FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

IROQUOIS BANCORP INC
CIK:**846753**| IRS No.: **161351101** | State of Incorp.:**NY** | Fiscal Year End: **1231**
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SIC: **6035** Savings institution, federally chartered

Mailing Address
115 GENESEE STREET
AUBURN NY 13021

Business Address
115 GENESEE ST
AUBURN NY 13021
3152529521

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

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______________ to _______________

Commission file number 0-18301

IROQUOIS BANCORP, INC.
(Exact name of Registrant as specified in its charter)

New York	16-1351101
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
115 Genesee Street, Auburn, New York	13021
(Address of principal executive offices)	Zip Code

Registrant's telephone number, including area code: (315) 252-9521

Securities registered pursuant to Section 12(b) of the Act: None

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

Common Stock, $1.00 par value
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes _X_ No ___

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

The aggregate market value of the shares of Registrant's voting stock, its Common Stock, held by non-affiliates of Registrant as of February 26, 1999 was $38,522,317 based upon the closing sale price of $21.75 per share of Common Stock on that date, as reported by the NASDAQ Stock Market.

The number of shares outstanding of Registrant's Common Stock as of February 26, 1999 was 2,426,880.

Documents Incorporated by Reference

Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1998 are incorporated by reference into Part I and II.

Portions of the Registrant's Definitive Proxy Statement relating to the Annual Meeting of Shareholders to be held April 29, 1999 are incorporated by reference into Part III.

This annual report contains certain "forward-looking statements" covered by the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. The Company is making this statement for the express purpose of availing itself of the safe harbor protection with respect to any and all of such forward-looking statements, including those contained in Management's Discussion and Analysis which describe future plans or strategies and include the Company's expectations of future financial results. The words "believe," "expect," "anticipate," "estimate," "project," and similar expressions identify forward-looking statements. The Company's ability to predict results or the effect of future plans or strategies is inherently uncertain. Factors that could affect actual results include interest rate trends, the general economic climate in the Company's market areas or in the country as a whole, loan delinquency rates, and changes in federal and state regulation. These factors should be considered in evaluating the forward-looking statements, and undue reliance should not be placed on such statements.

PART I

Item 1. Description of Business

General

Iroquois Bancorp, Inc. (the "Company"), a New York corporation, is a bank holding company that operates two wholly-owned financial institution subsidiaries: Cayuga Bank , a New York state-chartered commercial bank and trust company with its principal offices located in Auburn, New York and The Homestead Savings FA ("Homestead Savings"), a federally chartered savings association with its principal offices located in Utica, New York. Prior to January 1, 1997, the Company was a thrift holding company and Cayuga Bank was a New York state chartered savings bank. The Company became a bank holding company in connection with the change in Cayuga Bank's charter from a savings bank to a commercial bank under New York state law. Cayuga Bank and Homestead Savings are sometimes referred to herein as the "member banks."

Description of business

The Company, through its member banks and their respective subsidiaries (collectively, the "Subsidiaries"), is engaged solely in the business of providing financial services to consumers and businesses. The Company caters to the particular needs of its market areas through the Subsidiaries, offering a broad range of financial products and services. Loan products offered by the Company include mortgages, home equity loans and lines of credit, consumer installment loans, credit cards, student loans, and commercial loans; deposit products include savings, checking and time deposits, money market accounts, a range of deposits for municipalities or other public corporations, and mortgage escrow accounts. The Company also provides insurance agency services, investment brokerage services, trust services and safe deposit facilities.

The business of the Company is more fully described in Management's Discussion and Analysis at pages 5 through 22 of the Company's Annual Report to Shareholders for the fiscal year ended December 31, 1998 (the "1998 Annual Report to Shareholders"), incorporated herein by reference to Exhibit (13) hereto.

Market Area

The Company's market area primarily covers the Central New York counties of Cayuga, Oswego and Oneida. Cayuga and Oswego counties are part of the Syracuse MSA, which also includes Onondaga and Madison counties. Oneida County is part of the Utica MSA, which also includes Herkimer County. The Company's residential mortgage lending extends to Monroe County, part of the Rochester MSA, and parts of Seneca and Onondaga counties through a broker network, as well as to Old Forge and Lake Placid, NY, through loan production offices.

A recent estimate by the U.S. Census Bureau shows the upstate New York population decreasing by 24,965 people or .4% from July 1997 to July 1998. Cayuga County population declined by .5%, slightly more than the upstate average. Oneida County led the state in population decline from 1990 to 1997 with 7.0%, or 17,649 people leaving the county. The Syracuse area lost 4.5%, or 33,445 people during the same period.

The percentage of population over age 60 increased by 3% for Cayuga County, and 6% for both Oswego and Oneida counties from the period 1980 to 1990. Nearly one-third of the total population in these counties exceeds 60 years of age. These statistics seem to follow a national trend of people living longer. The Company intends to focus on this market segment with products and services designed to accommodate an older population. These include relationship accounts, trust and investment services and products for meeting housing needs of the elderly through innovative mortgage programs.

In 1998, the Central New York economy grew twice as fast as estimated and faster than any time since 1990. Job growth for 1998 in the Syracuse MSA was 1.2%, compared to a national average of 2.6%. Service sector jobs grew the most, adding 1,600 jobs. Manufacturing was second with job growth of 1,300 jobs. Every major industry added jobs except for retailing which lost 700 jobs.

The unemployment rate for the Syracuse MSA was 3.6% for December 1998 down from 4.5% a year earlier. The unemployment rate for New York State for December 1998 was 5.1% while the national rate was 4.3%. The December year over year unemployment rate for Cayuga County improved from 5.6% in 1997 to 5.2% in 1998. Oneida County improved from 4.7% to 3.7% while Oswego County improved from 6.8% to 5.7% The unemployment rate for the Rochester MSA improved from 4.0% to 3.6%. The Utica MSA improved from 5.2% to 4.1%.

The Central New York housing market improved during 1998. Sales in the Syracuse MSA were 18% higher while the median sales price increased 1.4%. Nationally, sales were up 16% with a comparable percentage increase in median price. The backlog of unsold homes has declined but remains relatively high in the Company's primary market areas. The Rochester area housing market remains the strongest market in the Upstate NY area exhibiting continued growth in housing sales and a less than 2.6 month supply of unsold homes.

Competition

Because the primary business of the Company is the ongoing business of its Subsidiaries, the competitive conditions faced by the Company are primarily those of the member banks as financial institutions in their respective geographic markets. Within their respective market areas, the member banks encounter intense competition from other financial institutions offering comparable products. These competitors include commercial banks, savings banks, savings and loan associations, and credit unions. Competition for the broader range of financial services provided by the Subsidiaries also comes from non-banking entities such as personal loan companies, sales finance companies, leasing companies, securities brokers and dealers, insurance companies, mortgage companies, and money market and mutual fund companies.

To differentiate itself from the competition in its market areas, the Company places strong emphasis on providing customers with highly personalized service and products tailored to the needs of its retail and commercial customers. The Subsidiaries also utilize personal sales calls, convenient hours and locations, and relationship-based products and services to enhance customer retention and loyalty.

In addition to competition for financial services, the Company itself faces competition for acquisition of other banking institutions or their branches. Numerous banks and financial institutions in the Company's market areas are pursuing acquisition strategies and have formed holding companies for the same reasons as the Company.

Statistical Disclosure by Bank Holding Companies

I. Distribution of Assets, Liabilities and Stockholders' Equity; Interest Rates and Interest Differential

Information required by this section of Securities Act Industry Guide 3, or Exchange Act Industry Guide 3 (Guide 3), is presented in the Registrant's 1998 Annual Report to Shareholders in Management's Discussion and Analysis on page 7 in Table 1 - Net Interest Income Analysis, and on page 8 in Table 2 - Rate/Volume Analysis, which Tables 1 and 2 are incorporated herein by reference.

II. Investment Portfolio

Information required by this section of Guide 3 is presented in the Registrant's 1998 Annual Report to Shareholders in Management's Discussion and Analysis on page 15 in Table 6 - Securities and on page 16 in Table 7 - Maturity Schedule of Securities, which Tables 6 and 7 are incorporated herein by reference.

III. Loan Portfolio

A. Composition of Loan Portfolio

Information required by this section of Guide 3 is presented in the Registrant's 1998 Annual Report to Shareholders in Management's Discussion and Analysis on page 10 in Table 3 - Summary of the Loan Portfolio, which Table 3 is incorporated herein by reference.

B. Maturities and Sensitivities of Loans to Changes in Interest Rates

Information required by this section of Guide 3 is presented in Registrant's 1998 Annual Report to Shareholders in Management's Discussion and Analysis on page 10 in the table entitled Selected Loan Maturity and Interest Rate Sensitivity, which Table is incorporated herein by reference.

C. 1. Risk Elements

Information required by this section of Guide 3 is presented in the Registrant's 1998 Annual Report to Shareholders in Management's Discussion and Analysis on page 14 in Table 5 - Summary of Non-Performing Assets, which Table 5 is incorporated herein by reference.

2. Potential Problem Loans

Information required by this section of Guide 3 is presented in the Registrant's 1998 Annual Report to Shareholders in Management's Discussion and Analysis on pages 13 through 14, in the discussion under the caption Non-Performing Assets, which discussion is incorporated herein by reference.

3. Foreign Outstandings

The Company does not make loans to foreign companies and, at December 31, 1998, 1997 and 1996, there were no foreign loans outstanding.

4. Loan Concentrations

Information required by this section of Guide 3 is presented in the Registrant's 1998 Annual Report to Shareholders on page 43 in note (16) of the Notes to Consolidated Financial Statements relating to Commitments and Contingencies, which note (16) is incorporated herein by reference.

IV. Summary of Loan Loss Experience

A. Analysis of the Allowance for Loan Losses

Information required by this section of Guide 3 is presented in the Registrant's 1998 Annual Report to Shareholders in Management's Discussion and Analysis on page 13 in Table 4 - Allowance for Loan Losses, in the discussion on page 12 under the caption reference. Allowance for Loan Losses and in the discussion on pages 13 through 14 under the caption Non-Performing Assets, which Table 4 and which discussions are incorporated herein by reference.

B. Allocation of the Allowance for Loan Losses

Information required by this section of Guide 3 is presented in the Registrant's 1998 Annual Report to Shareholders in Management's

Discussion and Analysis on page 13 in that portion of Table 4 - Allowance for Loan Losses under the separate table heading Allocation of Allowance for Loan Losses at December 31, which portion of Table 4 is incorporated herein by reference.

V. Deposits

Information required by this section of Guide 3 is presented in the Registrant's 1998 Annual Report to Shareholders in Management's Discussion and Analysis on page 7 in Table 1 - Net Interest Income Analysis, on page 17 in Table 8 - Deposits and on page 17 in Table 9 - Maturities of Time Deposits - $100,000 and Over, which Tables 1, 8 and 9 are incorporated herein by reference.

VI. Return on Equity and Assets

Information required by this section of Guide 3 is presented in the Registrant's 1998 Annual Report to Shareholders on page 4 in the table entitled Selected Consolidated Financial Data, which Table is incorporated herein by reference.

VII. Short-Term Borrowings

Information required by this section of Guide 3 is presented in the Registrant's 1998 Annual Report to Shareholders on page 36 in note (7) of the Notes to Consolidated Financial Statements

relating to Borrowings, in that portion of the table therein on information related to the Federal Home Loan Bank Line of Credit at December 31, 1998 and 1997 and in the discussion therein under the caption Line of Credit and Term Advances, which tabular information and discussions are incorporated herein by reference.

Employees

At December 31, 1998, the Company and its Subsidiaries had 176 full-time and 36 part-time employees. The Company and its Subsidiaries provide a variety of benefit programs including group life, health, accident and other insurance benefits, and retirement and stock ownership plans.

Regulation and Supervision

The earnings of the member banks, and therefore the earnings of the Company, are affected by policies of regulatory authorities, most significantly the Board of Governors of the Federal Reserve System (the "FRB") which implements policies to influence interest rates and the supply of money and credit in the banking system. The FRB's monetary policies strongly influence the behavior of interest rates and can have a significant effect on the operating results of commercial banks, primarily through the FRB's policies that have a direct impact on interest rates. The effects of various FRB policies on future business and earnings of the Company cannot be predicted, nor can the nature or extent of any effects of possible future governmental controls, legislative or regulatory changes that may be implemented by the FRB or any of the other regulatory agencies with jurisdiction over the Company or its Subsidiaries.

As sole shareholder of Cayuga Bank, under federal law the Company is a bank holding company subject to the jurisdiction of the FRB. The Company also falls within the definition of a thrift holding company as sole shareholder of Homestead Savings, under the jurisdiction of the Office of Thrift Supervision ("OTS"). Under the provisions of the Economic Growth and Regulatory Paperwork Reduction Act of 1996 ("EGRPRA"), the OTS adopted rules applicable to holding companies that qualify as both a bank and thrift holding company, and the OTS no longer supervises a holding company that controls both a bank and a savings association if it is registered with the FRB. Accordingly, under federal law, the Company files all reports with and is subject to regulation, examination, and supervision solely by the FRB even though it continues to own a savings association. OTS, however, continues to be the primary regulatory authority for Homestead Savings, the Company's wholly-owned savings association subsidiary.

The Company also has been and continues to be a bank holding company for purposes of state law and, as such, is subject to regulation, examination, and supervision by the New York State Banking Department.

Cayuga Bank operates as a commercial bank, chartered as a New York State trust company, and is subject to regulation, supervision and examination by the New York State Banking Department as its primary regulatory authority and by the Federal Deposit Insurance Corporation ("FDIC"). Homestead Savings is subject to regulation, supervision and examination by the OTS as its primary regulatory authority. Cayuga Bank's deposits are insured by the FDIC Bank Insurance Fund ("BIF") and Homestead Savings' deposits are insured by the FDIC Savings Association Insurance Fund ("SAIF"). Each of the financial institutions is subject to assessment of insurance premiums as the FDIC may require from time to time to assure that the BIF and SAIF have adequate reserves. During the last year, Cayuga Bank, as a well-capitalized institution insured by BIF, paid an assessment of $0.012 per $100 of qualifying deposits and Homestead Savings, as a well-capitalized SAIF-insured institution, paid $0.06 per $100 of qualifying deposits. FDIC deposit insurance coverage under the respective BIF and SAIF is generally in amounts up

to $100,000 per depositor. The FDIC has the power to terminate insured status or to suspend it temporarily under special conditions.

The FRB has adopted minimum capital ratios and guidelines for assessing the adequacy of capital of bank holding companies. The minimum capital ratios consist of a risk-based measure, a leverage ratio and a Tier 1 leverage ratio. Under the risk-based measure, a bank holding company must have a minimum ratio of qualifying total capital to risk-weighted assets equal to 8%, of which at least 4% must be in the form of Tier 1 capital. Qualifying total capital is calculated by adding Tier 1 capital and Tier 2 capital. The risk-based capital ratio, calculated by dividing qualifying capital by risk-weighted assets, also incorporates capital charges for certain market risks. The leverage measure of capital is based on two components, a minimum level of primary capital to total assets of 5.5% and a minimum level of total capital to total assets of 6.0%. The Tier 1 leverage ratio requires the ratio of Tier 1 capital to total assets be at least 3%, for strong bank holding companies and those that have implemented a risk-based capital measurement that includes market risk factors. All other holding companies must have a minimum 4% Tier 1 leverage ratio, and an even higher ratio may be imposed on weaker organizations. At December 31, 1998, the Company's capital ratios were in excess of the minimum requirements.

The FRB also places bank holding companies into various categories based upon these measures of capital adequacy, of which the highest level is "well capitalized." A bank holding company is considered well capitalized if it maintains a risk-based capital ratio of 10% or greater and a Tier 1 risk-based capital ratio of 6% or greater, and if the bank holding company is not subject to any written agreement, order or similar directive issued by FRB for maintaining capital levels. Under EGRPRA, a bank holding company that is deemed to be well-capitalized may engage in permissible non-banking activities without prior approval from the FRB. Based on the Company's calculation of its capital ratios, the Company qualifies as a well capitalized bank holding company.

Both of the financial institution subsidiaries of the Company are also subject to specific capital requirements of their respective regulators. Cayuga Bank is subject to FDIC guidelines which require Tier 1 capital of at least 3% of total assets, and 1% to 2% higher depending upon the bank's financial condition and growth strategy. The FDIC risk-based capital guidelines require that the ratio of total capital to risk-weighted assets must be at least 8%, with a minimum of 4% in Tier 1 capital. Homestead Savings is subject to the capital adequacy guidelines of the OTS, which require tangible capital of at least 1.5% of total assets, core capital of at least 3% of total assets, and minimum risk-based capital of 8% of risk-weighted assets. Both subsidiaries have in excess of these capital requirements.

For supervisory purposes, each of the federal bank regulatory agencies have promulgated regulations establishing five categories, ranging from well-capitalized to critically under-capitalized, depending upon the institution's capital and other factors. Capital adequacy provisions that apply to both Cayuga Bank and Homestead Savings under guidelines adopted by all federal banking regulatory agencies also require market risk measures to be included in risk-based capital standards.

The Riegle-Neal Interstate Banking Efficiency Act of 1994 permits bank holding companies and banks to engage in transactions involving interstate acquisitions and mergers if the holding company and banking institution are adequately capitalized and managed. The FRB imposes restrictions, however, on the acquisition by the Company of more than 5% of the voting shares of any bank or other bank holding company. The extent to and terms on which full interstate branching and certain other actions authorized under the Riegle-Neal Act are implemented will depend on the actions of entities other than the Company and its member banks, including the legislatures of the various states. Further developments by state and federal authorities, including legislation, with respect to matters covered by the Riegle-Neal Act reasonably can be anticipated to occur in the future.

Under the Community Reinvestment Act of 1977 ("CRA"), the federal regulatory agencies are required to assess whether the holding company or institutions are meeting the credit needs of the communities served. All bank regulatory agencies take CRA ratings into consideration in connection with any application for mergers, consolidations, including applications for acquiring branch offices of operating institutions. New York State Banking Department regulations impose similar requirements with respect to the CRA.

Cayuga Bank and Homestead Savings are also subject to certain FRB regulations for the maintenance of reserves in cash or in non-interest bearing accounts, the effect of which is to increase their cost of funds. Cayuga Bank is also subject to comprehensive New York state regulation, including limitations on the amount of dividends that may be paid to Iroquois as its sole shareholder.

New banking legislation related to bank holding companies and their subsidiaries has been under consideration by Congressional committees on a regular basis in recent years. The likelihood of success of any such legislation and the effect, if any, of such legislation on the Company and its Subsidiaries cannot be predicted.

Item 2. Properties

The Company's properties are all located in Central New York State. Six banking office facilities are utilized by Cayuga Bank: three in Auburn, one in Weedsport, one in Moravia, and one in Lacona, all of which are owned. The Company has two offices in Utica, one office in Waterville, and one office in Clinton, that are all owned and utilized as banking offices by Homestead Savings. The Company also leases space in Freedom Mall, Rome, New York for use by Homestead Savings. The lease was extended upon its expiration in June, 1998 on a month-to-month basis. Homestead Savings is currently looking for a new location for this facility. All of these properties are in generally good condition and appropriate for their intended use.

Item 3. Legal Proceedings

The Company is not involved in any pending legal proceedings, other than routine legal proceedings undertaken in the ordinary course of business or legal proceedings that, in the opinion of the management after consultation with counsel, if determined adversely, would not have a material effect on the consolidated financial condition or results of operations of the Company.

Item 4. Submission of Matters to a Vote of Stockholders

NONE

* * * * * * * * * * *

EXECUTIVE OFFICERS OF THE REGISTRANT

<TABLE>
<CAPTION>

Name	Age	Title
<S>	<C>	<C>
Richard D. Callahan	56	President and Chief Executive Officer
Marianne R. O'Connor	44	Treasurer and Chief Financial Officer
Richard J. Notebaert, Jr.	55	Vice President
W. Anthony Shay, Jr.	56	Vice President-Operations

</TABLE>

All of the foregoing executive officers were elected by the Company's board of directors at its first board meeting in January for the fiscal year. Each such executive officer was so elected to serve the Company, in addition to the officer's primary duties as an executive officer of Cayuga Bank or Homestead Savings, for a term of one year and until his or her successor is duly elected and qualified at the first meeting of the board of directors held in January of each fiscal year.

Richard D. Callahan, President and Chief Executive Officer, joined both the Company and Cayuga Bank in 1994. Prior to that time, he was Regional Executive Vice President, Regional President, and Senior Executive Vice President of Operations and Marketing, in that order, for Marine Midland Bank from 1983 to 1993, after 18 years of prior banking experience.

Marianne R. O'Connor, Treasurer and Chief Financial Officer, joined Cayuga Bank as manager of the Loan Servicing Department in 1979, subsequently served as Assistant Comptroller, and was promoted to Treasurer in 1985 and to Chief Financial Officer in 1988.

Richard J. Notebaert, Jr., Vice President, joined Homestead Savings in February 1990 as Executive Vice President, and was promoted to President and Chief Executive Officer of Homestead in 1992. Prior to that time, he had been Executive Vice President of Monroe Savings Bank for 14 years.

W. Anthony Shay, Jr., Vice President-Operations, joined Cayuga Bank in February, 1995 as Vice President. Prior to that time, he was Senior Vice President Operations Support, Senior Vice President Processing Services Group, Senior Vice President and Regional Executive, and held other various positions with Marine Midland Bank from 1964 to 1994.

PART II

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

Reference is made to the information on page 46 of the Company's 1998 Annual Report to Shareholders, incorporated herein by reference to Exhibit (13) hereto.

Item 6. Selected Financial Data

Reference is made to Selected Consolidated Financial Data on page 4 of the Company's 1998 Annual Report to Shareholders, incorporated herein by reference to Exhibit (13) hereto.

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

Reference is made to Management's Discussion and Analysis in the Company's 1998 Annual Report to Shareholders on pages 5 through 22 thereof, incorporated herein by reference to Exhibit (13) hereto.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Reference is made to the discussion under the caption Market Risk and Interest Rate Risk Management on pages 18 through 20 and to Table 10 - Net Portfolio Value Analysis and Table 11 - Interest Rate Sensitivity Table on page 20 of Management's Discussion and Analysis in the Company's 1998 Annual Report to Shareholders, which discussion and Tables 10 and 11 are incorporated herein by reference to Exhibit (13) hereto.

Item 8. Financial Statements and Supplementary Data

The consolidated financial statements of the Company, together with the report thereon of its independent auditors, included in the 1998 Annual Report to Shareholders on pages 24 through 45 thereof, along with the Unaudited Summarized Quarterly Financial Information on page 46 thereof, are incorporated herein by reference to Exhibit (13) hereto. The financial statements of the Iroquois Bancorp 401(k) Savings Plan, together with the report thereon of its independent auditors, as required by Rule 15d-21 pursuant to Section 15(d) of the Securities Exchange Act of 1934, as amended, are incorporated herein by reference to Exhibit (99) hereto.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

(a) Identification of directors.

Reference is made to pages 4 and 5 under the caption ELECTION OF DIRECTORS in the Company's Definitive Proxy Statement relating to its Annual Meeting of Shareholders to be held on April 29, 1999 (the "Proxy Statement"), incorporated herein by reference.

(b) Identification of executive officers.

The information pertaining to the Company's executive officers is included in Part I of this Annual Report on Form 10-K following Item 4 hereof as permitted by Instruction 3 to Item 401(b) of Regulation S-K.

(c) Family relationships.

There are no family relationships between any director, executive officer, or any person nominated or chosen by the Company to become a director or executive officer. Officers of the Company serve for a term of office from the date of election to the next annual meeting of the board of directors and until their respective successors are elected and qualified, except in the case of death, resignation, or removal. There are no arrangements or understandings with any other person pursuant to which any director or executive officer was elected to such position.

(d) Compliance with Section 16(a) of the Exchange Act

Reference is made to the information under the caption COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934 in the Company's Proxy Statement on page 4 thereof, incorporated herein by reference.

Item 11. Executive Compensation

Reference is made to the information under the caption EXECUTIVE COMPENSATION on pages 7 through 14 of the Company's Proxy Statement, incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Reference is made to the information under the caption STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT on pages 2 and 3 of the Company's Proxy Statement, incorporated herein by reference. There are no arrangements known to the Company, including any pledge by any person of securities of the Company, the operation of which may, at a subsequent date, result in a change of control of the Company.

Item 13. Certain Relationships and Related Transactions

Reference is made to the information under the caption CERTAIN TRANSACTIONS on page 16 of the Company's Proxy Statement, incorporated herein by reference.

PART IV

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

(a) (1) Financial Statements and Report of Independent Auditors. The following consolidated financial statements and reports of the Company are incorporated in this Annual Report on Form 10-K by reference to the 1998 Annual Report to Shareholders annexed hereto as Exhibit (13):

Report of Independent Auditors.

Consolidated Balance Sheets as of December 31, 1998 and 1997.

Consolidated Statements of Income for each of the years in the three-year period ended December 31, 1998.

Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 1998.

Consolidated Statements of Shareholders' Equity and Comprehensive Income for each of the years in the three-year period ended

December 31, 1998.

Notes to Consolidated Financial Statements.

(2) Financial Statement Schedules. All financial statement schedules have been omitted as they are not applicable, not required, or the information is included in the consolidated financial statements or notes thereto.

(3) Exhibits. The following exhibits are filed herewith or have been previously filed with the Securities and Exchange Commission, as noted, and numbered in accordance with Item 601 of Regulation S-K:

Number	Description
3(A)(I)	Restated Certificate of Incorporation of Registrant, incorporated by reference to the Registrant's Registration Statement on Form 8-A (No. 0-18301), filed with the Commission on November 12, 1991, wherein such exhibit is designated Exhibit 2(I)(2)(a).

3(A)(II)	Certificate of Amendment of the Certificate of Incorporation of Registrant, incorporated by references to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, filed with the Commission on November 7, 1996, wherein such exhibit was designated Exhibit 3.1.
3(B)	Bylaws of Registrant, incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995, filed with the Commission on November 13, 1995, wherein such exhibit is designated Exhibit 3(ii).

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Compensatory Plans or Arrangements

10(A)	Employment Agreement with Richard D. Callahan, incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, filed with the Commission on May 14, 1997, wherein such exhibit is designated 10(A).
10(B)	Employment Agreement with Marianne R. O'Connor, incorporated by reference to Registrant's Quarterly Report on Form 10-Q

for the quarter ended March 31, 1997, filed with the Commission on May 14, 1997, wherein such exhibit is designated 10(C).

10(C) Employment Agreement with Richard J. Notebaert, Jr., incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, filed with the Commission on May 14, 1997, wherein such exhibit is designated 10(B).

10(D) Employment Agreement with Henry M. O'Reilly, incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, filed with the Commission on May 14, 1997, wherein such exhibit is designated 10(D).

10(E) Employment Agreement with W. Anthony Shay, Jr., incorporated by reference to Registrant's Quarterly Report on form 10-Q for the quarter ended March 31, 1997, filed with the Commission on May 14, 1997, wherein such exhibit is designated Exhibit 10(D).

10(F) Amended and Restated 1988 Stock Option Plan, incorporated by reference to Registrant's Registration Statement on Form S-8 (No. 33-94214), filed with the Commission on June 29, 1995, wherein such exhibit is designated Exhibit 99.

10(G) 1996 Stock Option Plan, incorporated by reference to Registrant's Registration Statement on Form S-8 (No.333-10063), filed with the Commission on August 13, 1996, wherein such exhibit is designated Exhibit 99.

10(H) Stock Purchase Incentive Program, incorporated by reference to Registrant's Annual Report on form 10-K for the fiscal year ended December 31, 1996, filed with the Commission on March 27, 1997, wherein such exhibit is designated Exhibit 10(I).

10(I) Description of Iroquois Bancorp, Inc. Annual Management Incentive Plan.

10(J) Retirement Benefits Agreement with Richard D. Callahan, incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, filed with the Commission on March 29, 1995, wherein such exhibit is designated 10(L).

10(K) Separation Agreement with James H. Paul, incorporated by reference to Registrant's Quarterly Report on 10-Q for the quarter ended March 31, 1997, filed with the Commission on May 14, 1997, wherein such exhibit is designated Exhibit 10(F).

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13	Annual Report to Shareholders for Fiscal Year Ended December 31, 1998.
21	List of Subsidiaries.
23(A)	Consent of KPMG LLP with respect to the Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1998.
23(B)	Consent of Fagliarone Group P.C. with respect to Exhibit 99 of the Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1998.
24	Power of Attorney, included with the Signature Page of this Annual Report on Form 10-K.
99	Iroquois Bancorp, Inc. 401(k) Savings Plan Financial Statements and Schedules for the Fiscal Years Ended December 31, 1998 and 1997, together with Independent Auditors' Report Thereon of Fagliarone Group P.C. for the year ended December 31, 1998 and KPMG LLP for the year ended December 31, 1997.

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, thereunto duly authorized in the City of Auburn, County of Cayuga, and State of New York on March 16, 1999.

IROQUOIS BANCORP, INC.

By: /s/Richard D. Callahan

Richard D. Callahan
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS that each individual whose signature appears below constitutes and appoints Richard D. Callahan and/or Marianne R. O'Connor his true and lawful attorney-in-fact and agent with full power of substitution, for him and his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorney-in-fact and agent, or his substitute, may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Annual Report on Form 10-K and Power of Attorney have been signed below by the following persons in the capacities and on the dates indicated:

Name	Title	Date
/s/Richard D. Callahan ------------------------------ Richard D. Callahan	President and Chief Executive Officer, Director	March 16, 1999
/s/Joseph P. Ganey ------------------------------ Joseph P. Ganey	Chairman of the Board	March 16, 1999
/s/Marianne R. O'Connor ------------------------------ Marianne R. O'Connor	Treasurer and Chief Financial Officer	March 16, 1999

Name	Title	Date
------------------------------ Brian D. Baird	Director	March __, 1999
/s/John Bisgrove, Jr. ------------------------------ John Bisgrove, Jr.	Director	March 16, 1999
/s/Peter J. Emerson	Director	March 16, 1999

Peter J. Emerson

/s/Arthur A. Karpinski ------------------------------ Arthur A. Karpinski	Director	March 16, 1999
/s/Henry D. Morehouse ------------------------------ Henry D. Morehouse	Director	March 16, 1999
/s/Edward D. Peterson ------------------------------ Edward D. Peterson	Director	March 16, 1999
/s/Lewis E. Springer, II ------------------------------ Lewis E. Springer, II	Director	March 16, 1999

EXHIBIT INDEX

Number	Description
3(A)(I)	Restated Certificate of Incorporation of Registrant, incorporated by reference to the Registrant's Registration Statement on Form 8-A (No. 0-18301), filed with the Commission on November 12, 1991, wherein such exhibit is designated Exhibit 2(I)(2)(a).
3(A)(II)	Certificate of Amendment of the Certificate of Incorporation of Registrant, incorporated by references to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1996, filed with the Commission on November 7, 1996, wherein such exhibit was designated Exhibit 3.1.
3(B)	Bylaws of Registrant, incorporated by reference to the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1995, filed with the Commission on November 13, 1995, wherein such exhibit is designated

Exhibit 3(ii).

****

Compensatory Plans or Arrangements

10(A)	Employment Agreement with Richard D. Callahan, incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, filed with the Commission on May 14, 1997, wherein such exhibit is designated 10(A).
10(B)	Employment Agreement with Marianne R. O'Connor, incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, filed with the Commission on May 14, 1997, wherein such exhibit is designated 10(C).
10(C)	Employment Agreement with Richard J. Notebaert, Jr., incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, filed with the Commission on May 14, 1997, wherein such exhibit is designated 10(B).
10(D)	Employment Agreement with Henry M. O'Reilly, incorporated by reference to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997, filed with the Commission on May 14, 1997, wherein such exhibit is designated 10(D).

10(E)	Employment Agreement with W. Anthony Shay, Jr., incorporated by reference to Registrant's Quarterly Report on form 10-Q for the quarter ended March 31, 1997, filed with the Commission on May 14, 1997, wherein such exhibit is designated Exhibit 10(D).
10(F)	Amended and Restated 1988 Stock Option Plan, incorporated by reference to Registrant's Registration Statement on Form S-8 (No. 33-94214), filed with the Commission on June 29, 1995, wherein such exhibit is designated Exhibit 99.
10(G)	1996 Stock Option Plan, incorporated by reference to Registrant's Registration Statement on Form S-8 (No.333-10063), filed with the Commission on August 13, 1996, wherein such exhibit is designated Exhibit 99.
10(H)	Stock Purchase Incentive Program, incorporated by reference

to Registrant's Annual Report on form 10-K for the fiscal year ended December 31, 1996, filed with the Commission on March 27, 1997, wherein such exhibit is designated Exhibit 10(I).

10(I)	Description of Iroquois Bancorp, Inc. Annual Management Incentive Plan.
10(J)	Retirement Benefits Agreement with Richard D. Callahan, incorporated by reference to Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, filed with the Commission on March 29, 1995, wherein such exhibit is designated 10(L).
10(K)	Separation Agreement with James H. Paul, incorporated by reference to Registrant's Quarterly Report on 10-Q for the quarter ended March 31, 1997, filed with the Commission on May 14, 1997, wherein such exhibit is designated Exhibit 10(F).

****

13	Annual Report to Shareholders for Fiscal Year Ended December 31, 1998.
21	List of Subsidiaries.
23(A)	Consent of KPMG LLP with respect to the Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1998.

23(B)	Consent of Fagliarone Group P.C. with respect to Exhibit 99 of the Annual Report on Form 10-K for the Fiscal Year Ended December 31, 1998.
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Exhibit 10(I)

IROQUOIS BANCORP

ANNUAL MANAGEMENT INCENTIVE PLAN

OBJECTIVES

- Reward Iroquois and Member Bank Managers for the achievement of key business objectives.

- Provide Managers with an incentive to exceed budgeted pre-tax income performance.

- Supports Total Compensation Strategy of targeting slightly below market for planned results and paying above market for the achievement of above plan results.

PLAN DESIGN FEATURES

					Incentive Weighting	
		Threshold Award	Target Award	Superior Award	Bank	Ind./ Dept.
Tier 1	President/ CEO - Iroquois	20%	45%	70%	75%	25%
Tier II	CFO and COO-Iroquois and Homestead CEO	15%	35%	55%	75%	25%
Tier III	Senior Management	10%	25%	40%	50%	50%
Tier IV	Mid Management	5%	15%	25%	25%	75%

- The Bank-wide goal will be measured by the member bank's planned net income and Return on Equity and payout will be interpolated between threshold (90%), target (100%), and superior (120%) performance.

- Individual/Department goals will be assigned a weighting, and achievement will be determined on a pass/fail basis.

- There will be no payment if Bank performance is below threshold level or below 90% of the average four year median Return on Equity of the Iroquois Bancorp regional bank peer group. The award will be capped at the superior level.

- It is the intent of the Plan that no adjustment be made for the effect of extraordinary items on net income. Any adjustment or exception would be based on a recommendation by the member bank's management or Board of Directors and require approval of the Iroquois Nominating/Personnel Committee.

[LOGO OF IROQUOIS BANCORP]

Meeting Challenges of a Changing Market

1998 Iroquois Bancorp, Inc. Annual Report

Contents

We are certain the key to success continues to be achieving profitable revenue growth, improving credit quality, and striking a balance between operating efficiency and the delivery of exceptional personal service.

[BAR CHART APPEARS HERE] [BAR CHART APPEARS HERE]

<TABLE>
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FINANCIAL HIGHLIGHTS

(dollars in thousands, except share data)		1998	1997	1996
<S>	<C>		<C>	<C>
For the Year:				
Net interest income	$	20,185	20,305	19,411
Provision for loan losses		1,470	1,520	1,334
Non-interest income		3,717	3,227	1,735
Non-interest expense		14,879	14,121	13,586
Net income applicable to common shares		4,655	4,456	3,328
Per Common Share:				
Net income -- basic	$	1.96	1.89	1.43
Net income -- diluted		1.92	1.85	1.41
Cash dividends declared		.40	.36	.32
Book value at year end		16.11	14.42	12.71
Closing price		21.00	25.75	17.00

Ratios:			
Net interest margin	4.01%	4.37	4.42
Return on average assets	.92	1.00	.82
Return on average total equity	12.82	13.54	11.51
Return on average common equity	13.05	14.24	11.96
Equity as a percent of average assets	7.14	7.39	7.12
Dividend payout ratio	20.41	19.05	22.38
At Year-End:			
Assets	$ 547,420	509,778	472,908
Loans, net	400,277	369,984	345,074
Borrowings	61,591	50,164	25,536
Deposits	443,239	417,011	410,222
Shareholders' equity	38,342	39,029	34,802
Number of:			
Common shares outstanding	2,409,980	2,388,936	2,367,940
Common shareholders of record	1,302	1,365	1,206
Employees (full time equivalent)	195	200	191
Banking offices (full service)	11	11	12

</TABLE>

IROQUOIS BANCORP, INC. AND SUBSIDIARIES

A MESSAGE TO OUR SHAREHOLDERS

[PICTURE OF RICHARD D. CALLAHAN APPEARS HERE]

Throughout 1998 we aggressively pursued our focused strategy for community banking. This approach has permitted Iroquois to improve shareholder value in the face of a rapidly changing marketplace.

Our mission of strengthening member banks' competitive niche, while simultaneously improving their operating efficiency, contributed to this year's results.

We took several important steps in 1998 to improve the Company's performance and prepare for the Year 2000. These included:

- Enhancing revenue growth by using technology combined with customer knowledge to provide high-quality personal service and customized products.

- Improving efficiency by centralizing and standardizing deposit and loan operations, finance, human resources, and marketing services.

- Introducing a proactive service culture by implementing standards and comprehensive training for our staff to assure the delivery of superior service. Our research confirms the importance of professional, caring employees who know their customers.

- Strengthening underwriting criteria for commercial and retail loans through the introduction of new management and a more rigorous, disciplined process for tracking problem loans. Taking these steps will minimize future nonperforming assets.

- Preparing our member banks to ensure a smooth transition for the Year 2000 date change by adopting the FFIEC Five Step Program and diligently working to complete the assessment, remediation, and testing of our technical systems. Management is satisfied with progress toward the objective of assuring our banking customers of no critical service interruptions.

The following financial highlights of 1998 demonstrate the value of these efforts.

- Earnings available to common shareholders increased 4.5% to $4,655,000 and earnings per share reached new highs of $1.96 basic and $1.92 diluted.

- Book value per common share increased 11.7%, to $16.11.

- Return on common equity was 13.1%, marking six consecutive years of double digit returns to our shareholders.

- All $4.9 million of the Company's outstanding preferred stock was redeemed.

As we move forward into the new millennium, we are prepared to address the growing challenges facing this industry: net interest margins continue to narrow; growth in fee income is more challenging; noninterest expense reductions are more difficult to find; and loan provisions may increase with the possibility of a more adverse credit climate.

We are certain the key to success continues to be achieving profitable revenue growth, improving credit quality, and striking a balance between operating efficiency and the delivery of exceptional personal service. The business strategy we have in place supports our belief in community banking and its value to customers and communities.

We thank our shareholders, customers, staff, and our communities for their ongoing support.

Very truly yours,

/s/ Richard D. Callahan

Richard D. Callahan
President and Chief Executive Officer

IROQUOIS BANCORP, INC. AND SUBSIDIARIES

REPORT OF CAYUGA BANK

"... dedicated to the vital roles we play as community banks in our local markets through involvement, economic development, and our assurance to provide superior personal service."

Cayuga Bank reinforced our competitive position in 1998 by combining technology with greater understanding of our customers, making us more responsive to the financial service needs of our community.

Our expanded database marketing program has allowed us to develop one-on-one relationships with a large number of established, multiservice customers, adding value through direct, personal contact.

We continued to offer our customers tailored products and services. With the introduction of the VISA Check Card, we now provide the ultimate convenience of a debit card that can replace checks, cash, and credit cards. We also enhanced service delivery by launching 24-hour telephone banking. In addition, plans for initiating Cash Management Services will result in the flexibility and access our commercial customers need.

Cayuga achieved a new record for mortgage loan production this year with closings totaling $62 million. A combination of low interest rates and an increase in the direct sales origination team resulted in a dramatic rise in our new construction home lending as well as mortgages on existing properties. In addition, we addressed our market's specific lending needs through the introduction of Biweekly Mortgages, the marketing of Land Loans and Summer Home Loans, and the continuation of our 24-hour mortgage approval program.

We established processes to protect and improve the quality of our assets including the Quarterly Classified Asset Review system designed to formalize and rigorously manage all criticized and classified assets. Improvements made to our commercial underwriting process allow us to better meet our customers' needs.

Cayuga Bank recognizes our responsibility to reinvest in the communities we serve. Renovations completed at our Main Office lead the way for the rejuvenation of downtown Auburn. By establishing the Auburn Housing Partnership with the City of Auburn and local businesses, we play a significant role in renovating low income areas of Auburn and providing financing for qualified families.

We remain dedicated to the vital roles we play as community banks in our local markets through involvement, economic development, and our assurance to provide superior personal service.

1998 HIGHLIGHTS FOR CAYUGA BANK

Introduced Saturday Banking at the Lacona Office.

Installed a new phone system and voice mail at the Main Office.
Active member in the local United Way Campaign.

Major sponsor of the "Made In Auburn and Nearby" Tradeshow, providing the opportunity for over 70 local businesses to educate the community on the diversity of businesses that thrive in Cayuga County.

Pledged a 3-year contribution to the Cayuga/Seneca Community Action Agency's "Growing with the Community for a Better Future" campaign.
Continued support of capital campaigns at the Auburn YMCA-WEIU and The Cayuga Museum with significant 3-year contributions.

Report of The Homestead Savings (FA)

Homestead Savings continued to answer the needs of our customers in 1998 through the introduction of relevant, creative products and enhanced service delivery.

We recognize the importance of knowing our customers and adding value to these relationships through highly personal service. Instituting the database marketing program has facilitated proactive, personal contact with our best customers.

Homestead's introduction of the Reverse Mortgage products, Home Keeper Fannie Mae and HECM FHA, addresses the lending needs of our senior customer base by using the equity they have established in their homes. By initiating the 125% Home Equity Loan Program, we are the only bank in our market offering a product that helps newer homeowners, without established equity, to borrow against their home's value. In addition, we established credit card services for our customers in 1998.

We have also realigned our business products and services this year by introducing Small Business Checking, maintaining competitive pricing, and establishing night depository units at our Clinton and Main offices.

We realized record mortgage and home equity loan volume in 1998. With closings in excess of $28 million, Homestead is one of the leading lenders in our market. In addition, our loan production office in Old Forge and our newly established office in Lake Placid has allowed us to create a niche in the higher yielding vacation home loan market. Deposits also increased this year by 7%, due primarily to our continued success with the high-yield Investors Money Market Account.

Forging partnerships for economic development remains a top priority. We provided mortgage financing to low-income individuals as part of the Rural Housing Development Partnership. We also played active roles in the Downtown Utica Development Association, the Utica Industrial Development Corporation, and on the board of our regional economic development agency, the Mohawk Valley EDGE.

The Homestead Savings continues our commitment to provide exceptional personal service and maintain our competitive position through efficient delivery of the financial products and services our customers need.

"... committed to provide exceptional personal service and maintain our competitive position through efficient delivery of the financial products and services our customers need."

& THE HOMESTEAD SAVINGS

1998 Recipient of the Business and Professional Women's (BPW) Outstanding Employer of the Year award.

Added a business development manager to cultivate new opportunities within our core market.

Instituted Saturday Banking at the Waterville Office.

Participated in: the United Way campaign, as a "Pacesetter" organization; the "Adopt A Family" program through Headstart; the American Heart Association's Run and Walk; and Special Olympics sponsorships.

Provided continued support for an inner city tutoring program with the Utica City School District.

Assisted in the 18th Annual "Spirit Of The Season" gift drive for the Mohawk Valley Psychiatric Center.

IROQUOIS BANCORP, INC. AND SUBSIDIARIES

Selected Consolidated Financial Data

<TABLE>
<CAPTION>

	At, or for the year ended, December 31,				
(dollars in thousands, except share data)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>

BALANCE SHEET DATA					
Total assets	$547,420	509,778	472,908	437,803	423,977
Securities	108,487	103,620	98,287	84,105	81,991
Total loans, net	400,277	369,984	345,074	325,707	316,432
Deposits	443,239	417,011	410,222	369,101	358,876
Borrowings	61,591	50,164	25,536	35,250	34,778
Shareholders' equity	38,342	39,029	34,802	31,846	28,110
INCOME STATEMENT DATA					
Interest income	$ 39,404	37,522	35,763	33,713	30,639
Interest expense	19,219	17,217	16,352	15,752	12,521
Net interest income	20,185	20,305	19,411	17,961	18,118
Provision for loan losses	1,470	1,520	1,334	917	830
Noninterest income	3,717	3,227	1,735	2,461	1,556
Noninterest expense	14,879	14,121	13,586	12,650	13,138
Income tax expense	2,711	2,994	2,447	2,704	2,283
Net income	4,842	4,897	3,779	4,151	3,423
Dividends on preferred stock	187	441	451	469	415
Net income applicable to common shares	$ 4,655	4,456	3,328	3,682	3,008
PER COMMON SHARE DATA					
Net income per common share:					
Basic	$ 1.96	1.89	1.43	1.60	1.32
Diluted	1.92	1.85	1.41	1.59	1.31
Cash dividends declared	.40	.36	.32	.30	.28
Book value	16.11	14.42	12.71	11.60	10.02
RATIOS					
Yield on interest-earning assets	7.83%	8.08	8.15	8.18	7.73
Cost of interest-bearing liabilities	4.19	4.07	4.03	4.11	3.37
Interest rate spread	3.64	4.01	4.12	4.07	4.36
Net interest margin	4.01	4.37	4.42	4.36	4.57
Return on average assets	.92	1.00	.82	.97	.83
Return on average total equity	12.82	13.54	11.51	14.05	12.80
Return on average common equity	13.05	14.24	11.96	15.04	13.91
Equity as a percent of average assets	7.14	7.39	7.12	6.89	6.49
Dividend payout ratio	20.41	19.05	22.38	18.75	21.21

</TABLE>

Management's Discussion and Analysis

INTRODUCTION

Iroquois Bancorp, Inc. ("Iroquois" or the "Company") is a New York corporation and the bank holding company of two financial institutions: Cayuga Bank ("Cayuga") of Auburn, New York, a New York state-chartered commercial bank and trust company, and The Homestead Savings (FA) ("Homestead") of Utica, New York, a federally chartered savings association. Iroquois, through its member banks, Cayuga and Homestead ("the Banks"), provides banking services to individuals and businesses in upstate New York, primarily in Cayuga, Oswego, Oneida and Madison counties and surrounding areas. The Banks, reflective of their market area, provide a range of financial services, including residential mortgage loans, consumer and commercial loans, credit cards, insurance brokerage, investment brokerage, trust services and safe deposit facilities.

The following discussion and analysis reviews the Company's consolidated results of operations for the years 1996 through 1998 and its consolidated financial position at December 31, 1998 and 1997. This section should be reviewed in conjunction with the consolidated financial statements and accompanying notes and with other statistical information included elsewhere in this 1998 Annual Report.

In addition to historical information, this discussion and analysis includes certain forward-looking statements based on current management expectations. These statements relate to, among other things, sources of loan and deposit growth, loan loss reserve adequacy, simulation changes in interest rates, and Year 2000 activities. The Company's actual results could differ materially from these management expectations. Factors that could cause future results to vary from current management expectations include, but are not limited to, general economic conditions, legislative and regulatory changes, monetary and fiscal policies of the federal government, changes in tax policies, rates and regulations of federal, state, and local tax authorities, changes in interest rates, deposit flows, the cost of funds, demand for loan products, demand for financial services, competition, changes in accounting principles, policies or guidelines, and other economic, competitive, governmental, and technological factors affecting the Company's operations, markets, products, services, and prices.

PERFORMANCE OVERVIEW

Iroquois reported 1998 diluted earnings per common share of $1.92 compared with $1.85 per share in 1997. Net income available to common shareholders was $4,655,000 in 1998, an increase of 4.5%, compared with $4,456,000 in 1997. Return on common shareholders' equity and return on assets were 13.1% and .92%, respectively, in 1998, compared with 14.2% and 1.0%, respectively, in 1997.

Net interest income for 1998 totaled $20.2 million, compared with $20.3 million in 1997. Noninterest income, excluding net gains on sales of loans and securities, increased $366,000, or 11.7%, for 1998. The Company recorded $223,000 in gains on the sale of loans and securities for 1998, compared with $99,000 for 1997. Noninterest expense increased from $14.1 million in 1997 to $14.9 million in 1998.

Total assets grew 7.4% in 1998 to end the year at $547.4 million. Net loans increased 8.2% to $400.3 million, compared to $370.0 million at December 31, 1997. Total deposits were $443.2 million at December 31, 1998, compared to $417.0 million at year end 1997, an increase of 6.3%. Total shareholders' equity at December 31, 1998 was $38.3 million, down 1.8% from year end 1997, reflecting net income for the year less dividend payments and the redemption in 1998 of all $4.9 million of the Company's outstanding preferred stock.

RESULTS OF OPERATIONS
REVIEW OF 1998 COMPARED TO 1997

NET INTEREST INCOME

Net interest income, the principal source of earnings for the Company, represents the difference between income from interest-earning assets, primarily loans and securities, and expense of interest-bearing liabilities, primarily deposits and borrowings. Net interest income is significantly affected by the mix and volume of interest-earning assets and liabilities, as well as related interest rates and cost of funds. While Iroquois has the ability to control the effect of some of these factors through its asset and liability management and planning strategies, external factors, such as competitive pressures, economic conditions, and U.S. monetary policy, can also influence changes in net interest income from one period to another.

Two key ratios are used to measure relative profitability of net interest income. Net interest spread measures the difference between the yield on earning assets and the rate paid on interest-bearing liabilities. Net interest margin measures net interest income as a percentage of average total earning assets. Net interest margin, unlike net interest spread, takes into account the level of earning assets funded by interest-free sources such as noninterest-bearing demand deposits and equity capital.

Net interest income totaled $20.2 million for 1998, a slight decrease compared to $20.3 million in net interest income for 1997. Net interest income was maintained through increased volumes despite declines in the Company's net interest spread and net interest margin. Declines in longer term market interest rates combined with changes in the mix of interest earning assets caused the yield on earning assets to decline from 8.08% for 1997 to 7.83% for 1998. In contrast, the cost of interest-bearing liabilities increased from 4.07% for 1997 to 4.19% for 1998, reflecting the flatter interest rate yield curve and a continued reliance on higher costing time deposits and borrowings as a funding source. The decline in yield and increase in cost of funds, resulted in a contraction of 37 basis points in net interest spread from 4.01% for 1997 to 3.64% for 1998. Net interest margin decreased a similar amount from 4.37% for 1997 to 4.01% for 1998.

Average securities, which continue to represent approximately 21% of interest-earning assets, increased from $103.2 million for 1997 to $105.6 million for 1998. Securities yielded an average of 6.08% for 1998, compared to 6.40% for 1997.

Average loans increased $32.7 million, or 9.2%, in 1998 and continue to represent approximately 77% of interest-earning assets. Within the loan portfolio, however, average mortgage loans increased 14.4% while other loans declined 1.8%. Mortgage loans, which yielded 7.94%, represented 54.9% of average interest-earning assets in 1998, compared to 1997 when average mortgage loans, which yielded 8.17%, represented 51.9% of earning assets. Interest income earned on mortgage loans increased $2.2 million primarily as a result of increased residential mortgage lending volumes. The lower yield on the mortgage portfolio, which contributed significantly to the overall decline in the yield on earning assets for 1998, reflects the continued decline in market interest rates for residential mortgages. Reflecting the average change in the prime rate from 1997 to 1998, the yield on other loans decreased from 9.44% in 1997 to 9.26% in 1998.

Average interest-bearing liabilities increased 8.3% to $458.5 million in 1998 from $423.3 million in1997. Average savings deposits, which include savings, money market and interest checking accounts, remained flat at $193.5 million with an average cost of 2.5%. However, as a percentage of interest-bearing liabilities, savings deposits declined from 45.7% in 1997 to 42.2% in 1998. Average borrowings increased from $29.9 million, or 7.1% of average interest-bearing liabilities, in 1997 to $52.0 million, or 11.3%, in 1998. The average cost of borrowings remained at 5.9%, reflecting fairly constant short-term rates and an increase in the use of term advances. Average time deposits increased 6.5% from $200.0 million in 1997 to $213.0 million in 1998 and continued to represent approximately 47% of interest-bearing liabilities. The average cost of time deposits increased from 5.30% in 1997 to 5.36% in 1998, primarily reflecting the continued growth in public fund (municipal) time deposits, which carry a higher interest cost than retail time deposits.

Average noninterest bearing liabilities, consisting primarily of commercial and retail demand deposits, increased 8.7% from $29.9 million in 1997 to $32.5 million in 1998. Combined with the increase in average shareholders' equity, noninterest-bearing funding sources contributed 37 basis points to net interest margin in 1998, compared to 36 basis points in 1997.

A summary of net interest income as well as average balances for interest-earning assets and interest-bearing liabilities for the years 1996 through 1998 is presented in Table 1. Table 2 provides the detail of changes in interest income, interest expense, and net interest income due to changes in volumes and rates. A discussion of interest rate sensitivity is included in the Market Risk and Interest Rate Risk Management section.

Table 1 -- NET INTEREST INCOME ANALYSIS

<TABLE>
<CAPTION>

	Year ended December 31,								
	1998			1997			1996		
Average (dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Balance	Interest	Average Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
INTEREST EARNING ASSETS									
Mortgage loans1	$276,140	21,934	7.94%	241,355	19,713	8.17	232,907	19,378	8.32
Other loans1	113,035	10,467	9.26	115,135	10,866	9.44	109,286	10,225	9.36
Securities	105,606	6,421	6.08	103,218	6,606	6.40	91,924	5,838	6.35
Federal funds sold and other investments	8,577	582	6.79	4,883	337	6.90	4,933	322	6.53
Total interest-earning assets	503,358	39,404	7.83	464,591	37,522	8.08	439,050	35,763	8.15
Noninterest-earning assets	25,424			24,803			22,185		
Total Assets	$528,782			489,394			461,235		
INTEREST BEARING LIABILITIES									
Savings deposits	$193,483	4,735	2.45%	193,451	4,866	2.52	194,097	4,907	2.53
Time deposits	213,016	11,417	5.36	200,010	10,591	5.30	184,401	9,852	5.34
Borrowings	52,024	3,067	5.90	29,869	1,760	5.89	27,757	1,593	5.74
Total interest-bearing liabilities	458,523	19,219	4.19	423,330	17,217	4.07	406,255	16,352	4.03
Noninterest-bearing liabilities	32,479			29,879			22,130		
Total Liabilities	491,002			453,209			428,385		
Shareholders' Equity	37,780			36,185			32,850		
Total Liabilities and Shareholders' Equity	$528,782			489,394			461,235		
Net interest income and interest rate spread		$ 20,185	3.64%		20,305	4.01		19,411	4.12
Net interest margin									

on earning assets	4.01	4.37	4.42
Ratio of interest-earning assets to interest-bearing liabilities	109.78	109.75	108.07

</TABLE>

(1) Nonaccrual loans are included in the average asset totals presented above.

[BAR CHART OF NONINTEREST INCOME APPEARS HERE]

<TABLE>
<CAPTION>
Table 2 -- RATE/VOLUME ANALYSIS

	Comparison of the Years Ended December 31, 1998 and 1997			Comparison of the Years Ended December 31, 1997 and 1996		
	Increase (Decrease) Due to Change In:			Increase (Decrease) Due to Change In:		
(dollars in thousands)	Average Balance	Average Rate	Total Increase (Decrease)	Average Balance	Average Rate	Total Increase (Decrease)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Loans	$2,358	(536)	1,822	1,210	(234)	976
Securities	(89)	(96)	(185)	722	46	768
Federal funds sold and other investments	235	10	245	(3)	18	15
Interest income	2,504	(622)	1,882	1,929	(170)	1,759
Savings deposits	87	(218)	(131)	(292)	251	(41)
Time deposits	684	142	826	846	(107)	739
Borrowings	1,418	(111)	1,307	124	43	167
Interest expense	2,189	(187)	2,002	678	187	865
Net interest income	$ 315	(435)	(120)	1,251	(357)	894

</TABLE>

Note: The changes that are not due solely to volume or rate are allocated to volume and rate based on the proportion of the change in each category.

NONINTEREST INCOME

Noninterest income, excluding net gains on sales of loans and securities, totaled $3.5 million for 1998, up 11.7%, compared to $3.1 million for 1997. Service charges, the Company's primary source of noninterest income, represent revenue from such sources as service charges on deposits and loans and processing fees relating to electronic banking and credit card services. Revenue from service charges for 1998 increased $399,000, or 15.7%, compared to 1997, primarily due to increased loan and deposit related service fees, ATM surcharges, and increased credit card processing income.

[BAR CHART OF OVERHEAD RATIO APPEARS HERE]

NONINTEREST EXPENSE

Noninterest expense increased 5.4% from $14.1 million in 1997 to $14.9 million in 1998, primarily reflecting increases in computer and product service fees and salaries and benefits. The Company's overhead ratio, noninterest expense as a percentage of average assets, improved from 2.89% for 1997 to 2.81% for 1998.

Salaries and benefits for 1998 increased $236,000, or 3.2%, compared to 1997, and was primarily attributable to overall merit increases. Salaries and benefits represented 50.8% of total noninterest expense for 1998, compared to 51.9% for 1997.

Computer and product service fees increased 26.2%, from $1.3 million in 1997 to $1.7 million in 1998. Computer service fees increased $259,000 in 1998, reflecting a full year of services with Fiserv, Inc., the Company's primary data processing and item processing provider. Computer service fees include the cost of item processing services that were outsourced to Fiserv, Inc. in mid-1997 and that have provided savings to the Company through reduced internal staffing and equipment costs. Increases in 1998 for third party processing costs relating to the Company's credit card services also contributed to the overall increase in computer and product service fees.

Occupancy and equipment expense declined $70,000, or 4.1%, in 1998, compared to 1997. This decline was a result of savings in property taxes, utilities and equipment costs, offset by increased depreciation expense relating to Cayuga's main office renovation completed in 1998.

Promotion and marketing expense increased 29.5% from $356,000 in 1997 to $461,000 in 1998. The increase was principally attributable to promotional costs relating to retail loan and deposit products, as well as primary market research costs.

PROVISION FOR INCOME TAXES

For 1998, the provision for income taxes was $2.7 million with an effective tax rate of 35.9%. The provision for income taxes for 1997 was $3.0 million with an effective tax rate of 37.9%. The decline in the Company's effective tax rate is primarily attributable to the increased investment in tax exempt municipal securities. A more comprehensive analysis of income tax expense is included in Note 8 to the consolidated financial statements included in this Annual Report.

REVIEW OF 1997 COMPARED TO 1996

Iroquois reported net income applicable to common shareholders of $4.5 million in 1997, or $1.85 per common share, compared to $3.3 million, or $1.41 per share, reported in 1996. Return on assets improved from .82% in 1996 to 1.00% in 1997. Return on average equity improved from 11.51% in 1996 to 13.54% in 1997, while the return on common shareholders' equity improved from 11.96% in 1996 to 14.24% in 1997. Growth in net income and earnings per share in 1997 reflected increases in net interest income and noninterest income compared to 1996, when earnings were unfavorably affected by a $1.1 million loss on the sale of certain classified commercial mortgage loans and a $556,000 assessment for the recapitalization of the Federal Deposit Insurance Corporation's Saving Association Insurance Fund (SAIF).

Net interest income totaled $20.3 million for the year ended December 31, 1997, compared to $19.4 million for 1996. The $894,000, or 4.6%, increase was principally the result of a 5.8% increase in average interest-earning assets in 1997 and a 20.2% increase in noninterest bearing funding sources including demand deposits, other liabilities, and shareholders' equity. Net interest margin for 1997 decreased to 4.37% from 4.42% in 1996. The decrease in net interest margin was primarily attributable to the decrease in net interest spread from 4.12% in 1996 to 4.01% in 1997. The average yield on interest-earning assets declined 7 basis points in 1997, to 8.08%, while the average cost of interest-bearing liabilities increased 4 basis points, to 4.07%, for 1997.

Noninterest income totaled $3.2 million for 1997, up 86.0% compared to $1.7 million for 1996. The increase of $1.5 million over the prior year was due primarily to the net loss of $1.0 million on the sale of loans and securities in 1996, compared to a net gain of $99,000 in 1997. In addition, revenue from service charges increased $336,000, or 15.2%, for 1997 compared to the prior year, principally due to an increase in the service fees earned by Cayuga through the Business Manager accounts receivable management program as well as increases in retail loan and deposit fees.

The 1997 provision for loan losses increased $186,000, to $1.5 million, compared to $1.3 million in 1996. The increase in the provision reflects additions to the allowance for loan losses to maintain a sufficient coverage level given increases in net charge-offs and nonperforming loans.

Noninterest expense totaled $14.1 million for 1997, compared to $13.6 million for 1996. Increases in 1997 for salaries and benefits, computer and product service fee expenses, and other expenses were offset by a $645,000 decrease in deposit insurance expense. The decrease in deposit insurance was attributable to the 1996 assessment that recapitalized SAIF and lowered premiums for federally insured savings and loans, such as Homestead. Noninterest expense, as a percentage of average assets, was 2.89% for 1997, compared to 2.95% for 1996.

Salaries and benefits increased $631,000, to $7.3 million for 1997, compared to $6.7 million for 1996, due to increased staffing, general merit increases, and the full implementation of a Company-wide incentive compensation plan. Computer and product service fees increased $283,000, or 27.1%, due principally to expenses relating to the Company's data processing conversion in 1997, the outsourcing of the Company's item processing services, and an increase in service fees relating to the Business Manager product. Other real estate expenses decreased $55,000 to $333,000 for 1997, compared to $388,000 for 1996. Other noninterest expenses increased $290,000 to $3.0 million for 1997, compared to $2.7 million for 1996. Other expenses included a $154,000 increase for a full year of amortization of the intangible asset recognized in the acquisition of branches and related deposits from OnBank & Trust Co. in May 1996. In addition, legal and consulting fees increased $148,000 due to Cayuga's costs in defending a civil suit along with consulting services incurred in 1997 for corporate and employee benefit plan analyses.

For 1997, the provision for income taxes was $3.0 million for an effective tax rate of 37.9%. The provision for income taxes for 1996 was $2.4 million with an effective tax rate of 39.3%.

FINANCIAL CONDITION

LOANS

Total loans at December 31, 1998 were $404.1 million, up $30.8 million or 8.3%, compared to $373.3 million in total loans at December 31, 1997. The increase in total loans came exclusively from the growth in residential mortgage loans. Table 3 provides a five-year summary of the loan portfolio.

Loans, the largest component of the Company's earning assets, continue to represent approximately 73% of total assets. Mortgage loans represent the largest portion of the loan portfolio, increasing from 68.8% of total loans at year end 1997, to 72.8% of total loans at December 31, 1998. The mortgage portfolio consists of loans secured by first or second liens on residential or commercial properties located principally in upstate New York. Residential mortgage loans are underwritten and documented in accordance with secondary market standards. Commercial mortgage loans have generally been originated on properties in and around Cayuga's market area.

<TABLE>
<CAPTION>
Table 3 -- SUMMARY OF THE LOAN PORTFOLIO

	December 31,				
(dollars in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Mortgage loans					
Residential	$254,755	215,255	188,187	171,883	169,518
Commercial	39,497	41,678	46,022	53,363	54,321
Total mortgage loans	294,252	256,933	234,209	225,246	223,839
Other loans					
Home equity lines of credit	26,473	27,110	25,486	24,200	24,589
Consumer	45,358	45,401	46,551	40,974	32,499
Commercial	37,573	41,920	40,009	35,904	35,118
Education	436	1,905	2,208	2,763	3,651
Total other loans	109,840	116,336	114,254	103,841	95,857
Total loans	404,092	373,269	348,463	329,087	319,696
Allowance for loan losses	3,815	3,285	3,389	3,380	3,264
Loans, net	$400,277	369,984	345,074	325,707	316,432

</TABLE>

The following table shows maturities of certain loan classifications at December 31, 1998 and an analysis of the rate structure for such loans due in over one year.

<TABLE>
<CAPTION>
SELECTED LOAN MATURITY AND INTEREST RATE SENSITIVITY

(DOLLARS IN THOUSANDS)	MATURITY				RATE STRUCTURE FOR LOANS MATURING OVER ONE YEAR	
	ONE YEAR OR LESS	OVER ONE YEAR THROUGH FIVE YEARS	OVER FIVE YEARS	TOTAL	PREDETERMINED INTEREST RATE	FLOATING OR ADJUSTABLE RATE
Commercial Loans	$33,739	2,366	1,468	37,573	3,834	--

[GRAPH APPEARS HERE]

Residential mortgage loans increased 18.5% from $215.3 million at December 31, 1997, to $254.8 million at December 31, 1998. Cayuga originated $62 million in residential mortgage loans, including $31 million originated through mortgage brokers for properties located in the greater Rochester and Syracuse markets, outside Cayuga's primary market area. Homestead generated $28 million in local mortgage loans during 1998, including loans originated through loan production offices located in Old Forge and Lake Placid, NY.

Commercial mortgage loans, which represent 9.8% of total loans at December 31, 1998, declined $2.2 million, or 5.2%, from year end 1997 to year end 1998. Continued high rates of amortization and prepayment, stricter underwriting standards, along with slower demand and increased competition have caused the commercial mortgage portfolio to decline over the past five years.

Consumer loans, which include auto loans, fixed-rate home equity and home improvement loans, overdraft protection, credit cards, and other personal installment loans, declined less than 1% at December 31, 1998, compared to year end 1997. Consumer loans represent 11.2% of total loans at year end 1998, compared to 12.2% at year end 1997. Competition from large credit card companies, auto leasing, and dealer financing programs have kept consumer loan balances relatively constant over the past three years.

Home equity lines of credit, which provide customers with check writing privileges against an accessible line of credit secured by a lien on residential real estate, continue to be a very competitive product in the Banks' market areas. Outstanding balances against home equity lines of credit declined 2.3% from $27.1 million at December 31, 1997 to $26.5 million at year end 1998. With the decline in mortgage rates in 1998, many customers refinanced and consolidated their outstanding home equity lines into first mortgages. Home equity lines of credit represented 6.6% and 7.3% of total loans at December 31, 1998 and 1997, respectively.

Educational loans, which consist of loans originated through federal and state sponsored student lending programs, declined $1.5 million in 1998 because of the Company's decision to sell all of its education loans that had reached a full disbursement status. Previously, education loans were held in portfolio and sold when the loan reached repayment status, which typically consisted of two to four annual disbursement cycles, depending on the student's graduation date.

Commercial loans declined $4.3 million, or 10.3%, from $41.9 million at December 31, 1997 to $37.6 million at year end 1998. Declines were primarily a result of increases in corporate liquidity leading to lower borrowing demands. Commercial loans represented 9.3% of total loans at December 31, 1998, compared to 11.2% at December 31, 1997. Cayuga continues to be the only subsidiary to offer commercial lending, offering a variety of loan products to its business customers, including notes, lines of credit, installment loans, and an accounts receivable management program. Commercial lending is generally considered to involve a higher degree of risk than the Banks' other forms of lending. These loans tend to

have larger balances, and repayment is typically dependent on the successful operations and income stream of the borrower. Underlying collateral for these loans typically consists of business assets, which can be subject to market obsolescence. Such risks can be significantly affected by economic and competitive factors. To control this risk, the Company generally limits its lending to any one borrower, or group of related borrowers, to a maximum of 10% of its capital.

At December 31, 1998, Iroquois had no significant concentration of loans in any single industry, nor did the loan portfolio contain any loans to finance highly speculative transactions. Management expects new lending volume in 1999 to be generated primarily through residential mortgage and home equity loans along with targeted growth in commercial loans and mortgages.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses represents amounts available for future loan losses and is based on management's ongoing evaluation of the loan portfolio taking into consideration such factors as historical loan loss experience, the detailed review of specific loans identified under the Company's internal review processes, estimated losses on impaired loans, current economic conditions, and other pertinent factors. Management monitors the entire loan portfolio in an attempt to identify problem loans or risks in the portfolio in a timely manner and to maintain an appropriate allowance for loan losses.

The primary responsibility and accountability for daily lending activities rests with the Banks. Loan personnel at each Bank have the authority to extend credit under board approved lending policies. Each Bank maintains a continuous and comprehensive loan review program developed in conjunction with the type, level, and risk of its particular loan portfolio. The loan review program is designed to evaluate credit quality, loan documentation, and the adequacy of the allowance for loan losses. Loan review procedures, including a grading system and independent loan review of large loan relationships, are utilized to ensure that potential problem loans are identified early in order to lessen any potentially negative impact on earnings.

At December 31, 1998, the allowance for loan losses was $3.8 million, compared to $3.3 million at year end 1997, an increase of 16.1%. The provision for loan losses remained flat at approximately $1.5 million for both 1998 and 1997. This provision expense represents additions to the allowance for loan losses to maintain sufficient coverage levels given portfolio composition and levels of net charge-offs and nonperforming loans.

Net charge-offs for 1998 declined $684,000, or 42.1%, compared to 1997. The decline was attributable to the inclusion in 1997 of a $667,000 charge-off of one significant commercial mortgage loan. Excluding that particular loan, net charge-offs of commercial mortgages declined for 1998, compared to 1997, while net charge-offs of residential mortgages, consumer and commercial loans increased year over year. Consumer loan charge-offs exhibited the largest percentage increase from 1997 to 1998, primarily related to an increase in bankruptcy filings.

The allowance for loan losses as a percent of total loans increased to .94% at December 31, 1998, compared to .88% at the prior year end. The allowance for loan losses continues to reflect the risk diversification of the loan portfolio. Residential mortgage loans, which generally carry a lower risk of loss or net charge-off, have increased as a percentage of total loans. Management believes that the allowance for loan losses at December 31, 1998 is adequate based on all currently available information.

Table 4 summarizes changes in the allowance for loan losses for the years 1994 through 1998 and shows an allocation of the year end balances, along with related statistics for the allowance and net charge-offs. The allowance for loan losses has been allocated according to the amount considered to be necessary to provide for the possibility of losses within the various loan categories. The allocation is based primarily on actual net charge-off experience, adjusted for changes in the risk profile of each category, plus additional amounts based on potential losses identified through the loan review process. The anticipated effect of

economic conditions on both individual loans and loan categories is also considered in quantifying amounts allocated to each loan category. Because the allocation is based on management's judgement and estimates, it is not necessarily indicative of the charge-offs that may ultimately occur.

NONPERFORMING ASSETS

Nonperforming assets include nonperforming loans and real estate acquired by foreclosure. Nonperforming loans include loans that have been placed in nonaccrual status and loans past due ninety days or more and still accruing interest. Table 5 provides a five year summary of nonperforming assets.

<TABLE>
<CAPTION>
TABLE 4 -- ALLOWANCE FOR LOAN LOSSES

	Year ended December 31,				
(dollars in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>

Balance at beginning of period	$ 3,285	3,389	3,380	3,264	2,824
Provision for loan losses	1,470	1,520	1,334	917	830
Charge-offs					
Residential mortgages	(204)	(216)	(247)	(225)	(103)
Commercial mortgages	(163)	(1,065)	(634)	(205)	--
Commercial loans	(183)	(140)	(180)	(157)	(92)
Consumer loans	(511)	(387)	(345)	(353)	(318)
Total charge-offs	(1,061)	(1,808)	(1,406)	(940)	(513)
Recoveries					
Residential mortgages	--	57	2	7	7
Commercial mortgages	--	25	--	--	--
Commercial loans	46	22	11	33	35
Consumer loans	75	80	68	99	81
Total recoveries	121	184	81	139	123
Net charge-offs	(940)	(1,624)	(1,325)	(801)	(390)
Balance at end of period	$ 3,815	3,285	3,389	3,380	3,264
Ratio of charge-offs net of recoveries to loans outstanding	.23%	.44	.38	.24	.13
Allowance for loan losses as a percent of:					
Total loans	.94	.88	.97	1.03	1.02
Nonperforming loans	63.18	53.21	93.28	63.67	75.75

Allocation of Allowance for Loan Losses at December 31,

	1998		1997		1996		1995		1994	
	AMT	% OF LOANS TO TOTAL LOANS	AMT	% OF LOANS TO TOTAL LOANS	AMT	% OF LOANS TO TOTAL LOANS	AMT	% OF LOANS TO TOTAL LOANS	AMT	% OF LOANS TO TOTAL LOANS
Residential mortgages	$ 533	63.04%	585	57.67	471	54.00	402	52.23	201	53.02
Commercial mortgages	1,484	9.77	1,246	11.16	1,677	13.21	1,452	16.22	1,201	16.99
Commercial loans	1,159	9.30	826	11.23	617	11.48	807	10.91	1,297	10.99
Consumer loans	639	17.89	628	19.94	624	21.31	719	20.64	565	19.00
Total	$3,815	100.00%	3,285	100.00	3,389	100.00	3,380	100.00	3,264	100.00

</TABLE>

<TABLE>
<CAPTION>
TABLE 5 -- SUMMARY OF NONPERFORMING ASSETS

(dollars in thousands)	December 31, 1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Loans in nonaccrual	$5,255	5,902	3,288	4,299	3,383
Loans past due 90 days or more and still accruing	783	272	345	1,010	813
Total nonperforming loans	6,038	6,174	3,633	5,309	4,196
Other real estate	665	565	618	427	193
Total nonperforming assets	$6,703	6,739	4,251	5,736	4,389
Percent of:					
Total loans and real estate acquired by foreclosure	1.66%	1.80	1.22	1.74	1.37
Total assets	1.22	1.32	.90	1.31	1.04
Nonperforming loans as a percent of total loans	1.49	1.65	1.04	1.61	1.31

</TABLE>

Nonperforming assets totaled $6.7 million at December 31, 1998, down slightly compared to year end 1997. As a percent of total assets, nonperforming assets declined from 1.3% at December 31, 1997 to 1.2% at year end 1998.

At December 31, 1998, nonperforming loans, which declined $136,000, or 2.2%, from the prior year end, consisted of $4.8 million in mortgages, $529,000 in commercial loans, and $704,000 in consumer loans. Residential mortgage loans represented $2.5 million, or 41.0%, of total nonperforming loans at year end 1998, compared to $3.0 million, or 48.4%, at December 31, 1997. The decline in nonperforming residential mortgage loans primarily reflects increased collection efforts directed toward this portfolio in 1998. Commercial mortgages represented $2.3 million, or 38.6%, of nonperforming loans at December 31, 1998, an amount and level comparable to year end 1997. All nonperforming commercial mortgage loans at December 31, 1998 were either in the process of foreclosure or operating under an agreed upon workout plan. Similar to year end 1997, one loan continued to represent approximately 50% of the nonperforming commercial mortgage balance at December 31, 1998. Adherence to the established repayment plan has significantly reduced the delinquent status of this loan at year end 1998 compared to year end 1997. Management believes there to be adequate collateral supporting the loan and that continuation of the current repayment plan would return this loan to a performing status in 1999.

Management believes that, through its loan review program, it has taken a conservative approach in evaluating nonperforming loans and the loan portfolio in general, both in acknowledging the general condition of the portfolio and in establishing the allowance for loan loss. Nonperforming and past due loans are monitored on a continual basis in order to guard against further deterioration in their condition. Management has identified, through normal internal credit review procedures, $4.0 million in "potential problem loans" at December 31, 1998. These problem loans are defined as loans not included as nonperforming loans above, but about which management has developed information regarding possible credit problems, which may cause the borrowers future difficulties in complying with loan repayments. There were no loans classified for regulatory purposes as loss, doubtful, substandard, or special mention that have not been identified as impaired or nonperforming or that cause management to have serious doubts as to the ability of the borrower to comply with the loan repayment terms. In addition, there were no material commitments at December 31, 1998 to lend additional funds to borrowers whose loans were classified as nonperforming.

Iroquois will continue to focus on improving asset quality through proactive management of problem assets, early detection of potential problem assets, consistent and adequate collection procedures, and timely charge-offs.

SECURITIES

At December 31, 1998, the securities portfolio totaled $108.5 million, consisting of $61.4 million of securities available for sale and $47.1 million of securities held to maturity. This compares with a total portfolio of $103.6 million, comprised of $51.9 million of securities available for sale and $51.7 million of securities held to maturity, at December 31, 1997. At December 31, 1998, securities represented 19.8% of total assets, compared to 20.3% at year end 1997. The composition of the two securities portfolios by type of security is presented in Table 6. Certain information pertaining to the composition, yields, and maturities of the two portfolios is presented in Table 7.

Securities available for sale, which are carried at fair value, increased 18.3% in 1998, and represented 56.6% of the total securities portfolio, compared to 50.1% at December 31, 1997. The portfolio consists primarily of US Government and agencies obligations. Holdings of state and municipal obligations increased in 1998, to 11.5% of the portfolio, to provide diversity and tax-advantaged yield to the portfolio. Securities held to maturity, which are carried at amortized cost, declined to 43.4% of the total portfolio at December 31, 1998, compared to 49.9% at December 31, 1997. The held to maturity portfolio consists primarily of corporate bonds and mortgage-backed securities.

The Company's investment strategy is for its Banks to maintain securities portfolios that provide a source of liquidity through maturities and selling opportunities, contribute to overall profitability, support pledging requirements, and provide a balance to interest rate and credit risk in other categories of the balance sheet. The Company does not engage in securities trading or derivatives activities in carrying out its investment strategies.

<TABLE>
<CAPTION>
Table 6 -- SECURITIES

	December 31,		
(dollars in thousands)	1998	1997	1996

	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE	AMORTIZED COST	FAIR VALUE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Securities available for sale:						
U.S. Government & agencies obligations	$ 40,172	40,734	42,187	42,537	33,654	33,784
State and municipal obligations	6,959	7,090	231	232	--	--
Corporate	3,362	3,471	1,507	1,517	500	501
Other	3,000	2,957	3,000	2,983	3,000	2,976
Mortgage-backed securities	7,120	7,179	4,664	4,675	6,648	6,634
	60,613	61,431	51,589	51,944	43,802	43,895
Securities held to maturity:						
U.S. Government & agencies obligations	--	--	25	25	60	60
State and municipal obligations	5,818	5,903	3,729	3,795	1,489	1,519
Corporate	25,893	26,190	27,717	27,887	27,638	27,723
Mortgage-backed securities	15,345	15,624	20,205	20,475	25,205	25,316
	47,056	47,717	51,676	52,182	54,392	54,618
Total	$107,669	109,148	103,265	04,126	98,194	98,513

</TABLE>

[Bar Chart]

<TABLE>
<CAPTION>
Table 7 -- MATURITY SCHEDULE OF SECURITIES

at December 31, 1998

	MATURING							
	WITHIN ONE YEAR		AFTER ONE BUT WITHIN FIVE YEARS		AFTER FIVE BUT WITHIN TEN YEARS		AFTER TEN YEARS	
(dollars in thousands)	AMOUNT	YIELD	AMOUNT	YIELD	AMOUNT	YIELD	AMOUNT	YIELD
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Securities available for sale:								
U.S. Government & agencies obligations	$ 7,025	6.22%	29,313	5.97	--	--	3,834	6.05
State and municipal obligations	--	--	--	--	5,993	4.32	966	4.41
Corporate	--	--	1,954	6.44	965	6.41	443	6.59
Other	3,000	5.55	--	--	--	--	--	--
Mortgage-backed securities	--	--	--	--	--	--	7,120	5.90
	10,025	6.02	31,267	6.00	6,958	4.61	12,363	5.86
Securities held to maturity:								
State and municipal obligations	2,858	4.19	1,036	4.80	1,559	4.67	365	4.77
Corporate	8,013	6.36	17,880	6.26	--	--	--	--
Mortgage-backed securities	925	7.39	2,584	6.41	3,298	6.98	8,538	6.79
	11,796	5.92	21,500	6.21	4,857	6.24	8,903	6.71
Total	$21,821	5.97%	52,767	6.09	11,815	5.28	21,266	6.22

</TABLE>

DEPOSITS AND OTHER SOURCES OF FUNDS

Customer deposits, consisting of interest-bearing time deposits, savings, money market and NOW accounts, and noninterest bearing checking accounts represent the primary source of asset funding for the Banks. Other sources of funds include overnight borrowings from other financial institutions and short-term borrowings or term advances under agreements with the Federal Home Loan Bank (FHLB). Table 8 provides a three year summary of deposits.

Total deposits increased $26.2 million, or 6.3%, from $417.0 million at December 31, 1997, to $443.2 million at December 31, 1998. During 1998, total deposits averaged $434.7 million and represented 88.5% of total liabilities, compared with $419.9 million and 92.7%, respectively, in 1997. Continued growth in public fund (municipal) deposits held at Cayuga contributed $12.1 million in additional deposits at year end 1998 compared to 1997. The net growth of $14.1 million in personal and commercial deposits at December 31, 1998, compared to December 31, 1997, came primarily from increases in checking, money market, and time deposits. Savings deposits, reflecting a five year downward trend, decreased $2.9 million in 1998 and declined from 26.0% of total deposits at December 31, 1997, to 23.9% at year end 1998. Time deposits of $100,000 or greater, derived entirely from within the Banks' local market areas, increased $15.4 million in 1998, with 75% representing municipal time deposits. Table 9 presents a maturity schedule of time deposits of $100,000 and over.

Total borrowings at December 31, 1998 were $61.6 million, or 12.1% of total liabilities, compared to $50.2 million, or 10.7%, at December 31, 1997. Borrowings averaged 10.6% and 6.6% of total liabilities during 1998 and 1997, respectively. During 1998, the Company continued to extend the maturity of its borrowings as part of its interest rate risk management program. A maturity schedule of outstanding borrowings can be found in Note 7 of the accompanying consolidated financial statements.

Iroquois believes that deposit growth will continue to be adversely affected by investment alternatives pursued by customers in response to perceived opportunities for strong returns in the mutual fund and equity markets. The Banks will continue to focus on building upon existing relationships with their customers through targeted marketing and personal

<TABLE>
<CAPTION>
Table 8 -- DEPOSITS

	December 31,		
(dollars in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Noninterest bearing deposits	$ 30,905	27,563	24,934
Interest-bearing deposits:			
NOW accounts	41,454	38,781	35,805
Money market accounts	46,066	41,033	37,255
Savings accounts	105,717	108,578	124,868
Time deposits	219,097	201,056	187,360
Total interest-bearing deposits	412,334	389,448	385,288
Total deposits	$443,239	417,011	410,222

</TABLE>

<TABLE>
<CAPTION>
Table 9 -- MATURITIES OF TIME DEPOSITS - $100,000 AND OVER

(dollars in thousands)	December 31, 1998
MATURITY	AMOUNT
<S>	<C>
Three months or less	$ 36,590
Over three through six months	6,834
Over six through twelve months	7,891
Over twelve months	5,070
	$ 56,385

</TABLE>

sales efforts designed to attract additional accounts and deposits. In addition, enhanced cash management and commercial deposit products will be introduced at Cayuga in 1999, and Homestead will pursue plans to relocate two of its branches to take advantage of demographic changes in the Utica market. Management believes that both of these initiatives could enhance the Company's ability to increase deposits as a funding source of continued asset growth.

CAPITAL AND DIVIDENDS

Total shareholders' equity at December 31, 1998 was $38.3 million, down $687,000, or 1.8%, from the balance at the end of 1997. The decrease was due primarily to the redemption in 1998 of the Company's outstanding preferred stock. Common shareholders' equity increased $4.2 million, or 12.2%, from $34.2 million at December 31, 1997, to $38.3 million, or 100% of total equity, at December 31, 1998. Equity per common share, referred to as book value, increased 11.7%, from $14.42 at year end 1997 to $16.11 at year end 1998. Other factors contributing to the change in shareholders' equity during 1998 are shown in the Consolidated Statement of Shareholders' Equity and Comprehensive Income presented on page 28.

Capital adequacy in the banking industry is evaluated primarily by the use of ratios which measure capital against total assets as well as against total assets that are weighted based on risk characteristics. At December 31, 1998, Iroquois and each of the Banks exceeded all regulatory required minimum capital ratios and met the definition of "well capitalized" as defined by applicable regulation. On a consolidated basis at December 31, 1998, Iroquois had a total capital to assets ratio of 7.00%, a tangible common equity to assets ratio of 6.67%, and a total capital to risk-weighted assets ratio of 11.7%. A more comprehensive analysis of regulatory capital requirements is included in Note 9 of the accompanying consolidated financial statements.

Iroquois paid total cash dividends of $1.2 million in 1998, of which $187,000 was paid to preferred shareholders. Common shareholders received total dividends of $.40 per share,

representing a payout ratio to earnings per share of 20.4%, compared to 19.1% in 1997. Cash dividends have been paid on the Company's common stock for twelve consecutive years. The Company intends to continue the practice of regular payment of common stock dividends as long as its subsidiary Banks remain profitable and in compliance with regulatory capital requirements.

The Company emphasizes the capital adequacy of its Banks as an important foundation for their individual growth plans, liquidity and projected capital needs, as well as for meeting regulatory requirements. Internally generated capital is the Company's primary strategy for capital growth for the Banks and for the Company. Iroquois serves as the vehicle for access to capital markets for its own needs, such as for the acquisition of new subsidiaries, and as a source of funds, if necessary, to strengthen the capital position of its subsidiaries.

The Company strives to maintain optimal capital levels that are commensurate with the risk profiles of its subsidiary Banks. The Company regularly reviews its capital position and monitors adherence to regulatory requirements.

LIQUIDITY

Liquidity represents the Company's ability to generate cash or otherwise obtain funds at reasonable rates to meet the demands of depositors, satisfy commitments to borrowers, and support key business initiatives. Proper liquidity management provides the necessary access to funds to satisfy cash flow requirements. Liquidity risk represents the possibility that the Company would be unable to generate cash or otherwise obtain funds at reasonable rates to meet its obligations.

In the ordinary course of business, Iroquois cash flows are generated from net operating income, loan repayments, and the maturity or sale of other earning assets. Liquidity management at the Banks is based on maintaining a strong base of core customer deposits, an adequate level of short-term and available for sale securities, and the availability of dependable borrowing sources.

Funding is available to each Bank through their membership in the Federal Home Loan Bank of New York ("FHLB"). Through the FHLB, the Banks can borrow up to 25% of total assets at various terms and interest rates. At December 31, 1998, securities maturing in one year or less, excluding estimated payments from amortizing securities, totaled $21.8 million, or 20.1% of the total securities portfolio. Securities available for sale at December 31, 1998 totaled $61.4 million, or 11.2% of total assets.

The consolidated statements of cash flows included in the consolidated financial statements contained in this Annual Report identify Iroquois' cash flows from operating, investing, and financing activities. During 1998 operating activities generated cash flows of $8.1 million, while financing activities provided $31.6 million. Investing activities, primarily net investments in loans and securities, used $37.3 million, resulting in a net increase in cash and cash equivalents of $2.5 million in 1998.

While many factors, such as economic and competitive factors, customer demand for loans and deposits, bank reputation and market share, affect the Company's overall ability to effectively manage its liquidity, management believes the Company has sufficient liquidity to meet its current obligations and is not aware of any trends, events, or uncertainties that will have, or that are reasonably likely to have, a material effect on the Company's liquidity, capital resources, or operations.

MARKET RISK AND INTEREST RATE RISK MANAGEMENT

Market risk is the risk of loss from adverse changes in market prices and rates. The Company's market risk arises primarily from interest rate risk inherent in its lending and deposit activities. Other types of market risk, such as foreign currency exchange rate risk and commodity price risk, do not arise in the normal course of the Company's business activities.

Managing interest rate risk is of primary importance to Iroquois. The Company's asset and liability management program includes a process for identifying and measuring potential risks to earnings and to the market value of equity due to changes in interest rates.

<TABLE>
<CAPTION>

TABLE 10 -- NET PORTFOLIO VALUE ANALYSIS

(dollars in thousands) At December 31, 1998

CHANGE IN INTEREST RATE (BASIS POINTS)	ESTIMATED NPV	CHANGE IN NPV AMOUNT	%
<S>	<C>	<C>	<C>
+200	$45,271	$(12,663)	(21.9)%
+100	51,650	(6,304)	(10.9)
0	57,954	--	--
-100	63,642	5,688	9.8
-200	67,784	9,830	17.0

</TABLE>

Interest rate risk is measured and managed for each Bank and monitored from a holding company perspective. The goal of interest rate risk analysis is to minimize the potential loss in net interest income and net portfolio value that could arise from changes in interest rates. Iroquois asset/liability management strategies emphasize balancing the mix and repricing characteristics of its loans, securities, deposits, and borrowings to ensure that exposure to interest rate risk is limited within acceptable levels. Iroquois determines sensitivity of earnings and capital to changes in interest rates by utilizing various tools.

A simulation model is the primary tool used to assess the impact of changes in interest rates on net interest income. Key assumptions used in the model include prepayment speeds on loans and mortgage-backed securities, loan volumes and pricing, customer preferences and sensitivity to changing rates, and management's projected financial plans. These assumptions are compared to actual results and revised as necessary. The Company's guidelines provide that net interest income should not decrease by more than 5% when simulated against a twelve-month rising or declining rate scenario reflecting a gradual change in rates of up to 200 basis points. At December 31, 1998, based on simulation model results, the Company was within these guidelines. Actual results may differ from simulated results due to the inherent uncertainty of the assumptions, including the timing, magnitude and frequency of rate changes, customer buying patterns, economic conditions, and management strategies.

The Company uses a net portfolio value ("NPV") analysis as another means of measuring and monitoring its interest rate risk. NPV represents the difference between the present value of the Company's liabilities and the present value of the expected cash flows from its assets. Table 10 sets forth, at December 31, 1998, an analysis of the Company's interest rate risk as measured by the estimated changes in NPV resulting from instantaneous and sustained parallel shifts in the interest rate yield curve. The NPV analysis incorporates assumptions regarding the projected prepayment speeds on loans and mortgage-backed securities and estimated cash flows on deposits without a stated maturity date. The assumptions are primarily based on the Company's historical prepayment and/or runoff speeds of assets and liabilities when interest rates increase or decrease by 200 basis points or greater. The Company's guidelines provide that a Bank's NPV should not decrease more than 25% as a result of a sudden rate change of plus or minus 200 basis points.

Another tool used to measure interest rate sensitivity is the cumulative gap analysis which is presented in Table 11. The cumulative gap represents the net position of assets and liabilities subject to repricing in specified time periods. Deposit accounts without specified maturity dates are modeled based on historical run-off characteristics of these products in periods of rising rates. At December 31, 1998, the one year cumulative gap position was $19.9 million liability sensitive, or 3.6% of total assets, compared to a virtually neutral one year position at year end 1997. While the one year gap position remains within Company established risk guidelines, the Company has become slightly more liability sensitive, principally due to the decrease in adjustable rate lending given the current interest rate environment.

Because the cumulative gap analysis is merely a snapshot at a particular date and does not fully reflect that certain assets and liabilities may have similar repricing periods but may in fact reprice at different times within that period and at differing rate levels, management uses the interest rate sensitivity gap only as a general indicator of the potential effects of interest rate changes on net interest income. Management believes that the gap analysis is a useful

<TABLE>
<CAPTION>

TABLE 11 -- INTEREST RATE SENSITIVITY TABLE

	At December 31, 1998					
(DOLLARS IN THOUSANDS)		0 - 3 MONTHS	4 - 12 MONTHS	1 - 5 YEARS	Over 5 YEARS	TOTAL
<S>	<C>		<C>	<C>	<C>	<C>
Interest-sensitive assets:						
Mortgage loans:						
Residential	$	23,061	54,703	112,135	64,856	254,755
Commercial		10,156	8,339	19,532	1,470	39,497
Consumer and commercial loans		59,077	12,878	28,623	9,262	109,840
Securities		7,570	19,005	49,734	9,654	85,963
Mortgage-backed securities		2,398	9,804	7,227	3,095	22,524
Total interest-sensitive assets	$	102,262	104,729	217,251	88,337	512,579
Interest-sensitive liabilities:						
Deposits:						
Savings and NOW accounts		9,100	17,719	53,489	66,863	147,171
Money market accounts		2,189	6,564	16,583	20,730	46,066
Time deposits		68,060	105,157	45,824	56	219,097
Borrowings		3,129	15,000	43,000	462	61,591
Total interest-sensitive liabilities	$	82,478	144,440	158,896	88,111	473,925
Interest rate sensitivity gap	$	19,784	(39,711)	58,355	226	38,654
Cumulative interest rate sensitive gap	$	19,784	(19,927)	38,428	38,654	
Cumulative gap to total assets:						
at December 31, 1998		3.6%	(3.6)	7.0	7.0	
at December 31, 1997		4.2%	0	12.2	8.0	

</TABLE>

tool only when used in conjunction with its simulation model, NPV analysis, and other tools for analyzing and managing interest rate risk.

The Company does not currently engage in trading activities or use derivative instruments to control interest rate risk. Even though such activities may be permitted with the approval of the Board of Directors, the Company does not intend to engage in such activities in the immediate future.

IMPACT OF INFLATION

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles, which requires the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Company's operations. Unlike industrial companies, nearly all of the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent, as the price of goods and services.

YEAR 2000

The Company's Year 2000 (or "Y2K") activities are continuing on schedule under the framework of the FFIEC's Five Step program. Senior management and the Company's Board of Directors are actively involved in managing efforts in support of these activities, monitoring the Company's progress, and evaluating risks of the process to the Company's strategic plan. The primary software applications which support the Banks' checking, savings, and loan products have already been updated and tested for Year 2000 compliance. Y2K-compliant versions of these front-end software products are currently in use at the Banks.

STEP 1 AWARENESS PHASE

The Company's Y2K Committee has been following a comprehensive reporting and communication plan designed to increase awareness of the issues surrounding the century

date change and report on the Company's progress in preparing for the Year 2000. The communication plan includes ongoing progress reports to Senior Management, the Company's Board of Directors, and Audit Committee. In addition, the Company is presently taking steps to build awareness and increase the understanding of its employees as well as its banking customers on the Company's readiness for the Year 2000.

STEP 2 ASSESSMENT PHASE

The Company has completed an inventory and assessment of its software, hardware, and other systems applications (e.g. communications systems; environmental systems; credit card; and ATM processing systems). As part of the assessment phase, critical applications were identified. Critical applications are those believed by the Company to be key to the accuracy of recording customer banking transactions, to have a risk involving the safety of individuals, or to affect the Company's revenues and/or liquidity.

During the assessment phase, the Company also identified and prioritized for further evaluation and testing, as appropriate, its exposure to third party risks of noncompliance. Electronic data exchange service bureaus and business customers with relationships in excess of $150,000 were identified. As part of this assessment, the Company is collecting and analyzing information from third parties regarding their Year 2000 readiness.

STEP 3 RENOVATION PHASE

The renovation phase includes the installation of all necessary software upgrades, the removal of non-compliant applications, the development of application-specific contingency plans as necessary, and the testing of currently compliant systems. The Company estimates that it has completed approximately 80% of the renovation phase. Close monitoring of the progress of its third party vendors, in particular, Fiserv Inc., the Company's data services and item processing provider, is ongoing. Fiserv has advised the Company that it anticipates its systems will be completely upgraded to Year 2000 compliance, tested, and implemented no later than June 30, 1999.

As of December 31, 1998, the Company had completed the identification of systems requiring upgrades, had installed Y2K compliant versions as received, and continues close monitoring of vendor progress to ensure timely delivery of upgrades. A general contingency plan has been outlined. System-specific contingency plans will be implemented for critical systems which fail their Y2K test within 30 days of test, but no later than June 30, 1999. To date, the Company has no reason to believe that its critical applications will not be Year 2000 compliant in all material respects.

STEP 4 VALIDATION PHASE

During the validation phase, critical data flows both internally and with third parties will be tested with both the sender and receiver simulating Year 2000 conditions. Testing is presently underway, both internally and with third parties, including Fiserv, Inc. The validation phase is expected to be completed by June 30, 1999.

STEP 5 IMPLEMENTATION PHASE

The implementation phase will primarily occur during 1999. This phase will focus on monitoring the progress of service providers and vendors as they install fully renovated and tested Y2K compliant systems into the normal daily operating environment. In addition, the Company has begun the process of developing business resumption contingency plans for each of its key business processes, and plans to complete and test them in 1999.

COSTS

The Company presently expects to meet its Year 2000 compliance commitment using existing resources and without incurring significant incremental expenses. The Company has provided for the additional costs of the Year 2000 project, primarily additional hardware, software, and service fees, in its operational budget for information technology.

RISK FACTORS

Significant Year 2000 failures in the Company's systems or in the systems of third parties (or third parties upon whom they depend) would have a material adverse effect on the Company's financial condition and results of operation. Although the Company believes that it has taken adequate measures to assure its systems will be Year 2000 compliant, the Company does not have control of external systems and conditions with which its systems interact, or by which its systems are affected. In the event of external conditions relating to Year 2000, it is possible that the Company could experience (i) a material increase in the Company's credit losses due to Year 2000 problems for the Company's borrowers and obligors and (ii) liquidity stress caused by disruption in financial markets. The magnitude of such potential credit losses or disruption cannot be determined at this time.

RECENT ACCOUNTING PRONOUNCEMENTS

Effective January 1, 1998, the Company adopted the remaining provisions of Statement of Financial Accounting Standards ("SFAS") No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which relates to the accounting for securities lending, repurchase agreements, and other secured financing activities. These provisions, which were delayed for implementation by SFAS No. 127, did not have a material impact on the Company.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes comprehensive accounting and reporting requirements for derivative instruments and hedging activities and requires companies to recognize all derivatives as either assets or liabilities, with the instruments measured at fair value. The accounting for gains and losses resulting from changes in fair value of the derivative instrument, depends on the intended use of the derivative and the type of risk being hedged. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Initial application of this statement should be as of the beginning of a company's fiscal year, January 1, 2000 for Iroquois. Iroquois does not invest in derivative instruments, therefore, the provisions of SFAS No. 133 are not expected to have any effect on either the financial disclosures or the financial condition of the Company. SFAS No. 133 also permits certain reclassifications of securities among the trading, available for sale and held to maturity classifications. The Company has no current intention to reclassify any securities pursuant to SFAS No. 133.

REPORT OF MANAGEMENT

Management is responsible for preparation of the consolidated financial statements and related financial information contained in all sections of this annual report, including the determination of amounts that must necessarily be based on judgments and estimates. It is the belief of management that the consolidated financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and that the financial information appearing throughout this annual report is consistent with the consolidated financial statements.

Management establishes and monitors the Company's system of internal accounting controls in meeting its responsibility for reliable financial statements. This system is designed to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorization and are properly recorded.

The Audit Committee of the Board of Directors, composed solely of outside directors, meets periodically with the Company's management, internal auditors and independent auditors, KPMG LLP, to review matters relating to the quality of financial reporting, internal accounting control, and the nature, extent and results of audit efforts. The internal auditors and independent auditors have unlimited access to the Audit Committee to discuss all such matters.

/s/ Richard D. Callahan /s/ Marianne R. O'Connor

Richard D. Callahan	Marianne R. O'Connor
President and	Treasurer and
Chief Executive Officer	Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

THE BOARD OF DIRECTORS AND SHAREHOLDERS IROQUOIS BANCORP, INC.:

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

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Iroquois Bancorp, Inc. and subsidiaries at December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1998, in conformity with generally accepted accounting principles.

KPMG LLP

Syracuse, New York
January 22, 1999

IROQUOIS BANCORP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

<TABLE>
<CAPTION>

	December 31,	
(dollars in thousands, except share data)	1998	1997
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$ 9,571	12,778
Federal funds sold and interest-bearing deposits with other financial institutions	6,393	705
Securities available for sale, at fair value	61,431	51,944
Securities held to maturity (fair value of $47,717 in 1998 and $52,182 in 1997)	47,056	51,676
Loans	404,092	373,269
Less allowance for loan losses	3,815	3,285
Loans, net	400,277	369,984
Premises and equipment, net	8,070	8,170
Federal Home Loan Bank Stock, at cost	4,079	3,629
Accrued interest receivable	3,822	3,855
Other assets	6,721	7,037

Total Assets	$547,420	509,778
LIABILITIES		
Savings and time deposits	$412,334	389,448
Demand deposits	30,905	27,563
Borrowings	61,591	50,164
Accrued expenses and other liabilities	4,248	3,574
Total Liabilities	$509,078	470,749
SHAREHOLDERS' EQUITY		
Preferred Stock, $1.00 par value, 3,000,000 shares authorized:		
Series A-issued and outstanding: 1998-none; 1997-29,999	--	30
Series B-issued and outstanding: 1998-none; 1997-18,632	--	19
Common Stock, $1.00 par value; 6,000,000 shares authorized; 2,409,980 and 2,388,936 shares issued and outstanding in 1998 and 1997, respectively	2,410	2,389
Additional paid-in capital	9,303	13,793
Retained earnings	26,557	22,868
Accumulated other comprehensive income	490	213
Unallocated shares of Stock Ownership Plan	(418)	(283)
Total Shareholders' Equity	$ 38,342	39,029
Total Liabilities and Shareholders' Equity	$547,420	509,778

</TABLE>

See accompanying notes to consolidated financial statements.

IROQUOIS BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Income

<TABLE>
<CAPTION>

	Year ended December 31,		
(dollars in thousands, except share data)	1998	1997	1996
<S>	<C>	<C>	<C>
Interest Income:			
Loans	$32,401	30,579	29,603
Securities	6,421	6,606	5,838
Other	582	337	322
	39,404	37,522	35,763
Interest Expense:			
Deposits	16,152	15,457	14,759
Borrowings	3,067	1,760	1,593
	19,219	17,217	16,352
Net Interest Income	20,185	20,305	19,411
Provision for loan losses	1,470	1,520	1,334
Net Interest Income after Provision for Loan Losses	18,715	18,785	18,077
Non-Interest Income:			
Service charges	2,940	2,541	2,205
Net gain(loss) on sales of securities and loans	223	99	(1,021)
Other	554	587	551
Total Non-Interest Income	3,717	3,227	1,735
Non-Interest Expense:			
Salaries and employee benefits	7,564	7,328	6,697
Occupancy and equipment	1,655	1,725	1,671
Computer and product service fees	1,676	1,328	1,045
Promotion and marketing	461	356	379
Other real estate expenses	345	333	388

Deposit insurance	91	97	742
Other	3,087	2,954	2,664
Total Non-Interest Expenses	14,879	14,121	13,586
Income Before Income Taxes	7,553	7,891	6,226
Income taxes	2,711	2,994	2,447
Net Income	4,842	4,897	3,779
Preferred stock dividend	187	441	451
Net income applicable to common shares	$ 4,655	4,456	3,328
Net income per common share:			
Basic	$ 1.96	1.89	1.43
Diluted	1.92	1.85	1.41

</TABLE>

See accompanying notes to consolidated financial statements.

IROQUOIS BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

	Year ended December 31,		
(dollars in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net Income	$ 4,842	4,897	3,779
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense, provision for loan losses, deferred taxes and other	2,353	2,195	2,225
Net (gain)loss on sales of securities and loans	(223)	(99)	1,021
Increase in accrued interest receivable and other assets	(40)	(394)	(135)
Increase in accrued expenses and other liabilities	1,201	716	620
Net cash provided by operating activities	8,133	7,315	7,510
Cash flows from investing activities:			
Proceeds from sales of securities available for sale	11,668	10,637	10,038
Proceeds from maturities and redemptions of securities available for sale	9,977	6,121	7,439
Proceeds from maturities and redemptions of securities held to maturity	15,925	12,732	11,704
Purchases of securities available for sale	(30,437)	(23,669)	(23,240)
Purchases of securities held to maturity	(11,459)	(10,896)	(20,470)
Loans made to customers net of principal payments received	(34,892)	(27,636)	(18,610)
Loans of acquired branches	--	--	(10,270)
Proceeds from sales of loans	4,090	2,835	8,461
Capital expenditures	(571)	(1,250)	(1,090)
Purchase of FHLB stock	(450)	(1,350)	(85)
Premium paid for deposits	--	--	(3,138)
Other - net	(1,138)	(2,385)	(462)
Net cash used by investing activities	(37,287)	(34,861)	(39,723)
Cash flows from financing activities:			
Net increase(decrease) in savings accounts and demand deposits	8,187	(6,907)	(2,120)
Net increase(decrease) in time deposits	18,041	13,696	(3,410)
Deposits of acquired branches	--	--	46,652
Net increase(decrease) in borrowings	11,427	24,628	(9,714)
Proceeds from issuance of common stock	285	366	338
Dividends paid	(1,153)	(1,289)	(1,198)
Redemption of preferred stock	(4,863)	(140)	(50)
Stock purchased for ESOP	(289)	--	--

Net cash provided by financing activities	31,635	30,354	30,498
Net increase(decrease) in cash and cash equivalents	2,481	2,808	(1,715)
Cash and cash equivalents at beginning of year	13,483	10,675	12,390
Cash and cash equivalents at end of year	$ 15,964	13,483	10,675
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 19,036	17,071	16,280
Income taxes	2,145	2,082	2,134
Supplemental schedule of noncash investing activities:			
Loans to facilitate the sale of other real estate	405	422	530
Additions to other real estate	1,013	842	1,675

</TABLE>

See accompanying notes to consolidated financial statements

IROQUOIS BANCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity and Comprehensive Income

<TABLE>
<CAPTION>

(dollars in thousands, except share data)	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Unallocated Shares of Stock Ownership Plans	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balances at December 31, 1995	$ 50	2,339	13,230	16,679	170	(622)	31,846
Comprehensive Income:							
Net Income	--	--	--	3,779	--	--	3,779
Change in net unrealized gain on securities available for sale, net of taxes	--	--	--	--	(114)	--	(114)
Total Comprehensive Income							3,665
Allocation of Common stock under Stock Ownership Plans	--	--	31	--	--	170	201
Preferred Stock Redemption (499 shares)	--	--	(50)	--	--	--	(50)
Stock Options Exercised	--	10	45	--	--	--	55
Stock Issued - Dividend Reinvestment Plan	--	19	264	--	--	--	283
Cash dividends declared:							
Common stock	--	--	--	(747)	--	--	(747)
Preferred stock	--	--	--	(451)	--	--	(451)
Balances at December 31, 1996	$ 50	2,368	13,520	19,260	56	(452)	34,802
Comprehensive Income:							
Net Income	--	--	--	4,897	--	--	4,897
Change in net unrealized gain on securities available for sale, net of taxes	--	--	--	--	157	--	157
Total Comprehensive Income							5,054
Allocation of Common stock under Stock Ownership Plans	--	--	67	--	--	169	236
Preferred Stock Redemption (1,408 shares)	(1)	--	(139)	--	--	--	(140)
Stock Options Exercised	--	9	93	--	--	--	102
Stock Issued - Dividend Reinvestment Plan	--	12	252	--	--	--	264
Cash dividends declared:							
Common stock	--	--	--	(848)	--	--	(848)
Preferred stock	--	--	--	(441)	--	--	(441)
Balances at December 31, 1997	$ 49	2,389	13,793	22,868	213	(283)	39,029
Comprehensive Income:							
Net Income	--	--	--	4,842	--	--	4,842
Change in net unrealized gain							

on securities available for sale, net of taxes	--	--	--	--	277	--	277
Total Comprehensive Income							5,119
Allocation of Common stock under Stock Ownership Plan	--	--	60	--	--	154	214
Preferred Stock Redemption (48,631 shares)	(49)	--	(4,814)	--	--	--	(4,863)
Stock Options Exercised	--	21	264	--	--	--	285
Stock purchased for ESOP	--	--	--	--		(289)	(289)
Cash dividends declared:							
Common stock	--	--	--	(966)	--	--	(966)
Preferred stock	--	--	--	(187)	--	--	(187)
Balances at December 31, 1998	$ --	2,410	9,303	26,557	490	(418)	38,342

</TABLE>

See accompanying notes to consolidated financial statements.

IROQUOIS BANCORP. INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Business

Iroquois Bancorp, Inc. ("Iroquois"), a corporation organized under the laws of New York, commenced operations in 1990. Iroquois, through its principal banking subsidiaries, provides financial services primarily to individuals and small- to medium- sized businesses in a six county area of upstate New York. Iroquois and its subsidiary financial institutions are subject to the regulations of certain Federal and state agencies and undergo periodic examinations by those regulatory agencies. Effective January 1, 1997 Iroquois became a bank holding company in connection with the change in charter of its largest subsidiary, Cayuga Bank, to a state-chartered commercial bank. Previously, Iroquois was a thrift holding company and that subsidiary a state-chartered savings bank operating under the name Cayuga Savings Bank.

(2) Summary of Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION -- The consolidated financial statements include the accounts of Iroquois and its wholly-owned subsidiaries, Cayuga Bank and subsidiaries ("Cayuga") and The Homestead Savings(FA) and subsidiary ("Homestead") collectively referred to herein as the "Company." All significant intercompany accounts and transactions are eliminated in consolidation.

The consolidated financial statements have been prepared in conformity with generally accepted accounting principles. Certain prior year amounts have been reclassified to conform to current year classifications. A description of the significant accounting policies is presented below. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses for the period. Actual results could differ from those estimates.

SECURITIES -- The Company classifies its debt securities as either available for sale or held to maturity as the Company does not hold any securities considered to be trading. Held to maturity securities are those that the Company has the ability and intent to hold until maturity. All other securities not included as held to maturity are classified as available for sale.

Available for sale securities are recorded at fair value. Held to maturity securities are recorded at amortized cost. Unrealized holding gains and losses, net of the related tax effect, on available for sale securities are excluded from earnings and are reported as a component of accumulated other comprehensive income in shareholders' equity until realized. Transfers of securities between categories are recorded at fair value at the date of transfer.

A decline in the fair value of any available for sale or held to maturity security below cost that is deemed other than temporary is charged to earnings resulting in the establishment of a new cost basis for the security.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to yield using the interest method. Dividend and interest income are recognized when earned. Purchases and sales are recorded on a trade date basis with settlement occurring shortly thereafter. Realized gains and losses on securities sold are derived using the specific identification method for determining the cost of securities sold.

LOANS -- Loans are carried at current unpaid principal balance less applicable unearned discounts and net deferred costs. The Company has the ability and intent to hold its loans to maturity except for education loans which are sold to a third party from time to time upon reaching fully funded status. Also, the Company originates some residential fixed rate mortgages with terms exceeding 20 years with the intent to sell. At the date of origination, the loans so designated and meeting secondary market guidelines are identified as held for sale and carried at the lower of net cost or fair value on an aggregate basis. The Company typically retains the servicing rights to mortgages sold.

Interest on loans is accrued and included in income at contractual rates applied to principal outstanding. Accrual of interest on loans, including impaired loans, is generally discontinued when loan payments are 90 days or more past due or when, by judgment of management, collectibility becomes uncertain. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is reversed against current period interest income. Subsequent recognition of income occurs only to the extent payment is received. Nonaccrual loans generally are restored to an accrual basis when principal and interest payments become current or when the loan becomes well secured and is in the process of collection.

Loan origination fees and certain direct loan costs are deferred and amortized generally over the contractual life of the related loans as an adjustment of yield using the interest method. Amortization of loan fees is discontinued when a loan is placed on nonaccrual status.

ALLOWANCE FOR LOAN LOSSES -- The allowance for loan losses is increased by the provision for loan losses charged against income and is decreased by the charge-off of loans, net of recoveries. Loans are charged off (including impaired loans) once the probability of loss has been determined giving consideration to the customer's financial condition, underlying collateral, and guarantees.

The allowance for loan losses is based on management's evaluation of the loan portfolio considering such factors as historical loan loss experience, review of specific loans, estimated losses on impaired loans, current economic conditions, and such other factors as management considers appropriate to estimate losses inherent in the portfolio.

The Company estimates losses on impaired loans based on the present value of expected future cash flows (discounted at the loan's effective interest rate) or the fair value of the underlying collateral if the loan is collateral dependent. An impairment loss exists if the recorded investment in a loan exceeds the value of the loan as measured by the aforementioned methods. A loan is considered impaired when it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. All commercial mortgage loans and commercial loans in a nonaccrual status are considered impaired. Residential mortgage loans, consumer loans, home equity lines of credit, and education loans are evaluated collectively since they are homogeneous and generally carry smaller individual balances. Impairment losses are included as a component of the allowance for loan losses. The Company recognizes interest income on impaired loans using the cash basis of income recognition. Cash receipts on impaired loans are generally applied according to the terms of the loan agreement, or as a reduction of principal, based upon management judgment and the related factors discussed above.

The allowance is maintained at a level believed by management to be sufficient to absorb probable future losses related to loans outstanding as of the balance sheet date. Management's determination of the adequacy of the allowance is based on periodic evaluations of the loan portfolio and other relevant factors and requires material estimates including the amounts and timing of expected future cash flows on impaired loans. While management uses available information to estimate loan losses, future additions to the allowance may be necessary based on changes in estimates, assumptions or economic conditions. In addition, various regulatory agencies, as part of their examination process, review the Company's allowance for loan losses and may require the Company to recognize additions to the allowance at the time of their examination.

PREMISES AND EQUIPMENT -- Land is carried at cost; buildings, furniture and equipment are carried at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets (15 to 50 years for buildings and 3 to 10 years for furniture, fixtures, and equipment). Amortization of leasehold improvements is computed on the straight-line method over the shorter of the lease term or the estimated useful life of the improvements.

OTHER REAL ESTATE -- Real estate acquired through foreclosure or deed in lieu of foreclosure is recorded at the lower of the unpaid loan balance on the property at the date of transfer, or fair value less estimated costs to sell. Adjustments to the carrying values of such properties that result from subsequent declines in value are charged to operations in the period in which the declines occur. Operating costs associated with the properties are charged to expense as incurred.

INTANGIBLE ASSET -- Intangible asset represents the premium paid in connection with the May 1996 acquisition of three branches from an unrelated bank. The premium of $3,138,000, less accumulated amortization of $1,193,000, is being amortized over the expected useful life of seven years on a straight-line basis. The amortization period is monitored to determine if events and circumstances require the estimated useful life to be reduced. Periodically, the Company reviews the intangible asset for events or changes in circumstances that may indicate the carrying amount of the asset is impaired.

TRUST DEPARTMENT -- Assets held in a fiduciary or agency capacity for customers are not included in the accompanying consolidated balance sheets, since such assets are not assets of the Company. Fee income is recognized on the accrual method based on the fair value of assets administered.

RETIREMENT PLANS -- The Company sponsors various defined contribution retirement plans under which the Company accrues contributions due under the terms of these plans.

POSTRETIREMENT BENEFITS -- The Company provides health care and life insurance benefits to retired employees. The estimated costs of providing benefits are accrued over the years the employees render services necessary to earn those benefits. The Company is amortizing the discounted present value of the accumulated post-retirement benefit obligation at January 1, 1993 over a 20 year transition period.

On January 1, 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 132, "Employers' Disclosures about Pension and Other Postretirement Benefits." SFAS No. 132 revises employers' disclosures about pension and other postretirement benefit plans. SFAS No. 132 does not change the accounting for these plans.

STOCK-BASED COMPENSATION -- The Company continues to apply the intrinsic value-based method of accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees" in accounting for its stock-based compensation plans and discloses in the footnotes to the financial statements pro forma net income and earnings per share information as if the fair value based method had been adopted.

INCOME TAXES -- The Company and its subsidiaries file a consolidated tax return. 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 and operating loss and tax credit carryforwards. 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. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

COMPREHENSIVE INCOME -- On January 1, 1998, the Company adopted the provisions of SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for reporting and display of comprehensive income and its components. At the Company, comprehensive income represents net income and the net change in unrealized gains or losses on securities available for sale, net of taxes, and is presented in the Consolidated Statements of Shareholders' Equity and Comprehensive Income. Prior year consolidated financial statements have been reclassified to conform to the requirements of SFAS No. 130.

The following summarizes the components of other comprehensive income for the years ended December 31, 1998, 1997 and 1996:

<TABLE>
<CAPTION>

Years ended December 31,

(dollars in thousands)	1998	1997	1996
Other comprehensive income, before tax:			
Net unrealized holding gain on securities	$ 665	353	(168)
Reclassification adjustment for gains included in net income	(202)	(93)	(22)
Other comprehensive income, before tax	463	260	(190)
Income tax expense related to items of other comprehensive income	186	103	(76)
Other comprehensive income, net of tax	$ 277	157	(114)

SEGMENT REPORTING -- During 1998, the Company adopted SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 requires the Company to report financial and other information about key revenue-producing segments of the Company for which such information is available and is utilized by the chief operating decision maker. Specific information to be reported for individual segments include profit and loss, certain revenue and expense items, and total assets. A reconciliation of segment financial information to amounts reported in the financial statements is also provided. Adoption of SFAS No. 131 did not result in significant changes in the Company's reporting.

The Company's operations are solely in the financial service industry and include the provision of traditional commercial banking services. The Company operates solely in the geographical regions of Cayuga, Oswego, Oneida and Madison Counties and surrounding areas in New York State. The Company has identified separate operating segments, however, these segments did not meet the quantitative thresholds for separate disclosure.

CASH AND CASH EQUIVALENTS -- For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand and in banks, interest-bearing deposits with other financial institutions and Federal funds sold.

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK -- The Company does not engage in the use of derivative financial instruments and currently the Company's only financial instruments with off-balance sheet risk consist of commitments to originate loans and commitments under unused lines of credit.

EARNINGS PER SHARE -- Basic earnings per share is calculated by dividing net income available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share includes the maximum dilutive effect of stock issuable upon conversion of stock options. Unallocated shares held by the Company's Employee Stock Ownership Plan ("ESOP") are not included in the weighted average number of shares outstanding.

(3) Securities

The amortized cost and fair value of securities available for sale and securities held to maturity at December 31, 1998 and 1997 were as follows:

	1998		1997	
(dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securities available for sale:				
U.S. Government & agencies obligations	$40,172	40,734	42,187	42,537
States and municipal obligations	6,959	7,090	231	232
Corporate bonds	3,362	3,471	1,507	1,517
Mortgage-backed securities	7,120	7,179	4,664	4,675
Other	3,000	2,957	3,000	2,983
	$60,613	61,431	51,589	51,944
Securities held to maturity:				
U.S. Government & agencies obligations	$ --	--	25	25
States and municipal obligations	5,818	5,903	3,729	3,795
Corporate bonds	25,893	26,190	27,717	27,887

Mortgage-backed securities	15,345	15,624	20,205	20,475
	$47,056	47,717	51,676	52,182

</TABLE>

Securities with an amortized cost of $48,447,000 (fair value of $49,505,000) at December 31, 1998 were pledged to secure public deposits, borrowings, and for other purposes. Gross unrealized gains and gross unrealized losses on the securities portfolio at December 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1998		1997	
(dollars in thousands)	Unrealized Gains	Unrealized Losses	Unrealized Gains	Unrealized Losses
<S>	<C>	<C>	<C>	<C>
Securities available for sale:				
U.S. Government & agencies obligations	$ 624	62	421	71
States and municipal obligations	134	3	1	--
Corporate bonds	111	2	10	--
Mortgage-backed securities	68	9	12	1
Other	--	43	--	17
	$ 937	119	444	89
Securities held to maturity:				
States and municipal obligations	$ 85	--	66	--
Corporate bonds	298	1	172	2
Mortgage-backed securities	327	48	348	78
	$ 710	49	586	80

</TABLE>

Maturities of debt securities classified as available for sale and held to maturity at December 31, 1998 were as follows:

<TABLE>
<CAPTION>

(dollars in thousands)	Amortized Cost	Fair Value
<S>	<C>	<C>
Securities available for sale:		
Maturing within one year	$10,025	10,022
Maturing after one but within five years	31,267	31,876
Maturing after five but within ten years	6,958	7,081
Maturing after ten years.	5,243	5,273
	53,493	54,252
Mortgage-backed securities	7,120	7,179
	$60,613	61,431
Securities held to maturity:		
Maturing within one year	$10,871	10,926
Maturing after one but within five years	18,916	19,193
Maturing after five but within ten years	1,559	1,609
Maturing after ten years	365	365
	31,711	32,093
Mortgage-backed securities	15,345	15,624
	$47,056	47,717

</TABLE>

Proceeds from sales of available for sale securities were $11,668,000 in 1998, $10,637,000 in 1997, and $10,038,000 in 1996. The gross realized gains and gross realized losses on those sales were $202,000 and $0 in 1998, $105,000 and $12,000 in 1997, and $33,000 and $11,000 in 1996, respectively.

(4) LOANS

Loans at December 31, 1998 and 1997 were as follows:

(dollars in thousands)	1998	1997
Loans secured by first mortgages on real estate:		
Residential (1-4 Family):		
Conventional	$252,319	212,680
VA insured	929	1,201
FHA insured	858	1,089
Commercial	39,496	41,678
	293,602	256,648
Other loans:		
Consumer loans	44,826	44,881
Home equity lines of credit	26,221	26,877
Education loans	436	1,905
Commercial business loans	37,573	41,920
	109,056	115,583
Total Loans	402,658	372,231
Unearned discount and net deferred costs	1,434	1,038
Allowance for loan losses	(3,815)	(3,285)
	$400,277	369,984

The Company serviced mortgage loans for others aggregating approximately $12,300,000, and $11,246,000 at December 31, 1998 and 1997, respectively. During 1996, the Company sold $4,666,000 in commercial mortgages to a third party and realized a loss of $1,050,000.

Transactions in the allowance for loan losses for the years ended December 31, 1998, 1997 and 1996 were as follows:

	Years ended December 31,		
(dollars in thousands)	1998	1997	1996
Balance at January 1	$ 3,285	3,389	3,380
Provision for loan losses	1,470	1,520	1,334
Charge-offs	(1,061)	(1,808)	(1,406)
Recoveries	121	184	81
Balance at December 31	$ 3,815	3,285	3,389

Impaired loans were $2,951,000 and $2,632,000 at December 31, 1998 and 1997, respectively. At December 31, 1998, impaired loans included $1,175,000 of loans for which the related allowance for loan losses was $554,000. At December 31, 1997, impaired loans included $202,000 of loans for which the related allowance for loan losses was $125,000. The average recorded investment in impaired loans was $3,063,000, $2,256,000, and $2,416,000 for the years ended December 31, 1998, 1997 and 1996, respectively. The effect on interest income for impaired loans was not material to the accompanying consolidated financial statements for the years ended December 31, 1998, 1997, and 1996.

Loans on nonaccrual status amounted to $5,255,000 at December 31, 1998, and $5,902,000 at December 31, 1997, including the impaired loans described above. The effect of nonaccrual loans on interest income for the years ended December 31, 1998, 1997, and 1996 is not material to the accompanying consolidated financial statements. Other real estate owned amounted to $665,000 at December 31, 1998 and $565,000 at December 31, 1997, and is included in other assets in the accompanying consolidated balance sheets.

A summary of the changes in outstanding loans to members of the board of directors and officers of the Company, or their interests, follows:

(dollars in thousands)	1998	1997
Balance of loans outstanding at beginning of year	$ 4,334	5,216
New loans and increase in existing loans	551	1,089
Loan principal repayments	(3,132)	(1,971)
Balance at end of year:	$ 1,753	4,334

These loans were made on substantially the same terms, including interest rate and collateral, as those prevailing at the time for comparable transactions with unrelated parties.

(5) PREMISES AND EQUIPMENT

A summary of premises and equipment at December 31, 1998 and 1997 follows:

	December 31, 1998			December 31, 1997		
(dollars in thousands)	Cost	Accumulated Depreciation & Amortization	Net	Cost	Accumulated Depreciation & Amortization	Net
Land	$ 1,008	--	1,008	1,008	--	1,008
Bank premises	8,308	2,593	5,715	8,108	2,350	5,758
Furniture, fixtures & equipment	5,301	3,954	1,347	4,930	3,526	1,404
Total	$14,617	6,547	8,070	14,046	5,876	8,170

Depreciation and amortization expense amounted to $671,000, $673,000, and $598,000 for the years ended December 31, 1998, 1997, and 1996, respectively.

(6) Savings and Time Deposits

A summary of savings and time deposits at December 31, 1998 and 1997 follows:

	1998	1997
(dollars in thousands)	Amount	Amount
Savings accounts	$105,717	108,578
Time deposits	219,097	201,056
Money market accounts	46,066	41,033
Interest checking	41,454	38,781
	$ 412,334	389,448

Contractual maturities of time deposits at December 31, 1998 were as follows:

	1998	
(dollars in thousands)	Amount	%
Under 12 months	$173,358	79.1
12 months to 24 months	30,675	14.0
24 months to 36 months	5,188	2.4
36 months to 48 months	7,303	3.3
48 months to 60 months	2,516	1.2

Thereafter	57	--
	$219,097	100.0%

</TABLE>

Time deposits issued in amounts of $100,000 or more were approximately $56,000,000 and $41,000,000 at December 31, 1998 and 1997, respectively. Interest expense by depositor account type for the years ended December 31, 1998, 1997, and 1996 was as follows:

<TABLE>
<CAPTION>

(dollars in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Savings accounts	$ 2,650	2,911	3,347
Time deposits	11,417	10,591	9,852
Money market accounts	1,653	1,446	1,166
Interest checking	432	509	394
	$16,152	15,457	14,759

</TABLE>

Interest expense on time deposits of $100,000 or more amounted to $2,749,000, $2,272,000, and $999,000, for the years ended December 31, 1998, 1997, and 1996, respectively.

(7) BORROWINGS

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

<TABLE>
<CAPTION>

(dollars in thousands)	1998	1997
<S>	<C>	<C>
Federal Home Loan Bank Line of Credit	$ --	13,400
Federal Home Loan Bank Term Advances	61,462	36,477
Employee Stock Ownership Plan Notes	129	287
	$61,591	50,164

</TABLE>

LINE OF CREDIT AND TERM ADVANCES

The Company maintains a $29,300,000 overnight line of credit with the Federal Home Loan Bank of New York (FHLB). Advances are payable on demand and bear interest at the federal funds rate plus 1/8%. The Company has access to the FHLB's Term Advance Program and can borrow up to 25% of total assets at various terms and interest rates. Term advances mature $18,000,000 in 1999, $19,000,000 in 2000, $16,000,000 in 2001, $2,000,000 in 2002, $6,000,000 in 2003, and $462,000 in 2014 at interest rates ranging from 4.91% to 7.47%. Under the terms of a blanket collateral agreement with the Federal Home Loan Bank of New York, these outstanding balances are collateralized by certain qualifying assets not otherwise pledged (primarily first mortgage loans).

Information related to the Federal Home Loan Bank Line of Credit for the years ended December 31, 1998 and 1997 follows:

<TABLE>
<CAPTION>

(dollars in thousands)	1998	1997
<S>	<C>	<C>
Outstanding balance at end of year	$ --	13,400
Average interest rate	--	6.13%
Maximum outstanding at any month end	$21,600	23,300
Average amount outstanding during year	6,786	10,132
Average interest rate during year	5.71%	5.78%

</TABLE>

EMPLOYEE STOCK OWNERSHIP PLAN (ESOP) NOTES

The ESOP Notes consist of borrowings by the Company's ESOP from a third party lender. Proceeds of the Notes were used to acquire common stock of the Company. These Notes are guaranteed by the Company and are secured by unallocated shares of the Company's stock held by the ESOP. Payment of these Notes is derived from the Company's contributions to the plan. (Note 15)

At December 31, 1998, the ESOP Notes consist of one loan payable in annual principal payments of $43,000 plus interest at the Federal funds rate plus 250 basis points through 2001. During 1998, an ESOP note with an outstanding balance of $115,000 at December 31, 1997 matured and was paid in full.

(8) INCOME TAXES

Total income taxes for the years ended December 31, 1998, 1997, and 1996 were allocated as follows:

(dollars in thousands)	1998	1997	1996
Income before income taxes,	$2,711	2,994	2,447
Change in Shareholders' Equity, for unrealized gain(loss) on securities	186	103	(76)
	$2,897	3,097	2,371

For the years ended December 31, 1998, 1997, and 1996, income tax expense (benefit) attributable to income before income taxes consisted of:

(dollars in thousands)	1998	1997	1996
Current:			
State	$ 256	389	578
Federal	2,804	2,324	1,934
	3,060	2,713	2,512
Deferred:			
State	78	59	(16)
Federal	(427)	222	(49)
	(349)	281	(65)
	$2,711	2,994	2,447

Income tax expense attributable to income before income taxes differed from the amounts computed by applying the U.S. federal statutory income tax rate to pretax income as a result of the following:

(dollars in thousands)	1998	1997	1996
Tax expense at statutory rate	$2,568	2,683	2,117
State taxes, net of Federal benefit	220	296	371
Other	(77)	15	(41)
Actual income tax expense	$2,711	2,994	2,447

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1998 and 1997 are:

(dollars in thousands)	1998	1997
Deferred tax assets:		
Intangible assets	$ 254	158
Financial statement allowance for loan losses	1,524	1,264
Postretirement benefits other than pension	177	147
Other	224	232
Total gross deferred tax assets	$2,179	1,801
Deferred tax liabilities:		
Bond discount	$ 87	116
Other	41	73
Net unrealized gain on securities available for sale	328	142
Undistributed earnings of subsidiary	355	340
Tax loan loss reserve in excess of base year reserve	289	214
Total gross deferred liabilities	1,100	885
Net deferred tax asset	$1,079	916

Realization of deferred tax assets is dependent upon the generation of future taxable income or the existence of sufficient taxable income within the carryback period. A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, management considers the scheduled reversal of the deferred tax liabilities, the level of historical taxable income, and projected future taxable income over the periods in which the temporary differences comprising the deferred tax assets will be deductible. Based on its assessment, management determined that no valuation allowance is necessary.

Included in retained earnings at December 31, 1998 is approximately $2,038,000 representing aggregate provisions for loan losses taken under the Internal Revenue Code. Use of these reserves to pay dividends in excess of earnings and profits or to redeem stock, or if the institution fails to qualify as a bank for Federal income tax purposes would result in taxable income to the Company. However, it is not contemplated that the reserves will be used in a manner that will create tax liabilities.

9) Regulatory Capital Matters

The Company and its subsidiary financial institutions are subject to various regulatory capital requirements administered by the federal banking agencies which regulate them. Failure to meet minimum capital requirements can initiate certain mandatory--and possibly additional discretionary--actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, Iroquois, Cayuga, and Homestead must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The 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 that each of the entities maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined). Management believes, as of December 31, 1998, that Iroquois, Cayuga, and Homestead meet all capital adequacy requirements to which each is subject.

The most recent notifications from the Federal Reserve Bank of New York (FRB), the Federal Deposit Insurance Corporation (FDIC), and the Office of Thrift Supervision (OTS) categorized Iroquois, Cayuga, and Homestead, respectively, as well capitalized under regulatory guidelines. To be categorized as well capitalized, Iroquois, Cayuga, and Homestead must maintain the minimum ratios as set forth in the table. There were no conditions or events since that notification that management believes have changed the category of the institutions.

The Company's actual capital amounts and ratios as of December 31, 1998, and 1997 are presented in the following table:

<TABLE>
<CAPTION>

	As of December 31, 1998:					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Regulatory Provisions	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total Capital (to Risk Weighted Assets):						
Consolidated	$40,212	11.65%	27,609	*8.0	34,511	*10.0
Cayuga	32,120	11.59	22,077	*8.0	27,596	*10.0
Homestead	7,278	11.12	5,237	*8.0	6,546	*10.0
Tier 1 Capital (to Risk Weighted Assets):						
Consolidated	$36,397	10.55%	13,804	*4.0	20,708	*6.0
Cayuga	28,526	10.34	11,039	*4.0	16,558	*6.0
Homestead	7,057	10.78	2,618	*4.0	3,928	*6.0
Tier 1 Capital (to Average Assets):						
Consolidated	$36,397	6.70%	21,730	*4.0	N/A	--
Cayuga	28,526	6.82	16,729	*4.0	20,911	*5.0
Homestead	7,057	6.36	4,438	*4.0	5,547	*5.0
Tangible Capital (to Average Assets):						
Consolidated	N/A	--	N/A	--	N/A	--
Cayuga	N/A	--	N/A	--	N/A	--
Homestead	$ 7,057	6.36%	1,664	*1.5	N/A	--

</TABLE>

N/A- Not Applicable

* GREATER THAN OR EQUAL TO

<TABLE>
<CAPTION>

	As of December 31, 1997:					
	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Regulatory Provisions	
(dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total Capital (to Risk Weighted Assets):						
Consolidated	$39,697	12.14%	26,164	*8.0	N/A	--
Cayuga	31,720	11.90	21,317	*8.0	26,646	*10.0
Homestead	6,800	11.07	4,913	*8.0	6,141	*10.0
Tier 1 Capital (to Risk Weighted Assets):						
Consolidated	$36,412	11.13%	13,082	*4.0	N/A	--
Cayuga	28,671	10.76	10,658	*4.0	15,987	*6.0
Homestead	6,564	10.69	2,457	*4.0	3,685	*6.0
Tier 1 Capital (to Average Assets):						
Consolidated	$36,412	7.29%	27,480	*4.0	N/A	--
Cayuga	28,671	7.48	15,327	*4.0	19,158	*5.0
Homestead	6,564	6.16	4,261	*4.0	5,326	*5.0

Tangible Capital (to Average Assets):

Consolidated	N/A	--	N/A	--	N/A	--
Cayuga	N/A	--	N/A	--	N/A	--
Homestead	$ 6,564	6.16%	1,598	*1.5	N/A	--

</TABLE>

N/A- Not Applicable

* GREATER THAN OR EQUAL TO

(10) Shareholders' Equity

Preferred Stock, Series A -- In April 1998, the Company completed the redemption of its Series A Floating Rate Cumulative Preferred Stock, which resulted in the redemption during 1998 of 29,999 shares at a cost of $2,999,900. The Company paid dividends per share on its Series A Preferred Stock of $2.38, $9.44, and $9.38 for the years ended December 31, 1998, 1997, and 1996, respectively.

Preferred Stock, Series B -- In October 1998, the Company completed the redemption of its Series B Floating Rate Cumulative Preferred Stock, which resulted in the redemption during 1998 of 18,632 shares at a cost of $1,863,200. The Company paid dividends per share on its Series B Preferred Stock of $6.38, $8.44, and $8.38 for the years ended December 31, 1998, 1997, and 1996, respectively.

The Company's ability to pay dividends is primarily dependent upon the ability of its subsidiary banks to pay dividends to the Company. The payment of dividends by the Banks is subject to being in compliance with minimum regulatory capital requirements. In addition, regulatory approval is generally required prior to either Bank declaring dividends in an amount in excess of net income for that year plus net income retained in the preceding two years.

The Company paid dividends per share on its common stock of $ .40, $ .36, and $ .32 for the years ended December 31, 1998, 1997, and 1996, respectively.

(11) Earnings per Share

Basic and diluted earnings per share for the years ended December 31, 1998, 1997, and 1996 were computed as follows:

<TABLE>
<CAPTION>

	For Years Ended December 31,		
(dollars in thousands, except share data)	1998	1997	1996
<S>	<C>	<C>	<C>
BASIC EARNINGS PER SHARE			
Earnings available for common shares:			
Earnings from operations	$ 4,842	4,897	3,779
Cash dividends on preferred stock	187	441	451
Net earnings available for common shareholders	$ 4,655	4,456	3,328
Weighted average common shares outstanding	2,378,049	2,355,285	2,324,847
Basic earnings per share	$ 1.96	1.89	1.43
DILUTED EARNINGS PER SHARE			
Net earnings available for common shares and common stock equivalent shares deemed to have a dilutive effect	$ 4,655	4,456	3,328
Weighted average common shares outstanding	2,378,049	2,355,285	2,324,847
Effect of dilutive securities:			
Stock options	42,754	65,101	28,627
Total	2,420,803	2,420,386	2,353,474
Diluted earnings per share	$ 1.92	1.85	1.41

</TABLE>

(12) Retirement Plans

The Company's retirement plans cover substantially all of its full-time employees who have been employed by the Company for more than one year. The Company has a noncontributory defined contribution retirement plan and a 401(k) plan. Contributions to the retirement plan are based on the participant's age and compensation, generally 2.5% of each covered employee's wages. Contributions to the 401(k) plan amount to 50% of participant contributions up to 6% of employee compensation. Expense for these plans for the years ended December 31, 1998, 1997, and 1996 was $301,000, $246,000, and $193,000, respectively.

(13) Other Postretirement Benefit Plans

The Company sponsors a defined contribution Postretirement Medical Spending Account Plan that provides funds for medical expenditures for retired full time employees who meet minimum age and service requirements. In addition, the Company sponsors a life insurance benefit of $10,000 for retired full time employees meeting minimum age and service requirements.

The following table presents the plan's funded status reconciled with amounts recognized in the Company's consolidated balance sheet at December 31, 1998, 1997, and 1996:

<TABLE>
<CAPTION>

(dollars in thousands)	1998	1997
<S>	<C>	<C>
CHANGE IN BENEFIT OBLIGATION		
Benefit obligation, at beginning of year	$ 875	812
Service cost	13	13
Interest cost	66	62
Participant contributions	14	11
Actuarial loss	131	35
Benefits paid	(59)	(58)
Benefit obligation, at end of year	$ 1,040	875
CHANGE IN PLAN ASSETS		
Fair value of assets, at beginning of year	$ --	--
Employer contributions	45	47
Participant contributions	14	11
Benefits paid	(59)	(58)
Fair value of assets, at end of year	$ --	--
FUNDED STATUS		
Benefit obligation	$(1,040)	(875)
Unrecognized transition obligation	604	647
Unrecognized net actuarial (gain)/loss	19	(112)
Accrued benefit cost	$ (417)	(340)

<CAPTION>

(dollars in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
COMPONENTS OF NET PERIODIC COST			
Service cost	$ 13	13	16
Interest cost	66	62	57
Amortization of unrecognized transition obligation	43	41	40
Net periodic cost	$ 122	116	113

</TABLE>

For measurement purposes, a nine percent annual rate of increase in the per capita cost of covered health care benefits was assumed for 1999. The rate was assumed to decrease gradually to five percent for 2007 and remain at that level thereafter.

The postretirement benefit obligation was determined using a discount rate of 6.5% for 1998 and 7.5% for 1997. A one-percentage-point increase or decrease in assumed health care cost trend rates does not have a material effect on the obligation.

(14) Stock Option Plan

Under the 1988 Plan which terminated in 1998, 55,600 shares of authorized but unissued common stock has been reserved for the granting of options to key employees. Options were granted at the market price of shares at the date of grant, adjusted when applicable for the effect of changes in capitalization. Vesting of options is determined by the Company's Stock Option Committee at the time of grant and expire not later than ten years after the date of grant. All options available under the Plan were granted prior to its expiration in 1998.

The terms, conditions and provisions of the 1996 Plan are substantially the same as those of the 1988 Plan. Under the 1996 Plan, 230,000 shares of authorized but unissued common stock were reserved for future issuance. At December 31, 1998, there were 149,700 options available for grant under this Plan.

Options outstanding at December 31, 1998 were at prices ranging from $8.80 to $25.65 per share.

The following is a summary of the changes in options outstanding:

<TABLE>
<CAPTION>

	1998		1997		1996	
	#	Weighted Average Price	#	Weighted Average Price	#	Weighted Average Price
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Options outstanding, January 1	133,944	$13.39	122,450	12.62	96,000	10.76
Granted	23,200	25.65	26,900	17.20	39,900	15.35
Exercised	(21,044)	11.32	(8,606)	11.77	(9,850)	5.59
Expired	(2,900)	21.86	(6,800)	16.57	(3,600)	12.68
Options outstanding, December 31	133,200	15.67	133,944	13.39	122,450	12.62
Options exercisable, December 31	90,500	12.92	73,944	11.23	86,150	11.35
Shares available for future grants	149,700	--	173,600	--	190,100	--

</TABLE>

The following summarizes outstanding and exercisable options at December 31, 1998:

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$ 8.80 - 12.68	56,700	5.5 years	$ 11.48	56,700	$ 11.48
$15.35 - 17.20	54,900	4.4 years	$ 16.06	33,800	$ 15.35
$25.65 - 25.65	21,600	6.1 years	$ 25.65	--	--
	133,200			90,500	

</TABLE>

Had compensation cost been determined based on the fair value at the grant dates for awards under the plans, consistent with the method of SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts indicated below:

<TABLE>
<CAPTION>

(dollars in thousands, except share data)	1998	1997	1996
<S>	<C>	<C>	<C>
Net Income:			

As reported	$4,842	4,897	3,779
Pro forma	4,768	4,836	3,738
Diluted earnings per share:			
As reported	1.92	1.85	1.41
Pro forma	1.89	1.82	1.40

</TABLE>

The per share weighted average fair value of stock options granted during 1998, 1997, and 1996 of $7.45, $5.43, and $5.83 on the date of grant was determined using the Black-Scholes option-pricing model with the following weighted average assumptions:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Expected dividend yield	1.6%	1.6	2.0
Risk free interest rate	5.4%	6.2	6.6
Expected life	5 years	5 years	5 years
Volatility	26.7%	27.5	39.9

</TABLE>

(15) EMPLOYEE STOCK OWNERSHIP PLAN

The Company has a noncontributory Employee Stock Ownership Plan (ESOP) covering substantially all employees. The number of shares allocable to Plan participants is determined by the Board of Directors. Allocations to individual participant accounts is based on participant compensation.

In connection with establishing the ESOP, the ESOP borrowed $1,147,000 in 1988 and utilized a Company contribution of $70,000 to acquire 188,260 shares of the Company's common stock. At December 31, 1998 all of these shares have been allocated. Interest incurred by the ESOP on debt applicable to such shares was $4,000, $16,000, and $24,000 in 1998, 1997, and 1996, respectively. The Company contributed and expensed $115,000, $104,000, and $105,000 during 1998, 1997, and 1996, respectively, with respect to such shares.

The Company accounts for shares purchased subsequent to December 31, 1992 in accordance with Statement of Position 93-6. Accordingly, as shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares and the shares become outstanding for earnings per share computations. In 1994, the ESOP borrowed $302,000 and used the proceeds to purchase 34,188 shares of the Company's common stock. Interest incurred by the ESOP on debt applicable to such shares was $14,000, $15,000, and $21,000 in 1998, 1997, and 1996, respectively. In 1998, the ESOP borrowed $289,000 from the Company to purchase an additional 15,000 shares of the Company's common stock.

ESOP compensation expense applicable to shares purchased subsequent to 1992 was $103,000, $111,000, and $74,000 in 1998, 1997, and 1996, respectively. Through December 31, 1998, a total of 19,536 of the 49,188 shares purchased after 1992 had been released to participants. The fair value at December 31, 1998 of unreleased ESOP shares purchased subsequent to 1992 was $623,000.

(16) COMMITMENTS AND CONTINGENCIES

In the normal course of business, various commitments and contingent liabilities are outstanding, such as standby letters of credit and commitments to extend credit that are not reflected in the consolidated financial statements. Financial instruments with off-balance sheet risk involve elements of credit risk, interest rate risk, liquidity risk, and market risk. Management does not anticipate any significant losses as a result of these transactions.

Commitments to originate mortgages and other loans were approximately $12,592,000 and $10,994,000 at December 31, 1998 and 1997, respectively. Commitments under unused lines of credit were approximately $42,326,000 and $44,008,000 at December 31, 1998 and 1997, respectively. The majority of these commitments carry a variable rate of interest.

Primarily all of the Company's loans are to borrowers in the New York counties of Cayuga and Oneida and their surrounding areas. The ability and willingness of borrowers to repay their loans is dependent on the overall economic health of the Company's market area, current real estate values, and the general economy. A majority of the Company's loans are secured by real estate collateral.

The Company leases certain property and equipment under operating lease arrangements. Rent expense under these arrangements amounted to $32,000 in 1998, $75,000 in 1997, and $117,000 in 1996. Real estate taxes, insurance, maintenance, and other operating expenses associated with leased property are generally paid by the Company.

In the normal course of business, there are various outstanding legal proceedings. In the opinion of management based on review with counsel, the proceedings should not have a material effect on the financial condition, liquidity or results of operations of the Company.

(17) FAIR VALUES OF FINANCIAL INSTRUMENTS

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

CASH AND CASH EQUIVALENTS

For these short-term instruments that generally mature in ninety days or less, the carrying value approximates fair value.

SECURITIES

Fair values for securities are based on quoted market prices or dealer quotes, where available. Where quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

LOANS

For variable-rate loans that reprice frequently and have no significant credit risk, fair values are based on carrying values. Fair values for fixed-rate residential mortgage loans are based on quoted market prices of similar loans sold in the secondary market, adjusted for differences in loan characteristics. The fair values for other loans are estimated through discounted cash flow analysis using interest rates currently being offered for loans with similar terms and credit quality.

FHLB STOCK

The carrying value of this instrument, which is redeemable at par, approximates fair value.

DEPOSITS

The fair values disclosed for demand deposits, savings accounts, and money market accounts are, by definition, equal to the amounts payable on demand at the reporting date (i.e. their carrying values). The fair value of fixed maturity deposits is estimated using a discounted cash flow approach that applies interest rates currently being offered on time deposits to a schedule of aggregated expected monthly maturities.

These estimated fair values do not include the value of core deposit relationships which comprise a significant portion of the Company's deposit base. Management believes that the Company's core deposit relationships provide a relatively stable low-cost funding source which has a substantial intangible value separate from the deposit balances.

BORROWINGS

The fair value of the term advances from the Federal Home Loan Bank is estimated using discounted cash flow analysis based on the Company's current incremental borrowing rate for similar borrowing arrangements.

COMMITMENTS TO EXTEND CREDIT

The fair value of commitments to extend credit are based on fees currently charged to enter into similar agreements, the counterparty's credit standing and discounted cash flow analysis. The fair value of these commitments to extend credit approximates the recorded amounts of the related fees and is not material at December 31, 1998 and 1997.

The estimated fair values of the Company's financial instruments as of December 31, 1998 and 1997 were as follows (dollars in thousands):

<TABLE>
<CAPTION>

	1998		1997	
(dollars in thousands)	Carrying Amount	Fair Value/1/	Carrying Amount	Fair Value/1/

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

Financial Assets:				
Cash and cash equivalents.	$ 15,964	15,964	13,483	13,483
Securities	108,487	109,148	103,620	104,126
Loans, net	400,277	419,829	369,984	385,859
FHLB stock	4,079	4,079	3,629	3,629
Financial Liabilities:				
Deposits:				
Demand accounts, savings, and money market accounts	$224,142	224,142	215,955	215,955
Time Deposits	219,097	220,175	201,056	202,134
Borrowings	61,591	62,235	50,164	52,130

</TABLE>

(1) Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(18) Parent Company Only Financial Statements

The following presents the financial position of the parent company as of December 31, 1998 and 1997 and the results of its operations and cash flows for the years ended December 31, 1998, 1997, and 1996:

<TABLE>
<CAPTION>
CONDENSED BALANCE SHEETS

	December 31,		
(dollars in thousands)	1998		1997
<S>	<C>	<C>	<C>
Assets			
Cash and Due from Banks	$ 563		1,277
Other assets	311		117
Investment in subsidiaries	38,018		37,843
	$38,892		39,237
Liabilities and Shareholders' Equity			
Other liabilities	$ 132		36
Borrowings	418		172
Shareholders' equity	38,342		39,029
	$38,892		39,237

CONDENSED STATEMENTS OF INCOME

	Year ended December 31,		
(dollars in thousands)	1998	1997	1996
Dividends from subsidiaries	$ 5,044	1,250	1,200
Other income from subsidiaries	706	594	632
Total income	5,750	1,844	1,832
Operating expenses	810	635	632
Interest expense	18	15	21
Total expenses	828	650	653
Income before income taxes and equity in undistributed income of subsidiaries	4,922	1,194	1,179
Income tax benefit	23	--	--
Equity in undistributed income of subsidiaries	(103)	3,703	2,600
Net Income	$ 4,842	4,897	3,779

CONDENSED STATEMENTS OF CASH FLOWS

Year ended December 31,

(dollars in thousands)	1998	1997	1996
Operating activities:			
Net Income	$ 4,842	4,897	3,779
Adjustments to reconcile net income to net cash provided(used) by operating activities:			
Equity in undistributed income of subsidiaries	103	(3,703)	(2,600)
(Increase)decrease in other assets	(194)	73	(48)
Increase(decrease) in other liabilities and due to subsidiaries	96	22	(162)
Net cash provided by operating activities	4,847	1,289	969
Financing activities:			
Proceeds from issuance of common stock	285	366	338
Stock plan distributions	213	236	211
Cash dividends paid to shareholders	(1,153)	(1,289)	(1,198)
Redemption of preferred stock	(4,863)	(140)	(50)
Stock purchase for ESOP	(289)	--	--
Increase (decrease) in borrowings	246	(43)	(86)
Net cash used by financing activities	(5,561)	(870)	(795)
Net increase (decrease) in cash and cash equivalents	(714)	419	174
Cash and cash equivalents at beginning of year	1,277	858	684
Cash and cash equivalents at end of year	$ 563	1,277	858

</TABLE>

IROQUOIS BANCORP, INC. AND SUBSIDIARIES

Quarterly Summarized Financial Information (Unaudited)

<TABLE>
<CAPTION>

(dollars in thousands, except share data)	1998					1997				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
By Quarter	1	2	3	4	Year	1	2	3	4	Year
Interest income	$9,647	9,785	9,945	10,027	39,404	9,112	9,323	9,476	9,611	37,522
Interest expense	4,591	4,795	4,915	4,918	19,219	4,046	4,218	4,406	4,547	17,217
Net interest income	5,056	4,990	5,030	5,109	20,185	5,066	5,105	5,070	5,064	20,305
Provision for loan losses	360	360	387	363	1,470	373	372	373	402	1,520
	4,696	4,630	4,643	4,746	18,715	4,693	4,733	4,697	4,662	18,785
Noninterest income	815	929	969	1,004	3,717	724	849	845	809	3,227
Noninterest expense	3,596	3,626	3,676	3,981	14,879	3,429	3,491	3,594	3,607	14,121
Income before income taxes	1,915	1,933	1,936	1,769	7,553	1,988	2,091	1,948	1,864	7,891
Income taxes	697	697	705	612	2,711	759	793	724	718	2,994
Net income	1,218	1,236	1,231	1,157	4,842	1,229	1,298	1,224	1,146	4,897
Preferred stock dividend	111	38	38	--	187	108	111	111	111	441
Net income attributable to common shares	$1,107	1,198	1,193	1,157	4,655	1,121	1,187	1,113	1,035	4,456
Net income per common share:										
Basic	$ .47	.50	.50	.49	1.96	.48	.50	.47	.44	1.89
Diluted	.45	.49	.49	.48	1.92	.47	.49	.46	.43	1.85

</TABLE>

Summation of the quarterly net income per common share does not necessarily equal the annual amount due to the averaging effect of the number of shares throughout the year.

Common Stock Price and Dividend Information (Unaudited)

<TABLE>
<CAPTION>

			1998					1997		
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
By Quarter	1	2	3	4	Year	1	2	3	4	Year
Stock price										
High	27	26 1/2	25	21	27	21 1/2	21 3/4	27 1/2	28 1/4	28 1/4
Low	24 1/4	24	19 1/2	17 3/4	17 3/4	16 1/4	20	20 1/2	24 1/4	16 1/4
Dividends	.10	.10	.10	.10	.40	.08	.08	.10	.10	.36

</TABLE>

The common stock of the Company is presently traded on the Nasdaq Stock Market under the symbol "IROQ." The above table indicates the high and low closing prices as reported in the Nasdaq National Market listings for the Iroquois Bancorp, Inc. common stock, and dividend information for each quarter in the last two calendar years. The prices may represent interdealer transaction, without retail markups, markdowns, or commissions. The number of registered shareholders of Iroquois Bancorp, Inc. stock as of December 31, 1998, was 1,302.

Directors and Officers/Corporate Data

<TABLE>
<CAPTION>

IROQUOIS BANCORP, INC.

<S>
DIRECTORS:

JOSEPH P. GANEY
Chairman

BRIAN D. BAIRD
Attorney, Kavinoky & Cook

JOHN BISGROVE, JR.
President & Owner of
Sunrise Farms

RICHARD D. CALLAHAN
President &
Chief Executive Officer

PETER J. EMERSON
Director, Fred L. Emerson
Foundation, Inc.

DR. ARTHUR A. KARPINSKI
Retired Periodontist

HENRY D. MOREHOUSE
Owner, Morehouse
Appliances

EDWARD D. PETERSON
Retired Manager, Human
Resources, General Electric
Aerospace Operations Dept.;
Management Consultant

LEWIS E. SPRINGER, II
Executive,
Creative Electric, Inc.
Andersen Laboratories, Inc.
and Sawgrass Electronics
Group, Inc.

<C>
OFFICERS:

RICHARD D. CALLAHAN
President &
Chief Executive Officer

MARIANNE R. O'CONNOR
CPA, Treasurer &
Chief Financial Officer

RICHARD J. NOTEBAERT, JR.
Vice President
President & Chief Executive
Officer, The Homestead
Savings (FA)

HENRY M. O'REILLY
Director of Internal Audit

W. ANTHONY SHAY, JR.
Vice President-Operations

CAYUGA BANK

<C>
DIRECTORS:

JOSEPH P. GANEY, CHAIRMAN
JOHN BISGROVE, JR.
RICHARD D. CALLAHAN
CAROL I. CONTIGUGLIA
PETER J. EMERSON
DR. ARTHUR A. KARPINSKI
MARTHA S. MACKAY
LAWRENCE H. POOLE, PH.D.
FREDERICK N. RICHARDSON
LEWIS E. SPRINGER, II
DONALD E. STAPLES

OFFICES:

MAIN OFFICE
115 Genesee Street
Auburn, NY 13021
(315) 252-9521

GRANT AVENUE OFFICE
Auburn, NY 13021

LOOP ROAD OFFICE
Auburn, NY 13021

WEST GENESEE STREET OFFICE
355 Genesee Street
Auburn, NY 13021

WEEDSPORT OFFICE
9015 North Seneca Street
Weedsport, NY 13166

MORAVIA OFFICE
31-33 Main Street
Moravia, NY 13118

LACONA OFFICE
1897 Harwood Drive
Lacona, NY 13083

THE HOMESTEAD SAVINGS (FA)

<C>
DIRECTORS:

ANNETTE M. DIMON
DAVID A. ENGELBERT
RICHARD R. GRIFFITH
PATRICK J. HART
WILLIAM E. JAKES
HENRY D. MOREHOUSE
RICHARD J. NOTEBAERT, JR.
EDWARD D. PETERSON

OFFICES:

MAIN OFFICE
283 Genesee Street
Utica, NY 13501
(315) 797-1350

SOUTH UTICA OFFICE
1930 Genesee Street
Utica, NY 13502

ROME OFFICE
Freedom Mall
Rome, NY 13440

WATERVILLE OFFICE
129 Main Street
Waterville, NY 13480

CLINTON OFFICE
Homestead Plaza
Clinton, NY 13323

OLD FORGE-LOAN CENTER
Green Sleeves Common
Professional Building
Old Forge, NY 13420

LAKE PLACID - LOAN CENTER
Crestview Plaza
Saranac Ave
Lake Placid, NY 12946

CORPORATE DATA

CORPORATE OFFICES

Iroquois Bancorp, Inc.
115 Genesee Street
Auburn, New York 13021
(315) 252-9521

ANNUAL MEETING

REQUEST FOR FINANCIAL INFORMATION

Shareholders and others seeking information about Iroquois Bancorp, Inc., including copies of the annual and quarterly reports,

COUNSEL

Harris Beach & Wilcox, LLP
The Granite Building
130 East Main Street
Rochester, NY 14604

INDEPENDENT AUDITORS

AUTOMATIC DIVIDEND REINVESTMENT PLAN

A convenient, no-cost means for Iroquois Bancorp, Inc. shareholders to increase their holdings is available through the Automatic Dividend

The annual meeting of Iroquois Bancorp, Inc. will be held at 10:00 a.m., Thursday, April 29, 1999, at the Holiday Inn, 75 North Street, Auburn, New York 13021.

as well as Form 10-K, as filed with the Securities Exchange Commission, are invited to contact:

Marianne R. O'Connor
Chief Financial Officer
(315) 252-9521

Transfer Agent & Registrar:
American Stock Transfer & Trust Co.
40 Wall Street
New York, NY 10005
(800) 937-5449

KPMG LLP
113 South Salina Street
Syracuse, NY 13202

MARKET MAKERS
(as of year-end)

F. J. Morrissey & Co., Inc.
Sandler O'Neill & Partners

Reinvestment Plan. This plan is administered by American Stock Transfer & Trust Co. acting as your Agent.

Quarterly dividends and optional additional cash investments may be used to purchase additional shares.

For further information contact:
American Stock
Transfer & Trust Co.
40 Wall Street
New York, NY 10005
(800) 987-5449

</TABLE>

Notes

Iroquois Bancorp, Inc. 115 Genesee Street, Auburn, New York 13021

Exhibit 21

LIST OF SUBSIDIARIES

The Registrant has two subsidiaries:

1. Cayuga Bank, a trust company organized under and governed by the laws of the State of New York.

2. The Homestead Savings (FA), a federally chartered stock form savings association with offices in New York State, under the jurisdiction of the Office of Thrift Supervision.

Exhibit 23(A)

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Iroquois Bancorp, Inc.:

We consent to incorporation by reference in the registration statement Nos. 33-36826, 33-36827, 33-36828, 33-94214 and 333-10063 on Form S-8 and No. 33-36825 on Form S-3 of Iroquois Bancorp, Inc. of our report dated January 22, 1999, relating to the consolidated balance sheets of Iroquois Bancorp, Inc. and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 1998, which report has been incorporated by reference in the December 31, 1998 annual report on Form 10-K of Iroquois Bancorp, Inc.

We also consent to incorporation by reference in the Registration Statement No. 33-36828 on Form S-8 of Iroquois Bancorp, Inc. of our report dated March 3, 1998 relating to the statements of net assets available for benefits, with fund information of the Iroquois Bancorp, Inc. 401(k) Savings Plan as of December 31, 1997, and the related statement of changes in net assets available for benefits, with fund information for the year ended December 31, 1997, which report appears in the December 31, 1998 annual report on Form 10-K of Iroquois Bancorp, Inc.

/s/KPMG LLP

KPMG LLP

Syracuse, New York
March 22, 1999

Exhibit 23(B)

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Iroquois Bancorp, Inc.:

We consent to incorporation by reference in the Registration Statement No. 33-36828, on Form S-8 of Iroquois Bancorp, Inc. of our report dated March 10, 1999 relating to the statement of net assets available for benefits, with fund information of the Iroquois Bancorp, Inc. 401(k) Savings Plan as of December 31, 1998 and the related statement of changes in net assets available for benefits, with fund information for the year ended December 31, 1998 and related schedules as of and for the year ended December 31, 1998, which report appears in the December 31, 1998 annual report on Form 10-K of Iroquois Bancorp, Inc.

/s/The Fagliarone Group, P.C.

The Fagliarone Group, P.C.

Syracuse, New York
March 22, 1999

<TABLE> <S> <C>

<ARTICLE> 9
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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM DECEMBER 31, 1998 10-K REPORT AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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Exhibit 99

IROQUOIS BANCORP, INC.

401(K) SAVINGS PLAN

Financial Statements and Schedules

December 31, 1998 and 1997

(With Independent Auditors' Report Thereon)

IROQUOIS BANCORP, INC.
401(K) SAVINGS PLAN

Table of Contents

Independent Auditors' Report

The Pension Plan Trustees of Iroquois Bancorp, Inc.
401(k) Savings Plan:

We have audited the accompanying statement of net assets available for benefits, with fund information of Iroquois Bancorp, Inc. 401(k) Savings Plan as of December 31, 1998, and the related statement of changes in net assets available for benefits, with fund information for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Iroquois Bancorp, Inc. 401(k) Savings Plan as of and for the year ended December 31, 1997 were audited by other auditors whose report dated March 3, 1998 expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Iroquois Bancorp, Inc. 401(k) Savings Plan as of December 31, 1998, and the changes in net assets available for benefits for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules, as listed in the accompanying index, are presented for the purpose of additional analysis and are not a required part of the basic financial statements but are supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/The Fagliarone Group, P.C.

The Fagliarone Group, P.C.
Syracuse, NY

March 10, 1999

Independent Auditors' Report

The Pension Plan Trustees of Iroquois Bancorp, Inc.
401(k) Savings Plan:

We have audited the accompanying statement of net assets available for benefits, with fund information of Iroquois Bancorp, Inc. 401(k) Savings Plan as of December 31, 1997, and the related statement of changes in net assets available for benefits, with fund information for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Iroquois Bancorp, Inc. 401(k) Savings Plan as of December 31, 1997, and the changes in net assets available for benefits for the year then ended in conformity with generally accepted accounting principles.

/s/KPMG LLP

KPMG LLP

Syracuse, New York
March 3, 1998

IROQUOIS BANCORP, INC.
401(K) SAVINGS PLAN

Statement of Net Assets Available for Benefits, with Fund Information

December 31, 1998

<TABLE>
<CAPTION>

Assets	Income Fund	Equity Fund	Balanced fund	Common Stock Fund	Employee Loan Fund	Total
Investments, at fair value:						
Money market funds	$ --	136,242	33,096	23	--	169,361
U.S. Government securities	--	--	87,688	--	--	87,688
Corporate bonds	400,666	--	110,737	--	--	511,403
Common stocks	--	1,163,989	259,479	2,452,758	--	3,876,226
Employees' loans	--	--	--	--	222,719	222,719
	400,666	1,300,231	491,000	2,452,781	222,719	4,867,397
Receivables:						
Accrued interest and dividends	1	2,820	4,089	13	--	6,923
Due from employees	6,027	25,773	10,520	6,501	--	48,821
Due from employer	458	4,395	890	8,411	--	14,154
	6,486	32,988	15,499	14,925	--	69,898
Net assets available for benefits	$ 407,152	1,333,219	506,499	2,467,706	222,719	4,937,295

</TABLE>

See accompanying notes to financial statements.

IROQUOIS BANCORP, INC.
401(K) SAVINGS PLAN

Statement of Net Assets Available for Benefits, with Fund Information

December 31, 1997

<TABLE>
<CAPTION>

Assets	Income Fund	Equity Fund	Balanced fund	Common Stock Fund	Employee Loan Fund	Total
Investments, at fair value:						
Cash	$ --	--	300	--	--	300
Money market funds	--	53,448	38,730	17	--	92,195
U.S. Government securities	--	--	120,881	--	--	120,881
Corporate bonds	350,206	--	80,874	--	--	431,080
Common stocks	--	1,172,424	214,155	2,949,044	--	4,335,623
Preferred stock	10,600	--	--	--	--	10,600
Employees' loans	--	--	--	--	186,187	186,187
	360,806	1,225,872	454,940	2,949,061	186,187	5,176,866
Receivables:						
Accrued interest and dividends	--	1,955	4,383	19	--	6,357
Due from employees	5,598	18,538	9,569	4,062	--	37,767
Due from employer	--	--	--	10,340	--	10,340
	5,598	20,493	13,952	14,421	--	54,464
Net assets available for benefits	$ 366,404	1,246,365	468,892	2,963,482	186,187	5,231,330

</TABLE>

See accompanying notes to financial statements.

IROQUOIS BANCORP, INC.
401(K) SAVINGS PLAN

Statement of Changes in Net Assets Available for Benefits, with Fund Information

Year ended December 31, 1998

<TABLE>
<CAPTION>

	Income Fund	Equity Fund	Balanced fund	Common Stock Fund	Employee Loan Fund	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Investment income:						
Dividends on Iroquois Bancorp Inc. common stock	$ --	--	--	46,178	--	46,178
Interest and dividends	907	30,042	22,416	171	16,442	69,978
Net appreciation(depreciation) in fair value of investments	24,419	(164,702)	(15,208)	(555,737)	--	(711,228)
	25,326	(134,660)	7,208	(509,388)	16,442	(595,072)
Contributions:						
Employees	41,876	166,862	90,591	53,592	--	352,921
Employer	2,905	22,687	5,998	108,063	--	139,653
	44,781	189,549	96,589	161,655	--	492,574
Total additions	70,107	54,889	103,797	(347,733)	16,442	(102,498)
Benefits paid to participants	14,973	52,205	22,690	67,775	--	157,643
Administrative expenses	1,493	16,857	6,975	8,569	--	33,894
Total deductions	16,466	69,062	29,665	76,344	--	191,537
Transfers among funds	(12,893)	101,027	(36,525)	(71,699)	20,090	--
Net increase(decrease)	40,748	86,854	37,607	(495,776)	36,532	(294,035)
Net assets available for benefits:						
Beginning of year	366,404	1,246,365	468,892	2,963,482	186,187	5,231,330
End of year	$ 407,152	1,333,219	506,499	2,467,706	222,719	4,937,295

</TABLE>

See accompanying notes to financial statements.

IROQUOIS BANCORP, INC.
401(K) SAVINGS PLAN

Statement of Changes in Net Assets Available for Benefits,
with Fund Information

Year ended December 31, 1997

<TABLE>
<CAPTION>

	Income Fund	Equity Fund	Balanced fund	Common Stock Fund	Employee Loan Fund	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Investment income:						
Dividends on Iroquois Bancorp Inc. common stock	$ --	--	--	41,122	--	41,122
Interest and dividends	1,000	24,576	19,434	420	14,499	59,929
Net appreciation in fair value of investments	22,868	206,904	43,832	974,819	--	1,248,423
	23,868	231,480	63,266	1,016,361	14,499	1,349,474
Contributions:						
Employees	38,018	149,766	69,876	42,490	--	300,150

Employer	--	--	--	109,444	--	109,444
	38,018	149,766	69,876	151,934	--	409,594
Total additions	61,886	381,246	133,142	1,168,295	14,499	1,759,068
Benefits paid to participants	56,560	107,126	40,535	195,134	--	399,355
Administrative expenses	1,808	13,325	5,791	7,426	--	28,350
Total deductions	58,368	120,451	46,326	202,560	--	427,705
Transfers among funds	(9,743)	54,296	(6,813)	(4,876)	(32,864)	--
Net increase(decrease)	(6,225)	315,091	80,003	960,859	(18,365)	1,331,363
Net assets available for benefits: Beginning of year	372,629	931,274	388,889	2,002,623	204,552	3,899,967
End of year	$ 366,404	1,246,365	468,892	2,963,482	186,187	5,231,330

</TABLE>

See accompanying notes to financial statements.

IROQUOIS BANCORP, INC.
401(K) SAVINGS PLAN

Notes to Financial Statements
December 31, 1998

(1) Description of the Plan

The following description of the Iroquois Bancorp, Inc. 401(K) Savings Plan (Plan) is provided for general informational purposes only. Participants should refer to the Plan agreement for more complete information.

General

The Plan is a defined contribution plan sponsored by Iroquois Bancorp, Inc. (the "Company") for the benefit of its employees and the employees of its wholly owned subsidiaries, Cayuga Bank and The Homestead Savings (FA). Employees may elect to participate in the Plan after completion of 1,000 hours of service in a Plan year and attainment of age 21. Participants may not be subject to the terms of a collective bargaining agreement with the Company, or its subsidiaries.

Description of Funds

Participants elect to have their contributions allocated to any combination of the Plan's funds. The following is a description of the investment of each fund:

Income Fund - Contracts issued by insurance companies, money market and other fixed income funds, interest-bearing savings accounts, term accounts and certificates of deposit.

Equity Fund - Common stock, securities convertible into common stock and money market funds.

Balanced Fund - Common stock, securities convertible into common stock, bonds, notes, debentures, and money market funds.

Common Stock Fund - Common stock of the Company and money market funds or interest-bearing savings accounts.

Contributions

Contributions to the Plan are determined as follows:

(1) Employee contributions are 1% to 10% of the participant's compensation, as defined, and are subject to IRS limitations for any Plan year.

(2) Employer matching contributions are equal to 50% of employee contributions for any Plan year up to 6% of compensation, as defined. The Company may also contribute to the Plan a discretionary amount as determined by the Board of Directors.

Participants' Accounts

An account is maintained for each participant. The fair value of each participant's account is determined as of each valuation date. The change in the fair value of each participant's account includes the effect of employer and employee contributions, income collected or accrued, realized and unrealized appreciation or depreciation of assets, distributions, withdrawals, expenses, and all other transactions affecting the assets.

(1) Description of the Plan (continued)

Participants may elect to transfer their interest between funds in multiples of 10% of either account balance or annual contributions.

Net investment income by fund is allocated to each participant's account based on the proportion in which the value of each participant's account bears to the total value of all participants' accounts.

Participants who have attained age 59 1/2 may withdraw the portion of their account attributed to employee contributions prior to normal retirement (age 65).

Forfeitures are applied to the Company's matching and discretionary contributions as a reduction of those contributions.

As of any valuation date, a participant with a hardship, as defined in the Internal Revenue Code, may withdraw funds available for hardship withdrawal.

Participants have the right to borrow from their accounts, amounts not exceeding 50% of the participant's vested balance and not less than $1,000. The interest rate charged on employee loans is based on the prime rate at the time a loan is granted. Loans shall be for a period of not less than one year and not more than ten years. These loans are subject to terms and conditions as set forth by the plan administrator. Participant loans are treated as a transfer from the participant directed accounts into the Loan Fund. Principal and interest payments on the loans are allocated to the Loan Fund and transferred to the participant directed accounts based on their current investment allocations.

Vesting

Cumulative employer contributions and related income become vested at the rate of 20% per year during the first five years of employment. After five years of employment, employer contributions vest immediately to the benefit of the employee. Upon attaining age 65, retirement, death, full or partial Plan termination, or a change in control of the Company, as defined, a participant becomes 100% vested in the portion of their accounts attributable to employer contributions.

Payment of Benefits

Vested benefits are payable in a lump-sum payment.

Participants' Claims Upon Plan Termination

Although it has not expressed any intent to do so, the Company may terminate the Plan, subject to the provisions of ERISA, at any time. In the event the Plan is terminated, participants will become fully vested in their asset accounts and their accounts will be paid to them as provided by the Plan document.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, adjusted for fair value changes of assets. Management of the Plan has made estimates and assumptions relating to the reporting of net assets available for plan benefits to prepare the financial statements. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Marine Midland Bank, NA is Custodian and Trustee for the Plan. Clover Capital Management, Inc. manages the equity and balanced funds and Marine Midland Bank, NA manages the income, common stock and employee loan funds.

The Plan's investments are stated at fair value. The fair values are determined as follows:

Stocks and corporate bonds are valued at the closing prices on national exchanges.

Investments in certificates of deposit, money market funds, savings accounts and employee loans are stated at cost which approximates fair value.

Investments in U.S. Government and U.S. Government Agency obligations are stated at fair value based on quoted market prices.

Investment contracts with insurance companies are stated at the cost of the underlying contract plus interest earned to date as reported to the Plan, which approximates fair value.

Security transactions are accounted for on a trade date basis. Realized gains and losses on securities are derived using the specific identification method for determining the cost of securities.

Administrative Expenses

All normal expenses of operating and administering the Plan are paid by the Plan except to the extent paid by the Company.

Payment of Benefits Benefits are recorded when paid.

Federal Income Taxes

The Internal Revenue Service issued its latest determination letter on November 3, 1993 which stated that the Plan and its underlying trust, as designed, qualify under the applicable provisions of the Internal Revenue Code. In the opinion of the plan administrator, the Plan and its underlying trust have operated within the terms of the Plan and remain qualified under the applicable provisions of the Internal Revenue Code.

As long as the Plan continues to be qualified under present federal income tax laws and regulations, participants will not be taxed on Company contributions or on investment earnings on such contributions at the time such contributions and investment earnings are received by the Trustee, but may be subject to tax thereon at such time as they receive distributions under the Plan.

(3) Investments

The following table presents the fair value of investments. Investments that represent 5 percent or more of the Plan's net assets available for plan benefits are separately identified.

<TABLE>
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December 31, 1998	Number of Shares or Principal Amount	Income Fund	Equity Fund	Balanced Fund	Common Stock Fund	Employee Loan Fund	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investments at fair value as determined by quoted market price:							
U.S. Government securities	75,351	$ --	--	87,688	--	--	87,688
Corporate bonds:							
Marine Midland Collective Trust	18,088	400,666	--	--	--	--	400,666
Other	110,000	--	--	110,737	--	--	110,737
Common stocks:							
Iroquois Bancorp, Inc.	116,798	--	--	--	2,452,758	--	2,452,758
Other	66,239	--	1,163,989	259,479	--	--	1,423,468
		400,666	1,163,989	457,904	2,452,758	--	4,475,317
Investments valued at cost, which approximates fair value:							
Employee loans	--	--	--	--	--	222,719	222,719
Money market funds	169,361	--	136,242	33,096	23	--	169,361
		--	136,242	33,096	23	222,719	392,080
		$ 400,666	1,300,231	491,000	2,452,781	222,719	4,867,397

</TABLE>

(3) Investments (continued)

<TABLE>
<CAPTION>

December 31, 1997	Number of Shares or Principal Amount	Income Fund	Equity Fund	Balanced Fund	Common Stock Fund	Employee Loan Fund	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investments at fair value as determined by quoted market price:							
U.S. Government securities	111,721	$ --	--	120,881	--	--	120,881
Corporate bonds:							
Marine Midland Collective Trust	16,881	350,206	--	--	--	--	350,206
Other	80,000	--	--	80,874	--	--	80,874
Common stocks:							
Iroquois Bancorp, Inc.	114,526	--	--	--	2,949,044	--	2,949,044
Other	59,291	--	1,172,424	214,155	--	--	1,386,579
Preferred stock	106	10,600	--	--	--	--	10,600
		360,806	1,172,424	415,910	2,949,044	--	4,898,184
Investments valued at cost, which approximates fair value:							
Employee loans	--	--	--	--	--	186,187	186,187
Cash	--	--	--	300	--	--	300
Money market funds	92,195	--	53,448	38,730	17	--	92,195
		--	53,448	39,030	17	186,187	278,682
		$ 360,806	1,225,872	454,940	2,949,061	186,187	5,176,866

</TABLE>

IROQUOIS BANCORP, INC.
401(K) SAVINGS PLAN

Notes to Financial Statements

(3) Investments (continued)

The Plan's investments (including investments bought, sold, and held during the year) appreciated(depreciated) in value by $(711,228) and $1,248,423 during 1998 and 1997, respectively, as follows:

Year ended December 31, 1998

	Income Fund	Equity Fund	Balanced Fund	Common Stock Fund	Employee Loan Fund	Total
U.S. Government securities	$ --	--	4,665	--	--	4,665
Corporate bonds	24,419	--	(347)	--	--	24,072
Common Stock	--	(164,702)	(19,526)	(555,737)	--	(739,965)
	$ 24,419	(164,702)	(15,208)	(555,737)	--	(711,228)

Year ended December 31, 1997

	Income Fund	Equity Fund	Balanced Fund	Common Stock Fund	Employee Loan Fund	Total
U.S. Government securities	$ --	--	3,215	--	--	3,215
Corporate bonds	22,868	--	1,349	--	--	24,217
Common Stock	--	206,904	39,268	974,819	--	1,220,991
	$ 22,868	206,904	43,832	974,819	--	1,248,423

Schedule 1

IROQUOIS BANCORP, INC.
401(K) SAVINGS PLAN

Item 27a - Schedule of Assets Held for Investment Purposes -
Income Fund

December 31, 1998

Number of Shares or Par Value	Description	Cost	Fair Value
18,088*	Marine Midland Collective Trust Managed Guaranteed Investment contract	$331,128	$400,666

* Party in interest

Schedule 2

IROQUOIS BANCORP, INC.
401(K) SAVINGS PLAN

Item 27a - Schedule of Assets Held for Investment Purposes -
Equity Fund
December 31, 1998

<TABLE>
<CAPTION>

Number of Shares or Par Value	Description	Cost	Fair Value
	Money Market Funds		
<S>	<C>	<C>	<C>
136,242	Provident Institutional Funds	$ 136,242	$ 136,242
	Common Stocks		
700	AGL Resources Inc.	14,005	16,144
3,800	Agrium Inc.	43,029	33,012
700	American Greetings Corp. Cl A	27,932	28,744
2,384	Ascent Entmt Group Inc.	23,713	17,582
400	Avnet Inc.	19,444	24,200
350	Bausch & Lomb Inc.	19,644	21,000
300	Baxter Intl Inc.	18,865	19,294
750	BCE Inc.	21,789	28,453
729	Chateau Cmntys Inc.	15,951	21,369
3,800	Citizens Utils Co. Del Cl B	29,520	30,400
2,000	Clayton Homes Inc.	33,714	27,625
400	Crown Cork & Seal Inc.	22,295	12,325
1,200	DeBeers Cons. Mines Ltd Adr Defd	18,000	15,300
1,200	Department 56 Inc.	34,602	45,075
500	Dow Jones & Co. Inc.	20,577	24,062
400	Eastern Enterprises	15,775	17,500
400	Electronic Data Sys. Corp. New	18,978	20,075
2,700	Frontier Corp.	55,898	91,800
1,200	Geon Co.	27,417	27,600
500	Hannaford Brothers Co.	22,212	26,500
800	Harman Intl. Inds. Inc. New	32,248	30,500
800	King World Productions Inc.	13,922	23,550
1,200	Kroger Co.	15,596	72,600
1,500	Mapics Inc.	12,691	24,750
750	Marcam Solutions Inc.	4,231	4,688
3,020	Meditrust	55,294	45,300
700	Morton Intl. Inc. Ind. New	21,890	17,150
250	NAC Re Corp.	12,919	11,734
400	Network Assocs. Inc.	21,672	26,500
1,500	Nine West Group Inc.	42,007	23,344
500	Northwest Nat. Gas Co.	13,338	12,937
800	Occidental Petr. Corp.	20,452	13,500
500	Oracle Sys. Corp.	18,091	21,562
1,300	Pioneer Nat Res Co.	18,278	11,375
400	PMI Group Inc.	21,395	19,750
600	Policy Mgmt Sys. Corp.	9,145	30,300
500	Potlatch Corp.	18,536	18,438
300	Renaissance RE Holdings Ltd.	14,340	10,987
2,200	Santa Fe Energy Res. Inc.	17,693	15,950
400	Sears Roebuck & Co.	20,073	17,000
900	Storage Tr Rlty Sh Ben Int	18,225	21,037
800	Sungard Data Sys Inc.	16,813	31,750
1,400	Ucar Intl Inc.	48,465	24,938
5,777	United Biscuits Group	31,878	23,091
500	Wells Fargo & Co. New	18,719	19,969
1,300	Yellow Corp.	25,269	24,862
450	York Intl Corp New	18,318	18,366
		1,084,858	1,163,989
		$1,221,100	$1,300,231

</TABLE>

Schedule 3

IROQUOIS BANCORP, INC.
401(K) SAVINGS PLAN
Item 27a - Schedule of Assets Held for Investment Purposes -
Balanced Fund
December 31, 1998

<TABLE>
<CAPTION>

Number of Shares or Par Value	Description	Cost	Fair Value
	Money Market Funds		
<S>	<C>	<C>	<C>
33,096	Provident Institutional Funds	$ 33,096	$ 33,096
	Government		
10,000	U.S. Treasury Note 6.25% 2/15/03	10,279	10,569
10,000	U.S. Treasury Note 7.25% 8/15/04	10,483	11,247
10,000	U.S. Treasury Note 9.375% 2/15/06	10,557	12,775
15,000	U.S. Treasury Note 6.25% 2/15/07	15,628	16,453
25,000	U.S. Treasury Note 7.50% 11/15/16	26,109	31,086
5,351	GNMA Gtd Pass thru Ctf Pool #212177	5,547	5,558
		78,603	87,688
	Corp Bonds		
10,000	Abbott labs NT 5.60% 10/01/03	9,323	10,194
15,000	Canandaigua Wine Inc. SR NT 8.75% 12/15/03	14,606	15,450
15,000	Lilly Inds Inc. SR NT Ser B 7.75% 12/01/07	15,418	15,641
15,000	Meditrust NT 7.00% 8/15/07	14,854	12,348
15,000	Pitney Bowes Cr Corp. SR DEB 5.65% 1/15/03	14,792	15,114
15,000	Private Export Fdg Corp. Seed NT 6.62% 10/01/05	15,578	16,163
15,000	Tenet Healthcare Corp. SR NT 8.00% 1/15/05	15,081	15,487
10,000	Zeneca Wilmington Inc. GTD NT 6.30% 6/15/03	9,650	10,340
		109,302	110,737
	Common Stocks		
250	AGL Resources Inc.	4,606	5,766
900	Agrium Inc.	10,191	7,819
200	American Greetings Corp. Cl A	7,981	8,213
195	Ascent Entmt Group Inc.	1,672	1,438
100	Avnet Inc.	4,861	6,050
100	Bausch & Lomb Inc.	5,613	6,000
75	Baxter Intl Inc.	4,716	4,823
312	Chateau Cmntys Inc.	6,602	9,145
900	Citizen Utils Co. Del Cl B	6,992	7,200
300	DeBeers Cons Mines Ltd ADR Defd	4,500	3,825
400	Department 56 Inc.	10,795	15,025
150	Eastern Enterprises	5,811	6,562
100	Electronic Data Sys. Corp. New	4,744	5,019
700	Frontier Corp.	13,629	23,800
100	Hannaford Brothers Co.	4,830	5,300
200	Harman Intl. Inds. Inc. New	8,062	7,625
400	King World Productions Inc.	6,930	11,775
400	Kroger Co.	5,199	24,200
400	Mapics Inc.	6,718	6,600
400	Meditrust	8,853	6,000
100	Networks Assocs Inc.	5,418	6,625
400	Nine West Groups Inc.	11,202	6,225
200	Northwest Nat Gas Co.	5,360	5,175
125	Oracle Sys Corp.	4,523	5,391
325	Pioneer Nat Res Co.	4,569	2,844
100	PMI Group Inc.	5,349	4,937
125	Potlatch Corp.	4,634	4,609
600	Santa Fe Energy Res. Inc.	4,825	4,350
150	Sears Roebuck & Co.	7,527	6,375
300	Storage Tr Rlty Sh Ben Int	6,590	7,013
400	Ucar Intl Inc.	13,440	7,125
2,222	United Biscuits Group	11,305	8,881
125	Wells Fargo & Co. New	4,680	4,992
400	Yellow Corp.	8,170	7,650
125	York International Corp. New	5,088	5,102

235,985	259,479
$456,986	$491,000

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Schedule 4

IROQUOIS BANCORP, INC.
401(K) SAVINGS PLAN

Item 27a - Schedule of Assets Held for Investment Purposes -
Common Stock Fund

December 31, 1998

Number of Shares or Par Value	Description	Cost	Fair Value
	Money Market Funds		
23 *	Marine Midland Collective Trust Short Term Investment Fund	$ 23	$ 23
	Common Stocks		
116,798 *	Iroquois Bancorp, Inc.	1,378,254	2,452,758
		$1,378,277	$2,452,781

* Party In Interest

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Schedule 5

IROQUOIS BANCORP, INC.
401(K) SAVINGS PLAN

Item 27a - Schedule of Assets Held for Investment Purposes -
Employee Loan Fund

December 31, 1998

Par Value	Description	Cost	Fair Value
	Employees' Loans		
222,719	Loans to Employees at various rates ranging from 7.25% to 9.0% with maturities ranging from 1 year to 10 years	$ 222,719	$ 222,719

Schedule 6

IROQUOIS BANCORP, INC.
401(K) SAVINGS PLAN

Item 27d - Schedule of Reportable (5%) Transactions

Year ended December 31, 1998

Date	Party/Description	Purchase Price	Selling Price	Expenses Incurred	Cost	Value of Asset on Transaction Date	Net Gain
Various	Marine Midland Bank Collective Trust Short Term Investment Fund Directed	$ 394,925	--	--	394,925	394,925	--
Various	Marine Midland Bank Collective Trust Short Term Investment Fund Directed	--	394,924	--	394,924	394,924	--
Various	Iroquois Bancorp, Inc. Common Stock	214,253	--	--	214,253	214,253	--
Various	Iroquois Bancorp, Inc. Common Stock	--	136,651	--	66,418	136,651	70,233
Various	Marine Midland Bank Provident Institutional Funds	1,376,853	--	--	1,376,853	1,376,853	--
Various	Marine Midland Bank Provident Institutional Funds	--	1,299,698	--	1,299,698	1,299,698	--