting Timothy Reddinger, Secretary of the Corporation at (814) 275-3133.

Q: WHAT CONSTITUTES A QUORUM?

A: As of March 1, 1999, 1,768,694 shares of common stock were issued and outstanding. A majority of the outstanding shares, present or represented by proxy, constitutes a quorum. If you vote by proxy or in person, we will consider your shares as part of the quorum.

Q: WHAT PERCENTAGE OF STOCK DO THE DIRECTORS AND OFFICERS OWN?

A: Approximately 36.01% of our common stock as of March 1, 1999. More details are on page 11 of this proxy statement.

<TABLE>
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</TABLE>

PROXY STATEMENT
FOR THE ANNUAL MEETING OF SHAREHOLDERS OF
PEOPLES FINANCIAL CORP., INC.
TO BE HELD ON MARCH 31, 1999

GENERAL INFORMATION

Date, Time and Place of Annual Meeting

Peoples Financial Corp., Inc., a Pennsylvania business corporation and registered bank holding company, is furnishing this proxy statement in connection with the solicitation by the Board of Directors of proxies to be voted at the Annual Meeting of Shareholders of the corporation. The annual meeting will be held at Holiday Inn, Route 68 and I-80, Clarion, Pennsylvania 16214, on Wednesday, March 31, 1999, at 10:00 a.m., Eastern Standard Time. The principal executive office of the corporation is located at Ford Street and Fourth Avenue, Ford City, Pennsylvania 16226. The telephone number for the corporation is (724) 763-1221. All inquiries should be directed to James L. Kifer, Executive Vice President of the corporation at (814) 275-3133.

Description of the Corporation

The bank incorporated Peoples Financial Corp., Inc. in 1984 to act as a holding company under the laws of Pennsylvania. PFC Bank is a wholly-owned subsidiary of the corporation.

The corporation is mailing a copy of the Annual Report for the fiscal year ended December 31, 1998, with this Notice. You may obtain a copy of the corporation's Annual Report for the 1997 fiscal year at no cost by contacting Timothy Reddinger, Corporate Secretary, Peoples Financial Corp., Inc., 363 Broad Street, New Bethlehem, Pennsylvania 16242, telephone (814) 275-3133.

We have not authorized anyone to provide you with information, therefore, you should rely only on the information contained in this proxy statement or referred to in this proxy statement. Although we believe we have provided you with all the information you need to vote, events may occur at Peoples Financial Corp., Inc. subsequent to printing this proxy statement that might affect your decision or the value of your stock.

VOTING PROCEDURES

Solicitation and Voting of Proxies

The Board of Directors solicits this proxy for use at the 1999 Annual Meeting of Shareholders. The directors, officers and other employees of the corporation or bank may solicit

proxies in person or by telephone, telecopy, telegraph or mail, but only for use at the annual meeting. The corporation will pay the cost of preparing, assembling, printing, mailing and soliciting proxies and any additional material that the corporation sends to shareholders. The corporation will make arrangements with brokerage houses and other custodians, nominees and fiduciaries to forward proxy solicitation materials to the owners of stock held by these persons. The corporation will reimburse these persons for their reasonable forwarding expenses.

Only shareholders of record as of the close of business on Monday, March 1, 1999, may vote at the annual meeting. The corporation's records show that, as of the March 1, 1999, 1,768,694 shares of the corporation's common stock were outstanding. The number of outstanding shares includes shares issued on February 10, 1999, pursuant to a 100% stock dividend. All tables in this proxy statement are adjusted to reflect the stock dividend. On all matters to come before the annual meeting, shareholders may cast one vote for each share held. Cumulative voting rights do not exist with respect to the election of directors. See "Principal Shareholders" on page 11 for a list of the persons known by the corporation to be the beneficial owner of five percent (5%) or more of the corporation's common stock.

By properly completing a proxy, you appoint Raleigh B. Robertson and Timothy P. Reddinger as proxy holders to vote your shares as specified on the proxy. Any proxy not specifying to the contrary will be voted as follows:

FOR the election of Frank T. Baker, Darl Hetrick, Francis E. Kane, Raleigh B. Robertson, Raleigh B. Robertson, Jr., Timothy P. Reddinger, J. Jack Sherman, Howard H. Shreckengost, and William H. Toy, each for a term of one year; and

FOR the ratification of the selection of Edwards, Leap & Sauer, as the independent accountants of the corporation for 1999.

Quorum and Vote Required For Approval

In order to hold the annual meeting, there must be a "quorum" of shareholders present. Under Pennsylvania law and the Bylaws of the corporation, the presence, in person or by proxy, of the holders of a majority of the shares entitled to vote is necessary to constitute a quorum for the transaction of business at the meeting. We count votes withheld and abstentions in determining the presence of a quorum for the particular matter. Broker non-votes are not counted in determining the presence of a quorum for the particular matter as to which the broker withheld authority.

Assuming the presence of a quorum, the nine nominees for director receiving the highest number of votes cast by shareholders entitled to vote for the election of directors will be elected. Votes withheld from a nominee and broker non-votes will not be cast for such nominee.

Assuming the presence of a quorum, ratification of the selection of independent auditors requires the affirmative vote of a majority of all votes cast by shareholders. Abstentions and broker non-votes are not deemed to constitute "votes cast" and, therefore, do not count either for or against ratification. Abstentions and broker non-votes, however, have the practical effect

of reducing the number of affirmative votes required to achieve a majority for the matter by reducing the total number of shares voted from which the required majority is calculated.

Revocability of Proxy

Shareholders who sign proxies may revoke them at any time before they are voted by:

- delivering written notice of the revocation to Timothy Reddinger, Secretary of the Corporation, at 363 Broad Street, New Bethlehem, Pennsylvania 16242; or

- delivering a properly executed proxy bearing a later date to Timothy Reddinger, Secretary of the Corporation, at 363 Broad Street, New Bethlehem, Pennsylvania 16242; or

- attending the meeting and voting in person after giving written notice to the Secretary of the Corporation.

You have the right to vote and, if desired, to revoke your proxy any time before the annual meeting. Should you have any questions, please call Timothy Reddinger, Secretary of the Corporation, at (814) 275-3133.

Methods of Voting

Proxy Voting

1. Mark your selections.

2. Date your proxy and sign your name exactly as it appears on your proxy.

3. Mail to Peoples Financial Corp., Inc. in the enclosed, postage-paid envelope.

Voting in Person

1. Attend the Annual Meeting and show proof of eligibility to vote.

2. Obtain a proxy.

3. Mark your selections.

4. Date your proxy and sign your name exactly as it appears in the transfer books of the corporation.

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

Executive Officers of the Corporation

The following table sets forth selected information about the principal officers of the corporation, each of whom is elected by the Board of Directors and each of whom holds office at the discretion of the Board of Directors:

<TABLE>
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Name	Position	Position Held Since	Employee Since	Age as of March 1, 1999
<S>	<C>	<C>	<C>	<C>
Raleigh B. Robertson	President	1996	1996(1)	70
Timothy P. Reddinger	Secretary	1998	(2)	39
Frank T. Baker	Chairman of the Board	1997	(2)	63
James L. Kifer	Exec. Vice President	1997	1995(3)	37

</TABLE>

(1) Was an employee of New Bethlehem Bank from 1987 until December 31, 1994 and was a consultant to the Bank until he was appointed Chairman and CEO on April 17, 1996, then President and CEO on April 8, 1997.

(2) Not an employee of the Bank.

(3) Was employee of New Bethlehem Bank from 1984 until the merger (effective 4/1/95) of New Bethlehem Bank with and into the Bank.

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Executive Officers of the Bank

The following table sets forth selected information about the principal officers of the bank, each of whom is elected by the Board of Directors and each of whom holds office at the discretion of the Board of Directors:

<TABLE>
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Name	Position	Position Held Since	Employee Since	Age as of March 1, 1999
<S>		<C>	<C>	<C>
Frank T. Baker	Chairman of the Board	1997	(2)	63
Raleigh B. Robertson	President	1996	1996(1)	70
Timothy P. Reddinger	Secretary	1998	(2)	39
James L. Kifer	Exec. Vice President	1997	1995(3)	37

</TABLE>

(1) Was an employee of New Bethlehem Bank from 1987 until December 31, 1994 and was a consultant to the Bank until he was appointed Chairman and CEO on April 17, 1996, then President and CEO on April 8, 1997.

(2) Not an employee of the Bank.

(3) Was employee of New Bethlehem Bank from 1984 until the merger (effective 4/1/95) of New Bethlehem Bank with and into the Bank.

Committees and Meetings of the Corporation's Board of Directors

The corporation's Board of Directors does not have committees. The entire Board meets to discuss the corporation's business.

Qualification and Nomination of Directors

The Board of Directors nominated the nine persons named below to serve as directors until the 2000 annual meeting of shareholders or until their earlier death, resignation or removal from office. All of the nominees are presently members of the Board of Directors and all have consented to serve another term as a director if re-elected. If any of the nominees should be unavailable to serve for any reason, a majority of the Board of Directors then in office may fill the vacancy until the expiration of the term of the class of directors to which he or she was appointed.

The proxy holders intend to vote such proxy for the election of each of the nine nominees named below, unless you indicate that your vote should be withheld from either or all of them. Each nominee elected as a director will continue in office until his successor has been duly elected and qualified, or until his death, resignation or retirement.

The Board of Directors is proposing the following nominees for election as Directors at the annual meeting:

- Frank T. Baker
- Darl Hetrick
- Francis E. Kane
- Timothy P. Reddinger
- Raleigh B. Robertson
- Raleigh B. Robertson, Jr.
- J. Jack Sherman
- Howard H. Shreckengost
- William H. Toy

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF THE ABOVE-NAMED NOMINEES FOR ELECTION AS DIRECTORS.

Set forth below is the principal occupation and certain other information regarding the nominees and other directors whose terms of office will continue after the annual meeting. You can find information about the share ownership of the nominees and other directors on page 11.

Directors (to serve until 1999)
and
Nominees for Directors (to serve until 2000)

Frank T. Baker -- Director since 1973

Mr. Baker serves as the Chairman of the Board of the corporation and of the bank. Mr. Baker is a former professor at Indiana University of Pennsylvania. He is currently retired. Mr. Baker has been a director of the corporation since 1984 and of the bank since 1973 and serves as Chairman of the Board of the bank.

Raleigh B. Robertson -- Director since 1993

Mr. Robertson is the President and Chief Executive Officer of the corporation and the President and Chief Executive Officer of the bank. He was elected to the Board of Directors in connection with the merger of New Bethlehem Bank, where he was a director since 1985. He has been a member of the bank's Board of Directors since 1993.

Darl Hetrick -- Director since 1993.

Mr. Hetrick has been a director of the corporation and a director of the bank since 1993. He was elected to the Board of Directors in connection with the merger of New Bethlehem Bank, where he was a director since 1983. He is the owner of Hetrick's Farm Supply (a farm machinery distributor, located in New Bethlehem, Pennsylvania.)

Francis E. Kane -- Director since 1955.

Mr. Kane has been a director of the corporation since 1984 and a director of the bank since 1955. He is currently retired.

Timothy P. Reddinger -- Director since 1998.

Mr. Reddinger has been a director of the corporation and a director of the bank since 1998. He is the Secretary of the corporation and President of TDK Coal Sales, Inc. (a coal broker, located in Clarion, Pennsylvania.)

Raleigh B. Robertson, Jr.-- Director since 1995.

Mr. Robertson has been a director of the corporation and a director of the bank since 1995. He was elected to the Board of Directors in connection with the merger of New Bethlehem Bank, where he was a director since 1994. He is a partner in R. B. Robertson & Son, (an oil and gas business located in New Bethlehem, Pennsylvania.)

J. Jack Sherman -- Director since 1995.

Mr. Sherman has been a director of the corporation and a director of the bank since 1995. He was elected to the Board of Directors in connection with the merger of New Bethlehem Bank, where he was a director since 1994. He is President of Sherman Enterprises, located in Tionesta, Pennsylvania.

Howard H. Shreckengost -- Director since 1995.

Mr. Shreckengost has been a director of the corporation and a director of the bank since 1995. He was elected to the Board of Directors in connection with the merger of New Bethlehem Bank, where he was a director since 1994. He is Manager of Char-Val Candy Company (a candy manufacturer, located in New Bethlehem, Pennsylvania.)

William H. Toy -- Director since 1992.

Mr. Toy has been a director of the corporation and a director of the bank since 1992. He is the owner of Spic & Span Cleaners and Sail Care (dry cleaning and sail maintenance businesses, located in Ford City, Pennsylvania.)

Directors Meetings

Each of the directors attend at least seventy-five percent (75%) of the total number of Board of Directors meetings for the corporation and the bank.

Compensation of Officers and Directors

The following table sets forth all cash compensation for services in all capacities paid by the corporation and the bank during 1998 to the Chief Executive Officer and up to four of the most highly compensated executive officers of the corporation and the bank to the extent that these officer's aggregate cash compensation exceeds $100,000.

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Summary Compensation Table
Annual Compensation 1996-1998

Name and Principle Position	Year	Salary($)	Bonus($)	Other Annual Compensation($)
<S>	<C>	<C>	<C>	<C>
Raleigh B. Robertson, President/CEO	1998	144,235.08	72,000	83,358.16(1)
	1997	130,893.00	72,000	83,308.50(1)
	1996	62,330.00	40,000	47,084.00(2)

</TABLE>

------
(1) Contingent compensation paid in 1997 and 1998.
(2) Includes $38,000 appraisal fees and $9,084 in Director's fees.

OPTIONS/SAR GRANTS IN LAST FISCAL YEAR
Individual Grants

The corporation did not grant stock options or stock appreciation rights in 1998.

AGGREGATED OPTIONS/SAR EXERCISES IN LAST FISCAL YEAR AND FY/END OPTION/SAR VALUES

(a) Name	(b) Shares Acquired on Exercise	(c) Value Realized($)(1)	(d) Number of Securities Underlying Unexercised Options/SAR's at FY-End(#) Exercisable/ Unexercisable	(e) Value of Unexercised In-the-Money Options/SAR's at FY-End($) Exercisable/ Unexercisable
Raleigh B. Robertson President and CEO	4,358	$25,603.25	0/4,358	$0/$83,346.75

---

(1) Calculated from information received from market maker in the corporation's securities.

Certain Relationships and Related Transactions

The corporation and the bank have not entered into any material transactions, proposed or consummated, with any director or executive officer of the corporation and the bank, or any associate of the foregoing persons. The corporation and the bank have engaged in and intend to continue to engage in banking and financial transactions in the ordinary course of business with directors and officers of the corporation and the bank and their associates on comparable terms with similar interest rates as those prevailing from time to time for other customers of the corporation and the bank.

Total loans outstanding from the corporation and the bank at December 31, 1998, to the corporation's and the bank's officers and directors as a group, members of their immediate families and companies in which they had an ownership interest of ten percent (10%) or more amounted to $480,998, or approximately 1.19% of the total equity capital of the bank. The bank made these loans in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons, and did not involve more than the normal risk of collection or present other unfavorable features.

BENEFICIAL OWNERSHIP OF THE CORPORATION'S STOCK OWNED BY PRINCIPAL OWNERS AND MANAGEMENT

Principal Shareholders

The following table sets forth, as of March 1, 1999, the name and address of each person who owns of record or who is known by the Board of Directors to be the beneficial owner of more than five percent (5%) of the corporation's outstanding common stock, the number of shares beneficially owned by such person and the percentage of the corporation's outstanding common stock so owned.

Name and Address	Shares Beneficially Owned(1)	Percent of Outstanding Common Stock Beneficially Owned

<S>	<C>	<C>
J. Jack Sherman P. O. Box 324 Tionesta, PA 16353	204,126	11.54%
CEDE & CO c/o The Depository Trust P. O. Box 222 Bowling Green Station New York, NY 10274	166,396	9.41%
Howard Shreckengost 406 Vine Street New Bethlehem, PA 16242	127,014(2)	7.18%
C. Edward Dunmire R.D. #7, Box 302A Kittanning, PA 16201	125,504	7.10 %

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(1) For the definition of "beneficial ownership" see footnote 1 below under the caption entitled "Share Ownership by the Directors, Officers and Nominees.

(2) Mr. Shreckengost holds the shares jointly with his spouse.

Share Ownership by the Directors, Officers and Nominees

The following table sets forth, as of March 1, 1999, and from information received from the respective individuals, the amount and percentage of the common stock beneficially owned by each director, each nominee and all officers, directors and nominees of the corporation as a group.

Name of Individual or Identify of Group	Amount and Nature of Beneficial Ownership (1)(3)	Percent of Class
Frank T. Baker	79,988(4)	4.52%
Darl Hetrick	73,305(5)	4.14%
Francis E. Kane	12,592(6)	.71%
Timothy Reddinger	13,543(7)	.77%
Raleigh B. Robertson	33,046(8)	1.87%
Raleigh B. Robertson, Jr.	55,510(9)	3.14%
J. Jack Sherman	204,126	11.54%
Howard H. Shreckengost	127,014(2)	7.18%
William H. Toy	56,898(10)	3.22%
(All officers and Directors as a Group, 10 Persons in total)	636,910	36.01%

(1) Beneficial ownership by an individual is determined in accordance with the definitions of "beneficial ownership" set forth in the General Rules and Regulations of the Securities and Exchange Commission and may include securities owned by or for the individual's spouse and minor children and any other relative who has the same home, as well as securities to which the individual has or shares voting or investment power or has the right to acquire beneficial ownership within 60 days after March 1, 1999. Beneficial ownership may be disclaimed as to certain of the securities.

(2) See footnote 2 above under the caption "Principal Beneficial Owners of the Corporation's Stock".

(3) Information furnished by the directors of the corporation.

(4) Mr. Baker holds 71,210 shares jointly with his spouse and she holds 4,658 individually.

(5) Mr. Hetrick holds 60,094 shares jointly with his spouse, 10,479 shares jointly with his son, and his spouse and son hold 2,732 shares jointly.

(6) Mr. Kane holds 12,592 shares jointly with his spouse.

(7) Mr. Reddinger holds 399 shares jointly with his spouse.

(8) Mr. Raleigh B. Robertson holds 100 shares individually, 7,688 shares jointly with his spouse, 19,616 shares jointly with his son, Raleigh B. Robertson, Jr., 4,910 shares jointly with his son, Richard W. Robertson, and his spouse holds 732 shares individually.

(9) Mr. Raleigh B. Robertson, Jr. holds 22,316 shares jointly with his spouse, 6,484 shares jointly with his son, 6,482 shares jointly with his daughter, 19,616 shares jointly with his father, Raleigh B. Robertson, and his son and daughter own 612 shares jointly.

(10) Mr. Toy holds 56,898 shares jointly with his spouse.

PROPOSALS

1. ELECTION OF DIRECTORS.

Nominees for election this year are:

- Frank T. Baker (director since 1984)
- Darl Hetrick (director since 1993)
- Francis E. Kane (director since 1984)
- Timothy P. Reddinger (director since 1998)
- Raleigh B. Robertson (director since 1993)
- Raleigh B. Robertson, Jr. (director since 1995)
- J. Jack Sherman (director since 1995)
- Howard H. Shreckengost (director since 1995)
- William H. Toy (director since 1992)

Each has consented to serve a one-year term. (See pages 6 and 7 for more information.)

If any director is unable to stand for re-election, the Board may designate a substitute. Proxy holders will vote in favor of a substitute nominee. The Board of Directors has no reason to believe the nine (9) nominees will be unable to serve if elected.

Cumulative voting rights do not exist with respect to the election of directors. The affirmative vote of the majority of shares present (in person or by proxy and entitled to vote at the annual meeting) is needed to elect a director.

The Board of Directors recommends a vote FOR the election of the nominees as Directors.

2. RATIFICATION OF EDWARDS, LEAP & SAUER, AS INDEPENDENT ACCOUNTANTS.

The bank's Audit Committee and the Board of Directors of the corporation and the bank believe that Edwards, Leap & Sauer's knowledge of the corporation and the bank is invaluable. Edwards, Leap & Sauer, advised the corporation that none of its members has any financial interest in the corporation. Edwards, Leap & Sauer, served as the corporation's independent auditors for the 1998 fiscal year. They assisted the corporation and the bank with the preparation of their federal and state tax returns and provided assistance in connection with regulatory matters, charging the bank for such services at its customary hourly billing rates. The corporation's and the bank's Board of Directors approved these non-audit services after due consideration of the accountants' objectivity and after finding them to be wholly independent.

In the event that the shareholders do not ratify the selection of Edwards, Leap & Sauer, as the corporation's independent auditors for the 1999 fiscal year, the Board of Directors may choose another accounting firm to provide independent public accountant audit services for the 1999 fiscal year. Representatives of Edwards, Leap & Sauer, will attend the annual meeting to answer questions.

The affirmative vote of the majority of shares present (in person or by proxy and entitled to vote at the annual meeting) is needed to ratify Edwards, Leap & Sauer, as independent accountants for 1999.

The Board of Directors recommends a vote FOR the ratification of Edwards, Leap & Sauer, as independent accountants.

EXECUTIVE COMPENSATION

The Board of Directors of Peoples Financial Corp., Inc. governs the corporation and its subsidiary, PFC Bank. In fulfilling its fiduciary duties, the Board of Directors acts in the best interests of the corporation's shareholders, customers and the communities served by the corporation and its subsidiary. To accomplish the strategic goals and objectives of the corporation, the Board of Directors engages competent persons who undertake to accomplish these objectives with integrity and in a cost-effective manner. The compensation of these individuals is part of the Board of Directors' fulfillment of its duties to accomplish the corporation's strategic mission. Officers of the corporation are not compensated. The bank provides compensation to the employees of the bank.

General labor market conditions, the specific responsibilities of the individual, and the individual's contributions to the bank's success influence total compensation opportunities available to the employees of the bank. Individuals are reviewed annually on a calendar year basis. The bank strives to offer compensation that is competitive with that offered by employers of comparable size in our industry. Through these compensation policies, the bank strives to meet its strategic goals and objectives to its constituencies and to provide compensation that is fair and meaningful to its employees.

SHAREHOLDERS PROPOSALS FOR 2000 ANNUAL MEETING

Any shareholder who, in accordance with the corporation's Bylaws, wishes to submit a proposal for inclusion in the corporation's proxy statement for its 2000 Annual Meeting of Shareholders must deliver such proposal in writing to the Secretary of Peoples Financial Corp., Inc. at its principal executive office, 363 Broad Street, New Bethlehem, Pennsylvania 16242, not later than November 5, 1999.

OTHER MATTERS THAT MAY COME BEFORE THE ANNUAL MEETING

The Board of Directors knows of no matters other than those referred to in the accompanying Notice of Annual Meeting of Shareholders that properly may come before the annual meeting. However, if any other matter should be properly presented for consideration and voting at the annual meeting or any adjournments of the meeting, the persons named as proxy holders will vote the proxies in what they determine to be the best interest of the corporation.

PEOPLES FINANCIAL CORP., INC.
PROXY

ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MARCH 31, 1999
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned hereby constitutes and appoints Raleigh B. Robertson and

Timothy P. Reddinger and each or any of them, proxies of the undersigned, with full power of substitution to vote all of the shares of Peoples Financial Corp., Inc. that the undersigned may be entitled to vote at the Annual Meeting of Shareholders to be held at Holiday Inn, Route 68 and I-80, Clarion, Pennsylvania 16214, on Wednesday, March 31, 1999, at 10:00 a.m. prevailing time, and at any adjournment or postponement thereof as follows:

1. ELECTION OF DIRECTORS TO SERVE FOR A ONE-YEAR TERM.

[ ] FOR all listed below (except as marked to the contrary below)

[ ] WITHHOLD AUTHORITY to vote for all nominees listed below

The Board of Directors recommends a vote FOR these nominees.

Frank T. Baker	Raleigh B. Robertson, Jr.
Darl Hetrick	J. Jack Sherman
Francis E. Kane	Howard H. Shreckengost
Timothy P. Reddinger	William H. Toy
Raleigh B. Robertson	

(INSTRUCTION: TO WITHHOLD AUTHORITY TO VOTE FOR ANY INDIVIDUAL NOMINEE, WRITE THAT NOMINEE'S NAME ON THE SPACE PROVIDED BELOW.)

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2. RATIFICATION OF THE SELECTION OF EDWARD, LEAP & SAUER, CERTIFIED PUBLIC ACCOUNTANTS, OF PITTSBURGH, PENNSYLVANIA, AS THE INDEPENDENT AUDITORS FOR THE YEAR ENDING DECEMBER 31, 1999.

[ ] FOR [ ] AGAINST [ ] ABSTAIN

The Board of Directors recommends a vote FOR this proposal.

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3. In their discretion, the proxy holders are authorized to vote upon such other business as may properly come before the meeting and any adjournment or postponement thereof.

THIS PROXY, WHEN PROPERLY SIGNED AND DATED, WILL BE VOTED IN THE MANNER DIRECTED BY THE UNDERSIGNED SHAREHOLDERS. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL NOMINEES LISTED ABOVE AND FOR PROPOSAL 2.

Dated: ______________________, 1999 ______________________________
Signature

Signature

Number of Shares Held of Record
on March 1, 1999

THIS PROXY MUST BE DATED, SIGNED BY THE SHAREHOLDER AND RETURNED PROMPTLY TO THE CORPORATION IN THE ENCLOSED ENVELOPE. WHEN SIGNING AS ATTORNEY, EXECUTOR, ADMINISTRATOR, TRUSTEE OR GUARDIAN, PLEASE GIVE FULL TITLE. IF MORE THAN ONE TRUSTEE, ALL SHOULD SIGN. IF STOCK IS HELD JOINTLY, EACH OWNER SHOULD SIGN.