FORM 10-K405

Annual report pursuant to section 13 and 15(d), Regulation S-K Item 405

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
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FILER

DCB FINANCIAL CORP

CIK:**1025877**| IRS No.: **311469837** | State of Incorp.:**OH** | Fiscal Year End: **1231**
Type: **10-K405** | Act: **34** | File No.: **000-22387** | Film No.: **99574468**
SIC: **6022** State commercial banks

Mailing Address
41 N SANDUSKY ST
DELAWARE OH 43015

Business Address
41 N SANDUSKY ST
DELAWARE OH 43015
6143631133

UNITED STATES 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 UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _________________ to _________________

Commission File No. 0-22387

DCB FINANCIAL CORP
(Name of registrant in its charter)

OHIO	31-1469837
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

41 North Sandusky Street
Delaware, Ohio 43015
(Address of principal executive offices) (Zip code)

(740) 363-1133
(Registrant's telephone number)

Securities registered under Section 12(b) of the Exchange Act:

Title of each class	Name of each exchange on which registered
None	

Securities registered under Section 12(g) of the Exchange Act:

Common Shares, No 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 in response 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. [X]

At February 28, 1999, the aggregate market value of the voting stock held by nonaffiliates of the registrant, based on a share price of $17.00 per share (such price being the average of the bid and asked prices on such date) was $71,029,400.

At February 28, 1999, the registrant 4,253,200 common shares issued and 4,178,200 common shares outstanding.

PART I

ITEM 1 - DESCRIPTION OF BUSINESS

GENERAL

DCB Financial Corp (the "Corporation") was incorporated under the laws of the

State of Ohio in 1997, at the direction of management of The Delaware County Bank and Trust Company (the "Bank") for the purpose of becoming a bank holding company by acquiring all outstanding shares of the Bank. The Corporation acquired all such shares of the Bank after an interim bank merger, which transaction was consummated on March 14, 1997. The Bank is a commercial bank, chartered under the laws of the State of Ohio, and was organized in 1950. The Bank is the wholly-owned subsidiary of the Corporation and its only significant asset.

The Bank provides customary retail and commercial banking services to its customers, including checking and savings accounts, time deposits, IRAs, safe deposit facilities, personal loans, commercial loans, real estate mortgage loans, installment loans, night depository facilities and trust services. The Bank also provides cash management, bond registrar and paying services. Through its own computer department, the Bank provides data processing services to other financial institutions; however, such services are not a significant part of operations or revenue.

The Corporation, through the Bank, grants residential real estate, commercial real estate, consumer and commercial loans to customers located primarily in Delaware, Franklin, Licking, Morrow, Marion and Union Counties, Ohio. General economic conditions in the Corporation's market area have been sound. Unemployment statistics have generally been among the lowest in the state of Ohio and real estate values have been stable to rising.

The Bank is not significantly affected by seasonal activity or large deposits of any individual depositor. At year-end 1998, deposits of public funds (funds of governmental agencies and municipalities) were 7.3% of total deposits. This amount can fluctuate, but generally not by a material amount. No material industry or group concentrations exist in the loan portfolio.

Certain risks are involved in granting loans, primarily related to the borrowers' ability and willingness to repay the debt. Before the Bank extends a new loan to a customer, these risks are assessed through a review of the borrower's past and current credit history, the collateral being used to secure the transaction in case the customer does not repay the debt, the borrower's character and other factors. Once the decision has been made to extend credit, the Bank's independent loan review function and responsible credit officer monitors these factors throughout the life of the loan. All credit relationships of $575,000 or more are reviewed annually, as are 30% of credit relationships from $250,000 to $575,000, 20% of credit relationships from $100,000 to $250,000 (excluding residential mortgages), and 10% of residential mortgages from $100,000 to $250,000. In addition, any loan identified as a problem credit by management or during the loan review is assigned to the Bank's "watch loan list," and is subject to ongoing monitoring by the loan review function to ensure appropriate action is taken when deterioration has occurred.

Commercial, industrial and agricultural loans are primarily variable rate and include operating lines of credit and term loans made to small businesses primarily based on their ability to repay the loan from the business's cash flow. Such loans are typically secured by business assets such as equipment and inventory and, occasionally, by the business owner's principal residence. When the borrower is not an individual, the Bank generally obtains the personal guarantee of the business owner. As compared to consumer lending, which includes single-family residence, personal installment loans and automobile loans, commercial lending entails significant additional risks. These loans typically involve larger loan balances and are generally dependent on the business's cash flow and, thus, may be subject to adverse conditions in the general economy or in a specific industry. Management reviews the borrower's cash flows when deciding whether to grant the credit to evaluate whether estimated future cash flows will be adequate to service principal and interest of the new obligation in addition to existing obligations.

Commercial real estate and farmland loans are primarily secured by borrower-occupied business real estate and are dependent on the ability of the related business to generate adequate cash flow to service the debt. Such loans primarily carry adjustable interest rates. Commercial real estate loans are generally originated with a loan-to-value ratio of 80% or less. Management performs much the same analysis when deciding whether to grant a commercial real estate loan as a commercial loan.

Residential real estate loans and home equity lines of credit carry primarily adjustable rates, although fixed-rate loans are originated and are secured by the borrower's residence. Such loans are made based on the borrower's ability to make repayment from employment and other income. Management assesses the borrower's ability to repay the debt through review of credit history and ratings, verification of employment and other income, review of debt-to-income ratios and other measures of repayment ability. The Bank generally makes these loans in amounts of 80% or less of the value of collateral. An appraisal is obtained from a qualified real estate appraiser for substantially all loans secured by real estate.

Due to the high level of growth in the Corporation's market area, construction lending has become a significant part of the Corporation's overall lending strategy. Construction loans are secured by residential and business real estate, generally occupied by the borrower on completion. The Bank's construction lending program is established in a manner to minimize risk of this type of lending by not making a significant amount of loans on speculative projects. While not contractually required to do so, the Bank usually makes the permanent loan at the end of the construction phase. Construction loans also are generally made in amounts of 80% or less of the value of collateral.

Consumer installment loans to individuals include loans secured by automobiles and other consumer assets, including second mortgages on personal residences. Consumer loans for the purchase of new automobiles generally do not exceed 85% of the purchase price of the car. Loans for used cars generally do not exceed average wholesale or trade-in value as stipulated in a recent auto industry used car price guide. Credit card and overdraft protection loans are unsecured personal lines of credit to individuals of demonstrated good credit character with reasonably assured sources of income and satisfactory credit histories. Consumer loans generally involve more risk than residential mortgage loans because of the type and nature of collateral and, in certain types of consumer loans, the absence of collateral. Since these loans are generally repaid from ordinary income of an individual or family unit, repayment may be adversely affected by job loss, divorce, ill health or by general decline in economic conditions. The Bank assesses the borrower's ability to make repayment through a review of credit history, credit ratings, debt-to-income ratios and other measures of repayment ability.

Another way the Bank meets the needs of its customers is through its lease-financing program. The Bank's leasing program involves leasing vehicles to individuals and businesses. The vehicle lease program includes new and late model automobiles and light trucks with terms from 12 to 60 months. The Bank also provides lease financing to businesses for commercial equipment. The Bank's comprehensive program includes leasing new and used equipment with flexible terms, though generally the term of a given lease is limited to some extent by the type of equipment and its useful life. Average lease terms for commercial equipment leases generally range from 3 to 8 years. The Bank sets aside a reserve to cover potential deficiencies in the residual value of the leased vehicle or equipment upon the termination of the lease.

EMPLOYEES

At December 31, 1998, the Bank employed 203 employees, 182 of whom were full-time. The Bank provides a number of benefits such as health, dental and life insurance for all, as well as education assistance for qualified employees. A 401(k) retirement plan is in place for eligible employees. No employee is represented by a union or collective bargaining group. The Corporation has no employees not also employed by the Bank.

COMPETITION

The Bank operates in a highly-competitive industry due to statewide and interstate branching by banks, savings and loan associations and credit unions. In its primary market area of Delaware and surrounding counties, the Bank competes for new deposit dollars and loans with several other commercial banks, both large regional banks and smaller community banks, as well as savings and loan associations, credit unions, finance companies, insurance companies, brokerage firms and investment companies. The ability to generate earnings is impacted in part by competitive pricing on loans and deposits, and by changes in the rates on various U.S. Treasury, U. S. Government Agency and State and political subdivision issues which comprise a significant portion of the Bank's investment portfolio, and which rates are used as indices on various loan products. The Bank is competitive with interest rates and loan fees that it charges, in pricing and variety of accounts it offers to the depositor. The dominant pricing mechanism on loans is the Prime interest rate as published in the Wall Street Journal. The interest spread more than Prime depends on the overall account relationship and the creditworthiness of the borrower. Deposit rates are set weekly by the Asset/Liability Committee. The Bank's primary objective in setting deposit rates is to remain competitive in the market area while maintaining an adequate interest spread to meet overhead costs.

SUPERVISION AND REGULATION

The Bank is subject to supervision, regulation and periodic examination by the State of Ohio Superintendent of Financial Institutions and the Federal Deposit Insurance Corporation. Earnings of the Bank are affected by state and federal laws and regulations, and by policies of various regulatory authorities. These policies include, for example, statutory maximum lending rates, requirements on maintenance of reserves against deposits, domestic monetary policies of the Board of Governors of the Federal Reserve System, United States fiscal policy, international currency regulations and monetary policies, certain restrictions on banks' relationships with many phases of the securities business and capital adequacy and liquidity restraints. As a bank holding company, the Corporation is subject to supervision, regulation and periodic examination by the Federal Reserve Board.

STATISTICAL DISCLOSURES

The following schedules present, for the periods indicated, certain financial and statistical information of the Corporation as required under the Securities and Exchange Commission's Industry Guide 3, or a specific reference as to the location of required disclosures included as a part of this Form 10-K as of and for the year ended December 31, 1998.

I. DISTRIBUTION OF ASSETS, LIABILITIES AND STOCKHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL

A&B. Average Balance Sheet and Related Analysis of Net Interest Earnings

This information is included under the heading "Yields Earned and Rates Paid" on pages 21 through 24 of this document.

C. Interest Differential

This information is included under the heading "Yields Earned and Rates Paid" on page 24 of this document.

II. SECURITIES PORTFOLIO

A. The following is a schedule of the carrying value of securities at year-end 1998, 1997 and 1996.

<TABLE>
<CAPTION>

(In thousands of dollars)	1998	1997	1996
Securities available for sale (at fair value)			
U.S. Treasury	$ 4,556	$ 5,568	$ 5,518
U.S. Government agencies and corporations	50,556	33,409	28,366
States and political subdivisions	6,192	203	193
Mortgage-backed	28,908	13,705	11,480
Total debt securities	90,212	52,885	45,557
Other securities	1,187	1,050	1,617
Total securities available for sale	$91,399	$53,935	$47,174
Securities held to maturity (at amortized cost)			
U.S. Government agencies and corporations	$ 1,000	$ --	$ --
States and political subdivisions	7,994	6,523	5,946
Corporate	12,150	21,089	2,230
Mortgage-backed	28,040	26,222	23,695
Total securities held to maturity	$49,184	$53,834	$31,871

</TABLE>

B. The following is a schedule of maturities for each category of debt securities and the related weighted-average yield of such securities as of year-end 1998:

<TABLE>
<CAPTION>
(In thousands of dollars)

---------------------------------------Maturing---------------------------------------

After One After Five

	One Year or Less Amount	Yield	Year Through Five Years Amount	Yield	Years Through Ten Years Amount	Yield	After Ten Years Amount	Yield
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Available for sale								
U.S. Treasury	$ 4,300	5.96%	$ 256	5.98%	$ --	--%	$ --	--%
U.S. Government agencies and corporations	7,065	5.63	9,942	5.93	29,918	6.28	3,631	6.28
States and political subdivisions	--	--	129	5.30	629	4.41	5,434	4.40
Mortgage-backed	--	--	394	6.38	7,051	5.80	21,463	5.87
Total	$11,365	5.76%	$10,721	5.94%	$37,598	6.15%	$30,528	5.66%
Held to maturity								
U.S. Government agencies and corporations	$ 1,000	5.62%	$ --	--%	$ --	--%	$ --	--%
States and political subdivisions	822	5.51	4,147	5.06	2,478	5.53	547	5.85
Corporate	12,150	5.26	--	--	--	--	--	--
Mortgage-backed	1,322	5.80	5,189	6.14	8,344	5.83	13,185	5.47
Total	$15,294	5.34%	$ 9,336	5.66%	$10,822	5.76%	$13,732	5.49%

</TABLE>

The weighted-average yields are calculated using amortized cost of investments and are based on coupon rates for securities purchased at par value and on effective interest rates considering amortization or accretion if the securities were purchased at a premium or discount. The weighted-average yield on tax-exempt obligations is presented on a taxable equivalent basis based on the Corporation's marginal federal income tax rate of 34%. Equity securities consist of Federal Home Loan Bank stock and stock of other financial institutions that bear no stated maturity or yield and are not included in this analysis.

C. Excluding holdings of U.S. Treasury securities and other agencies and corporations of the U.S. Government, there were no investments in securities of any one issuer exceeding 10% of the Corporation's consolidated shareholders' equity at year-end 1998.

III. LOAN PORTFOLIO

A. Types of Loans - Total loans on the balance sheet are comprised of the following classifications at December 31:

<TABLE>
<CAPTION>

(In thousands of dollars)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Commercial and industrial	$139,864	$ 37,486	$ 36,836	$ 40,631	$ 39,381
Commercial real estate	66,501	56,434	45,487	40,328	42,137
Residential real estate and home equity	63,140	53,686	52,752	41,864	33,416
Real estate construction	32,382	29,104	23,489	10,235	10,002
Consumer and credit card	44,050	42,914	38,269	35,493	35,721
Lease financing, net	9,352	9,010	6,759	4,988	2,817
Total loans	$255,289	$228,634	$203,592	$173,539	$163,474

</TABLE>

B. Maturities and Sensitivities of Loans to Changes in Interest Rates - The following is a schedule of maturities of loans based on contractual terms and assuming no amortization or prepayments, excluding residential real estate and home equity loans, consumer and credit card loans and leases, as of December 31, 1998:

<TABLE>
<CAPTION>

(In thousands of dollars)	Maturing One Year or Less	Maturing One Through Five Years	Maturing After Five Years	Total
Fixed rate				
Commercial and industrial	$ 3,050	$ 5,552	$ 5,623	$ 14,225
Commercial real estate	511	2,049	9,035	11,595
Real estate construction and land development	3,985	210	166	4,361
Total	$ 7,546	$ 7,811	$ 14,824	$ 30,181
Variable rate				
Commercial and industrial	$14,683	$ 2,263	$ 8,693	$ 25,639
Commercial real estate	4,247	3,180	47,479	54,906
Real estate construction and land development	7,082	6,150	14,789	28,021
Total	$26,012	$11,593	$ 70,961	$108,566

</TABLE>

C. Risk Elements

1. Nonaccrual, Past Due and Restructured Loans - The following schedule summarizes nonaccrual, past due and restructured loans.

<TABLE>
<CAPTION>

(In thousands of dollars)	December 31, 1998	1997	1996	1995	1994
(a) Loans accounted for on a nonaccrual basis	$ 753	$1,188	$ 501	$2,014	$1,567
(b) Accruing loans which are contractually past due 90 days or more as to interest or principal payments	325	238	489	65	58
(c) Loans which are "troubled debt restructurings" as defined in Statement of Financial Accounting Standards No. 15 (exclusive of loans in (a) or (b) above):	--	--	143	150	--
Totals	$1,078	$1,426	$1,133	$2,229	$1,625

</TABLE>

The policy for placing loans on nonaccrual status is to cease accruing interest on loans when management believes that collection of interest is doubtful, when loans are past due as to principal and interest 90 days or more, except that in certain circumstances interest accruals are continued on loans deemed by management to be fully collectible. In such cases, loans are individually evaluated in order to determine whether to continue income recognition after 90 days beyond the due dates. When loans are placed on nonaccrual, any accrued interest is charged against interest income.

During 1998, $27,000 would have been recorded on nonaccruing loans had such loans been accruing pursuant to contractual terms. During such period, no interest income was recorded on such loans.

(d) Impaired Loans - Information regarding impaired loans at year-end 1998, 1997 and 1996 is as follows:

<TABLE>

<CAPTION>

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

(In thousands of dollars)	1998	1997	1996
Year-end impaired loans with no allowance for loan losses allocated	$--	$ --	$--
Year-end impaired loans with allowance for loan losses allocated	--	265	41
Amount of the allowance allocated	--	173	14

</TABLE>

Impaired loans are comprised of commercial and commercial real estate loans, and are carried at present value of expected cash flows, discounted at the loan's effective interest rate or at fair value of collateral, if the loan is collateral dependent. A portion of the allowance for loan losses is allocated to impaired loans.

Smaller-balance homogeneous loans are evaluated for impairment in total. Such loans include residential first mortgage and construction loans secured by one- to four-family residences, consumer, credit card and home equity loans. Such loans are included in nonaccrual and past due disclosures in (a) and (b) above, but not in impaired loan totals. Commercial loans and mortgage loans secured by other properties are evaluated individually for impairment. In addition, loans held for sale and leases are excluded from consideration of impairment. When analysis of borrower operating results and financial condition indicates that borrower's underlying cash flows are not adequate to meet its debt service requirements, the loan is evaluated for impairment. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

2. Potential Problem Loans - At year-end 1998, no loans were identified which management has serious doubts about the borrowers' ability to comply with present loan repayment terms and which are not included in item III.C.1. above.

3. Foreign Outstandings - There were no foreign outstandings during any period presented.

4. Loan Concentrations - At year-end 1998, there were no concentrations of loans greater than 10% of total loans which are not otherwise disclosed as a category of loans in Item III.A. above.

D. Other Interest-Bearing Assets - At year-end, 1998, there were no other interest-bearing assets required to be disclosed under Item III.C.1. or 2. if such assets were loans.

IV. SUMMARY OF LOAN LOSS EXPERIENCE

A. The following schedule presents an analysis of the allowance for loan losses, average loan data and related ratios for the years ended December 31:

<TABLE>
<CAPTION>

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

(In thousands of dollars)	1998	1997	1996	1995	1994
Average loans outstanding during period	$238,844	$215,680	$188,679	$172,688	$145,433
ALLOWANCE FOR LOAN LOSSES					
Balance at beginning of period	$ 1,842	$ 1,923	$ 1,940	$ 1,865	$ 2,455
Loans charged off:					
Commercial	(112)	(263)	(66)	(57)	(758)
Commercial real estate	--	(15)	--	--	(33)
Residential real estate and home equity	--	--	--	--	--

Real estate construction	--	--	--	--	--
Consumer and credit card	(443)	(346)	(352)	(334)	(169)
Lease financing	(13)	(20)	(110)	(33)	(23)
Total loans charged off	(568)	(644)	(528)	(424)	(983)
Recoveries of loans previously charged off:					
Commercial	40	77	30	16	58
Commercial real estate	--	--	--	4	5
Residential real estate and home equity	--	--	--	--	--
Real estate construction	--	--	--	--	--
Consumer and credit card	141	151	114	111	144
Lease financing	24	15	1	6	41
Total loan recoveries	205	243	145	137	248
Net loans charged off	(363)	(401)	(383)	(287)	(735)
Provision charged to operating expense	469	320	366	362	145
Balance at end of period	$ 1,948	$ 1,842	$ 1,923	$ 1,940	$ 1,865
Ratio of net charge-offs to average loans outstanding for period	.15%	.19%	.20%	.17%	.51%

</TABLE>

The allowance for loan losses balance and provision charged to expense are determined by management based on periodic reviews of the loan portfolio, past loan loss experience, economic conditions and various other circumstances which are subject to change over time. In making this judgment, management reviews selected large loans as well as impaired loans, other delinquent, nonaccrual and problem loans and loans to industries experiencing economic difficulties. The collectibility of these loans is evaluated after considering current operating results and financial position of the borrower, estimated market value of collateral, guarantees and the Corporation's collateral position versus other creditors. Judgments, which are necessarily subjective, as to probability of loss and amount of such loss are formed on these loans, as well as other loans taken together.

B. The following schedule is a breakdown of the allowance for loan losses allocated by type of loan and related ratios.

While management's periodic analysis of the adequacy of allowance for loan losses may allocate portions of the allowance for specific problem-loan situations, the entire allowance is available for any loan charge-offs that occur.

<TABLE>
<CAPTION>

(In thousands of dollars)	Allocation of the Allowance for Loan Losses					
	December 31, 1998		December 31, 1997		December 31, 1996	
	Allowance Amount	Percentage of Loans in Each Category to Total Loans	Allowance Amount	Percentage of Loans in Each Category to Total Loans	Allowance Amount	Percentage of Loans in Each Category to Total Loans
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial and industrial	$ 618	15.62%	$ 516	16.40%	$ 519	18.09%
Commercial real estate	160	26.05	178	24.68	273	22.34
Residential real estate and home equity	93	24.73	63	23.48	71	25.91

Real estate construction	49	12.68	30	12.73	17	11.54
Consumer and credit card	494	17.26	465	18.77	533	18.80
Lease financing	74	3.66	68	3.94	106	3.32
Unallocated	460	--	522	--	404	--
Total	$1,948	100.00%	$1,842	100.00%	$1,923	100.00%

<CAPTION>

	December 31, 1995		December 31, 1994	
<S>	<C>	<C>	<C>	<C>
Commercial and industrial	$ 526	23.42%	$ 552	24.09%
Commercial real estate	262	23.24	189	25.78
Residential real estate and home equity	78	24.12	76	20.44
Real estate construction	11	5.90		6.12
Installment and credit card	560	20.45	602	21.85
Lease financing	142	2.87	138	1.72
Unallocated	361	--	308	--
Total	$1,940	100.00%	$1,865	100.00%

</TABLE>

V. DEPOSITS

A. The following is a schedule of average deposit amounts and average rates paid on each category for the periods indicated:

<TABLE>
<CAPTION>

	Average Amounts Outstanding Year ended December 31			Average Rate Paid Year ended December 31		
	1998	1997	1996	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
(In thousands of dollars)						
Noninterest-bearing demand	$ 53,500	$ 45,330	$ 41,661	N/A	N/A	N/A
Interest-bearing demand deposits	27,527	26,295	29,612	2.41%	2.50%	2.55%
Money market investment	131,105	97,603	85,036	5.26	5.28	5.04
Savings deposits	38,457	37,874	38,781	3.13	3.18	3.20
Time deposits	93,498	89,667	69,968	5.53	5.58	5.38
Total deposits	$344,087	$296,769	$265,058	4.05%	4.05%	3.79%

</TABLE>

B. Other categories - not applicable.

C. Foreign deposits - not applicable.

D. The following is a schedule of maturities of time certificates of deposit in amounts of $100,000 or more as of year-end 1998:

<TABLE>

<S>	<C>
Three months or less	$15,859
Over three through six months	6,304
Over six through twelve months	2,755
Over twelve months	2,323
Total	$27,241

</TABLE>

E. Time deposits greater than $100,000 issued by foreign offices - not applicable.

VI. RETURN ON EQUITY AND ASSETS

This information is included under the heading "ITEM 6 - Selected Financial Data" on pages 16 and 17 of this document.

	1998	1997	1996
Dividend pay-out ratio (dividends declared per share divided by net income per share)	18.58%	23.39%	19.60%

VII. SHORT-TERM BORROWINGS

This item is not required for the Corporation because average outstanding balances of short-term borrowings for the years ending December 31, 1998, 1997 and 1996 were less than 30% of shareholders' equity at such dates.

ITEM 2 - PROPERTIES

The Bank owns and operates its main office at 41 North Sandusky Street, Delaware, Ohio 43015. The Bank also operates 15 branches and 4 other properties that are owned or leased as noted below:

1. Drive-in Office, 33 W. William St., Delaware, Ohio 43015 (owned)
2. Delaware Center Branch Office, 199 S. Sandusky Street, Delaware, Ohio 43015 (owned)
3. Galena Branch Office, 10 Park Street, Galena, Ohio 43021 (owned)
4. Ostrander Branch Office, 10 West North Street, Ostrander, Ohio 43061 (owned)
5. Green Meadows Branch Office, 9191 Columbus Pike, Lewis Center, Ohio 43035 (leased)
6. Ashley Branch Office, 1 West High Street, Ashley, Ohio 43003 (owned)
7. Buehlers Central Office, 800 West Central Avenue, Delaware, Ohio 43015 (leased)
8. Marysville Banking Center, 108 South Main Street, Marysville, Ohio 43040 (leased)
9. Marysville Banking Center II, 11069 West Fifth Street, Marysville, Ohio 43040 (leased)
10. Powell Office, 22 South Liberty Street, Powell, Ohio 43065 (owned)
11. Sunbury Office, 492 West Cherry Street, Sunbury, Ohio 43074 (leased)
12. Highland Lakes Office, 6156 Highland Lakes Avenue, Westerville, Ohio 43085 (leased)
13. Sawmill Parkway Office, 10149 Brewster Lane, Powell, Ohio, 43065, (leased)
14. ATM Express Bank, W. Central Ave., Delaware, Ohio 43015 (leased)
15. ATM Express Bank, Ohio Wesleyan University, Delaware, Ohio 43015 (leased)
16. ATM Express Bank, 8208 Marysville Road West, Ostrander, Ohio 43061 (leased)
17. Operations Center, 163 N. Sandusky Street, Delaware, Ohio 43015 (leased)
18. ATM Express Bank, 1123 U.S. Route 23 South, Delaware, Ohio 43015 (leased)
19. Willowbrook Branch Office, 100 Willowbrook Way South, Delaware, Ohio 43015 (leased)

The Bank considers its physical properties to be in good operating condition and suitable for the purposes for which they are being used. All the properties owned by the Bank are unencumbered by any mortgage or security interest and are, in management's opinion, adequately insured. A portion of the building that houses the main office is leased to two tenants.

ITEM 3 - LEGAL PROCEEDINGS

There is no pending litigation, other than routine litigation incidental to the business of the Corporation and Bank, or of a material nature involving or naming the Corporation or Bank as a defendant. Further, there are no material legal proceedings in which any director, executive officer, principal shareholder or affiliate of the Corporation is a party or has a material interest, which is adverse to the Corporation or Bank. No routine litigation in which the Corporation or Bank is involved is expected to have a material adverse impact on the financial position or results of operations of the Corporation or Bank.

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

No matter was submitted to a vote of the security holders in the fourth quarter of 1998.

PART II

ITEM 5 - MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Corporation had 4,178,200 common shares outstanding on February 28, 1999, held of record by approximately 1,432 shareholders. The Corporation's common stock is not traded on any securities exchange. However, many central Ohio brokerage firms maintain daily bid and ask prices for the Corporation's common stock. The range of the average known price per common share by quarter provided in the chart below is based on information received from such market maker. Dividends are also shown.

	March 31, 1998	June 30, 1998	September 30, 1998	December 31 1998
High	$21.00	$21.00	$20.75	$18.00
Low	20.13	20.00	17.25	14.50
Dividends per share	.05	.05	.05	.06

	March 31, 1997	June 30, 1997	September 30, 1997	December 31, 1997
High	$16.67	$21.50	$20.88	$20.88
Low	14.17	16.00	19.50	20.00
Dividends per share	.1167	.05	.05	.05

Income of the Corporation primarily consists of dividends, which were periodically declared and paid by the Board of Directors of the Bank on common shares of the Bank held by the Corporation. While management expects to maintain its policy of paying regular cash dividends in the future, no assurances can be given that any dividends will be declared or, if declared, what the amount of any such dividends will be. See Note 13 to the consolidated financial statements for a description of dividend restrictions.

TRANSFER AGENT

DCB Financial Corp acts as transfer agent for the Corporation's common stock.

ANNUAL AND OTHER REPORTS, SHAREHOLDER AND GENERAL INQUIRIES

DCB Financial Corp is required to file an annual report on Form 10-K, for its fiscal year ended December 31, 1998, with the Securities and Exchange Commission. Copies of the Form 10-K annual report and the Corporation's quarterly reports may be obtained without charge by contacting:

Mr. Donald R. Blackburn
DCB Financial Corp
41 N. Sandusky Street
Delaware, Ohio 43015
(740) 363-1133

ITEM 6 - SELECTED FINANCIAL DATA

The following tables set forth certain information concerning the consolidated financial condition, earnings and other data regarding the Corporation at the dates and for the periods indicated. As the Corporation was formed on March 14, 1997, information before the year ended December 31, 1997 is for the Bank.

Selected financial condition and other data:	At December 31,				
	1998	1997	1996	1995	1994
	(In thousands)				
Assets	$418,540	$367,118	$319,117	$274,078	$257,693
Cash and cash equivalents	15,492	25,283	32,359	36,179	17,774
Bankers' acceptances	--	--	--	--	12,763
Securities available for sale	62,491	40,230	35,694	25,536	--
Securities held to maturity	21,144	27,612	8,176	19,317	55,802
Mortgage-backed securities available for sale	28,908	13,705	11,480	5,942	--

Mortgage-backed securities held to maturity	28,040	26,222	23,695	10,160	4,456
Loans and leases - net	253,341	226,792	201,669	171,599	161,609
Deposits	368,918	322,484	279,091	243,856	229,752
Borrowed funds	9,450	7,005	6,546	777	1,604
Shareholders' equity	38,309	36,040	32,579	28,694	25,674

</TABLE>

<TABLE>
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	Year ended December 31,				
Summary of earnings:	1998	1997	1996	1995	1994
	(In thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
Interest and dividend income	$ 28,928	$ 26,409	$ 23,467	$ 19,972	$ 16,274
Interest expense	14,323	12,369	10,202	8,110	6,168
Net interest income	14,605	14,040	13,265	11,862	10,106
Provision for loan losses	469	320	366	362	145
Net interest income after provision for loan losses	14,136	13,720	12,899	11,500	9,961
Noninterest income	4,139	3,324	2,890	2,410	2,339
Noninterest expense	11,373	9,772	8,616	8,765	8,980
Income before income tax	6,902	7,272	7,173	5,145	3,320
Income tax expense	2,168	2,382	2,293	1,562	921
Net income	$ 4,734	$ 4,890	$ 4,880	$ 3,583	$ 2,399
Per Share Data: (1)					
Earnings per share	$ 1.13	$ 1.14	$ 1.14	$ .84	$ .56
Dividends declared per share	$ .21	$ .2667	$ .2234	$ .17	$ .1633

</TABLE>

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(1) Earnings and dividends per share for the Corporation have been restated to reflect the internal reorganization discussed above and the 3-for-1 stock split on June 14, 1995.

<TABLE>
<CAPTION>

	At or for the year ended December 31,				
Selected financial ratios:	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Interest rate spread (difference between average yield on interest-earning assets and average cost of interest-bearing liabilities)	3.01%	3.42%	3.75%	3.99%	3.62%
Net interest margin (net interest income as a percentage of average interest-earning assets)	3.95	4.37	4.67	4.93	4.26
Return on equity (net income divided by average equity)	13.64	14.00	15.99	13.17	9.73
Return on assets (net income divided by average total assets)	1.21	1.44	1.63	1.41	.96
Equity-to-assets ratio (average equity divided by average total assets)	8.89	10.29	10.22	10.71	9.84
Allowance for loan losses as a percentage of nonperforming loans	180.71	129.17	194.24	87.03	114.77

</TABLE>

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION (Dollars in thousands, except per share amounts)

BUSINESS OF DCB FINANCIAL CORP

DCB Financial Corp (the "Corporation") was incorporated under the laws of the State of Ohio on March 14, 1997, at the direction of management and approval of the shareholders of The Delaware County Bank and Trust Company (the "Bank") for the purpose of becoming a bank holding company by acquiring all outstanding shares of the Bank. The Bank is a commercial bank, chartered under the laws of the State of Ohio, and was organized in 1950. The Bank is the wholly-owned subsidiary of the Corporation and its only significant asset.

The Bank conducts business from its main office at 41 North Sandusky Street in Delaware, and from its 15 full-service branch offices located in Delaware and surrounding communities. The Bank provides customary retail and commercial banking services to its customers, including checking and savings accounts, time deposits, IRAs, safe deposit facilities, personal loans, commercial loans, real estate mortgage loans, installment loans, night depository facilities and trust services. The Bank also provides cash management, bond registrar and paying services. Through its information systems department, the Bank provides data processing services to other financial institutions; however, such services are not a significant part of operations or revenue.

The Corporation, through the Bank, grants residential real estate, commercial real estate, consumer and commercial loans to customers located primarily in Delaware, Franklin, Licking, Morrow, Marion and Union Counties, Ohio. General economic conditions in the Corporation's market area have been very sound. Unemployment statistics have generally been among the lowest in the State of Ohio, and real estate values have been stable to rising. The Corporation also invests in U.S. Government and agency obligations, obligations of states and political subdivisions, corporate obligations, mortgage-backed securities, commercial paper and other investments permitted by applicable law. Funds for lending and other investment activities come primarily from customer deposits, borrowed funds, loan and security sales and principal repayments.

As a bank holding company, the Corporation is subject to regulation, supervision and examination by the Federal Reserve Board. As a commercial bank chartered under the laws of the State of Ohio, the Bank is subject to regulation, supervision and examination by the State of Ohio Superintendent of Financial Institutions and the Federal Deposit Insurance Corporation (the "FDIC"). The FDIC insures deposits in the Bank up to applicable limits. The Bank is also a member of the Federal Reserve System and the Federal Home Loan Bank (the "FHLB") of Cincinnati.

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

INTRODUCTION

In the following pages, management presents an analysis of the Corporation's financial condition and results of operations as of and for the year ended December 31, 1998, compared to prior years. This discussion is designed to provide shareholders with a more comprehensive review of the operating results and financial position than could be obtained from an examination of the financial statements alone. This analysis should be read in conjunction with the financial statements and related footnotes and the selected financial data included elsewhere in this report.

FORWARD-LOOKING STATEMENTS

When used in this document, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimated," "projected," or similar expressions are intended to identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties including changes in economic conditions in the Corporation's market area, changes in policies by regulatory agencies, fluctuations in interest rates, demand for loans in the Corporation's market area and competition, that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. Factors listed above could affect the Corporation's financial performance and could cause the Corporation's actual results for future periods to differ materially from any statements expressed with respect to future periods.

The Corporation does not undertake, and specifically disclaims any obligation, to publicly revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

ANALYSIS OF FINANCIAL CONDITION

The Corporation's assets totaled $418,540 at year-end 1998 compared to $367,118 at year-end 1997, an increase of $51,422, or 14.0%. The growth in assets was the result of the investment of funds provided by strong deposit growth in loans and securities.

Federal funds sold decreased $9,450, or 85.9%, from $11,000 at year-end 1997 to $1,550 at year-end 1998, as a result of the reinvestment of such funds in higher-yielding loans and securities.

Total securities increased $32,814, or 30.4%, from $107,769 at year-end 1997 to $140,583 at year-end 1998. The increase was the result of the reinvestment of proceeds from maturities, calls and principal repayments, as well as the investment of excess liquidity and funds provided from increased deposits. The Corporation invests primarily in U.S. Treasury notes, Obligations of U.S. government agencies and corporations, municipal bonds, corporate obligations and mortgage-backed securities. Mortgage-backed securities include Federal Home Loan Mortgage Corporation ("FHLMC"), Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("FNMA") participation certificates and Collateralized Mortgage Obligations ("CMOs"). Securities classified as available for sale totaled $91,399, or

65.0% of the total securities portfolio, at year-end 1998. Management classifies securities as available for sale to provide the Corporation with the flexibility to move funds into loans as demand warrants. The mortgage-backed securities portfolio, totaling $56,948 at year-end 1998, provides the Corporation with a constant cash flow stream from principal repayments. The Corporation held no derivative securities or structured notes during any period presented.

Total loans increased $26,655, or 11.7%, from $228,634 at year-end 1997 to $255,289 at year-end 1998. Growth was experienced in the majority of loan categories; however, the largest increases were in real estate-related loans. Commercial real estate loans increased $10,067, or 17.8%, from $56,434 at year-end 1997 to $66,501 at year-end 1998. In addition, residential real estate and home equity loans increased $9,454, or 17.6%, from $53,686 at year-end 1997 to $63,140 at year-end 1998 while construction loans, both residential and commercial, increased $3,278, or 11.3%. The continued growth in total real estate loans is related to growth in the Corporation's market area as the Corporation has not changed its philosophy regarding pricing or underwriting standards during the year. Strong population growth in the Corporation's market contributed to the increase. In addition, the Corporation has been able to take advantage of a strong local economy and the large number of businesses moving into the market. Commercial and industrial loans increased $2,378, or 6.3%. There is no concentration of lending to any one industry.

Despite the strong loan growth, the gross loan to deposit ratio decreased slightly to 69.2% at year-end 1998 compared to 70.9% at year-end 1997.

During 1998, the Corporation purchased insurance contracts on the lives of the participants in a new supplemental post-retirement benefit plan and named the Corporation as the beneficiary. It is management's current intent that the revenue from the insurance contracts be used as a funding source for the plan. Cash surrender value of life insurance totaled $1,414 at year-end 1998.

Total deposits increased $46,434, or 14.4%, from $322,484 at year-end 1997 to $368,918 at year-end 1998. Noninterest-bearing deposits increased $6,841, or 13.4%, while interest-bearing deposits increased $39,593, or 14.6%. Interest-bearing demand and money market deposits increased from 48.7% of total interest-bearing deposits at year-end 1997 to 58.1% of total interest-bearing deposits at year-end 1998 as the Corporation experienced a $48,437, or 36.6%, increase in volume of such accounts. The increase was primarily in the Corporation's "Prime Time" deposit accounts which offer a variable interest rate tied to prime. The Corporation experienced a $3,102 increase in savings deposits, however, such accounts decreased from 13.9% of total interest-bearing deposits at year-end 1997 to 13.1% of total interest-bearing deposits at year-end 1998. Growth in such deposits has been primarily due to growth in the Corporation's market area as the Corporation has not used special promotions to attract the increased volume. Management believes the funds received from this deposit growth are fairly stable based on the growth in the Corporation's market area. Certificates of deposit decreased $11,946, or 11.8%, comprising 28.8% of total interest-bearing deposits at year-end 1998 compared to 37.4% at year-end 1997. The decrease resulted as a large, public-fund certificate of deposit was not renewed upon maturing during the year.

Borrowed funds totaled $9,450 at year-end 1998 compared to $7,005 at year-end 1997. The increase resulted as the Corporation borrowed an additional $4,252 from the FHLB through a mortgage-matched advance. The advance has a term of 10 years and carries a fixed interest rate of 5.10%. Principal and interest on the advance are due monthly. The Corporation also renewed a $5,000 FHLB advance which came due in August 1998. The renewed advance has a term of 270 days and carries a fixed interest rate of 5.70% with interest due monthly. Borrowed funds also include a demand note issued to the U.S. Treasury which totaled $225 at year-end 1998 and $2,005 at year-end 1997.

COMPARISON OF RESULTS OF OPERATIONS

NET INCOME. Net income for 1998 totaled $4,734, decreasing slightly compared net income for 1997 of $4,890 and net income for 1996 totaled $4,880. Earnings per share, adjusted to reflect the three-for-one stock exchange related to the holding Corporation formation, was $1.14 per share for both 1996 and 1997, and $1.13 per share for 1998. Return on average assets was 1.21%, 1.44% and 1.63% for 1998, 1997 and 1996, while return on average shareholders' equity was 13.64%, 14.00% and 15.99% over the same three years.

NET INTEREST INCOME. Net interest income represents the amount by which interest income on interest-earning assets exceeds interest paid on interest-bearing liabilities. Net interest income is the largest component of the Corporation's income and is affected by the interest rate environment and the volume and composition of interest-earning assets and interest-bearing liabilities.

Net interest income was $14,605 for 1998 compared to $14,040 for 1997 and $13,265 for 1996. The $565 increase in 1998 over 1997 was the result of an increase in the average level of interest-earning assets partially offset by an increase in the average level interest-bearing liabilities. Growth in net interest income was also partly constrained by a decrease in the average yield earned on interest-earning assets from 8.22% in 1997 to 7.82% in 1998 while the average yield on interest-bearing liabilities remained constant over the same periods. The average yield earned on interest-earning assets decreased as a larger proportion of average earning assets were invested in lower yielding securities and federal funds sold rather than loans as was the case in the prior year. Also contributing to the decrease was a general decrease in market interest rates for loans in 1998 which resulted from increased competition and a 50 basis point reduction in the discount rate by the Board of Governors of the Federal Reserve System during the fourth quarter.

The $775 increase in net interest income in 1997 over 1996 was due to an increase in the average level of interest-earning assets partially offset by an increase in the average level of interest-bearing liabilities which carried a higher average yield. The average yield earned on interest-earning assets remained constant over the comparable periods while the average rate paid on interest-bearing liabilities increased. The increase in the cost of funds was the result of the shift of funds from lower yielding demand deposit and savings accounts to high yielding money market deposits and certificates of deposit.

As a result of the aforementioned shifts in the components of interest-earning assets and interest-bearing liabilities, as well as movements in market interest rates, the Corporation's net interest margin, which is calculated by dividing net interest income by average interest-earning assets, decreased from 4.67% in 1996 to 4.37% in 1997 and 3.95% in 1998.

PROVISION AND ALLOWANCE FOR LOAN AND LEASE LOSSES. The provision for loan and leases losses represents the charge to income necessary to adjust the allowance for loan and lease losses to an amount that represents management's assessment of the losses inherent in the Corporation's loan portfolio. All lending activity contains associated risks of loan losses and the Corporation recognizes these credit risks as a necessary element of its business activity. To assist in identifying and managing potential loan losses, the Corporation maintains a loan review function that continuously evaluates individual credit relationships as well as overall loan-portfolio conditions. One of the primary objectives of this loan review function is to make recommendations to management as to both specific loss reserves and overall portfolio-loss reserves.

The provision for loan and lease losses totaled $469 in 1998 compared to $320 in 1997 and $366 in 1996. The growth in the provision is reflective of the overall growth in the loan portfolio rather than of concerns about credit quality. Management believes that despite the significant growth in loans, the quality of the loan portfolio has improved over the comparable years as a result of sound underwriting policies and procedures. Net charge-offs for 1998 were $363, which represents .15% of average loans, compared to net charge-offs of $401 and $383, or .19% and .20% of average loans, in 1997 and 1996.

The allowance for loan losses increased from $1,842 at year-end 1997 to $1,948 at year-end 1998. As a percent of gross loans and leases, however, the allowance decreased from .81% to .76% over the same period. Nonperforming loans, defined as loans on nonaccrual status plus accruing loans past due 90 days or more, were $1,078, or .42% of gross loans, at year-end 1998 compared to $1,426, or .62% of gross loans, at year-end 1997. Such loans have been considered in management's analysis of the allowance for loan and lease losses. The allowance was 180.71% of nonperforming loans at year-end 1998 compared to 129.2% at year-end 1997.

Management believes increasing the allowance for loan losses is prudent as total loans, particularly commercial, consumer and construction loans, and leases increase. Accordingly, management anticipates that it will increase its provision to the allowance for loan and lease losses for the near future.

NONINTEREST INCOME AND NONINTEREST EXPENSE. Total noninterest income increased $815, or 24.5%, in 1998 compared to 1997. Similarly, total noninterest income increased $434, or 15.0%, in 1997 compared to 1996. The increases are due to increased fee income from the Corporation's data service center and trust department, increased gains on loan sales (both servicing-released and service-retained) and increased fee income on deposit and cash management accounts.

Total noninterest expense increased $1,601, or 16.4%, in 1998 compared to 1997 and $1,156, or 13.4%, in 1997 compared to 1996. The increases were primarily the result of increases in salaries and employee benefits, occupancy expense and equipment expense, where increases made up $1,421 of the total increase in 1998 and $797 of the total increase in 1997. These were planned increases relating to increased staffing and the addition of three new facilities in 1997. During the first quarter of 1997, the Corporation moved most of its information systems and operations to a leased facility. Other departmental moves to the new facility were made in 1998 and additional space in the facility was leased. Expansion of the Corporation's operations facilities was necessary to support growth. The Corporation also leased additional computer equipment in 1998 to support its internal and external data processing service operations. Additionally, the Corporation opened two new branch facilities in the latter part of 1997, both of which were leased under 20-year fixed-cost leases. The two new branches are strategically located in areas of Delaware County currently experiencing strong population growth rates. With its broad line of products and services, the Corporation expects to be able to meet the needs of the market and obtain the business needed to sustain the new branches and contribute to overall profitability.

INCOME TAXES. The change of income tax expense is primarily attributable to the change in income before income taxes. See Note 11 to the Consolidated Financial Statements. The provision for income taxes totaled $2,168 in 1998, $2,382 in 1997 and $2,293 in 1996 resulting in effective tax rates of 31.4%, 32.8% and 32.0%.

YIELDS EARNED AND RATES PAID. The following table sets forth certain information relating to the Corporation's average balance sheet information and reflects the average yield on interest-earning assets and the average cost of interest-bearing liabilities for the periods indicated. Such yields and costs are derived by dividing income or expense by the average monthly balance of interest-earning assets or interest-bearing liabilities, for the periods presented. Average balances are derived from daily balances, which include nonaccruing loans in the loan portfolio.

<TABLE>
<CAPTION>

	Year ended December 31,								
	1998			1997			1996		
	Average outstanding balance	Interest earned/ paid	Yield/ rate	Average outstanding balance	Interest earned/ paid	Yield/ rate	Average outstanding balance	Interest earned/ paid	Yield/ rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets:									
Federal funds sold	$ 14,987	$ 802	5.35%	$ 9,774	$ 541	5.54%	$ 14,429	$ 774	5.36%
Bankers acceptances	--	--	--	1,619	126	7.78	3,750	203	5.41
Securities (1)									
Taxable	65,968	4,046	6.15	50,780	3,304	6.48	41,255	2,536	6.15
Tax-exempt (2)	8,416	434	5.17	6,601	356	5.39	6,977	360	5.16
Mortgage-backed securities (1)	41,887	2,586	6.19	37,202	2,308	6.22	28,686	1,838	6.41
Loans and leases (3)	238,844	21,060	8.82	215,680	19,774	9.17	188,679	17,756	9.41
Total interest-earning assets	370,102	28,928	7.82	321,656	26,409	8.22	283,776	23,467	8.27
Noninterest-earning assets:									
Cash and amounts due from banks	13,575			12,848			11,558		
Premises and equipment, net	3,781			3,240			2,617		
Other nonearning assets	4,580			3,598			2,625		
Allowance for loan losses	(1,903)			(1,942)			(1,924)		
Total assets	$390,135			$339,400			$298,652		

Interest-bearing liabilities:									
Demand deposits	$158,632	$ 7,560	4.77%	$123,898	$ 5,810	4.69%	$114,648	$ 5,041	4.40%
Savings deposits	38,457	1,203	3.13	37,874	1,204	3.18	38,781	1,241	3.20
Certificates of deposit	93,498	5,173	5.53	89,667	5,000	5.58	69,968	3,766	5.38
Total deposits	290,587	13,936	4.80	251,439	12,014	4.78	223,397	10,048	4.50
Borrowed funds	7,061	387	5.48	6,106	355	5.81	2,384	154	6.46
Total interest-bearing liabilities	297,648	14,323	4.81	257,545	12,369	4.80	225,781	10,202	4.52

</TABLE>

<TABLE>
<CAPTION>

	Year ended December 31,								
	1998			1997			1996		
	Average outstanding balance	Interest earned/ paid	Yield/ rate	Average outstanding balance	Interest earned/ paid	Yield/ rate	Average outstanding balance	Interest earned/ paid	Yield/ rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
(Continued)									
Noninterest-bearing liabilities:									
Demand deposits	$ 53,500			$ 45,330			$ 41,661		
Other liabilities	4,291			1,588			708		
Total liabilities	355,439			304,463			268,150		
Shareholders' equity	34,696			34,937			30,502		
Total liabilities & shareholders' equity	$390,135			$339,400			$298,652		
Net interest income; interest rate spread		$14,605	3.01%		$14,040	3.42%		$13,265	3.75%
Net interest margin (net interest income as a percent of average interest-earning assets)			3.95%			4.37%			4.67%
Average interest-earning assets to average interest-bearing liabilities			124.34%			124.89%			125.69%

</TABLE>

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(1) Average balance includes unrealized gains and losses while yield is based on amortized cost.

(2) Interest on tax-exempt securities is reported on a historical basis without tax-equivalent adjustment. Interest on tax-exempt securities on a tax equivalent basis was $658 in 1998, $539 in 1997 and $545 in 1996.

(3) Calculated net of deferred loan fees, loan discounts, unearned interest and loans in process.

The table below describes the extent to which changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities have affected the Corporation's interest income and expense during the years indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in volume (multiplied by prior year rate); (2) changes in rate (multiplied by prior year volume); and, (3) total changes in rate and volume. The combined effects of changes in both volume and rate, that are not separately identified, have been allocated proportionately to the change due to volume and change due to rate:

<TABLE>
<CAPTION>

	Year ended December 31,					
	1998 vs. 1997			1997 vs. 1996		
	Increase (decrease) due to			Increase (decrease) due to		
	Volume	Rate	Total	Volume	Rate	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest income attributable to:						
Federal funds sold	$ 280	$ (19)	$ 261	$ (257)	$ 24	$ (233)
Bankers acceptances	(126)		(126)	(144)	67	(77)
Securities:						
Taxable	941	(199)	742	623	145	768
Tax-exempt	94	(16)	78	(20)	16	(4)
Mortgage-backed securities	290	(12)	278	530	(60)	470
Loans and leases	2,064	(778)	1,286	2,485	(467)	2,018
Total interest income	3,543	(1,024)	2,519	3,217	(275)	2,942
Interest expense attributable to:						
Demand deposits	1,654	96	1,750	422	347	769
Savings deposits	18	(19)	(1)	(29)	(8)	(37)
Certificates of deposit	212	(39)	173	1,094	139	1,233
Borrowings	53	(21)	32	217	(15)	202
Total interest expense	1,937	17	1,954	1,704	463	2,167
Increase (decrease) in net interest income	$1,606	$(1,041)	$ 565	$1,513	$(738)	$ 775

</TABLE>

ASSET AND LIABILITY MANAGEMENT AND MARKET RISK

The Corporation's primary market risk exposure is interest rate risk and, to a lesser extent, liquidity risks. Interest rate risk is the risk that the Corporation's financial condition will be adversely affected due to movements in interest rates. The income of financial institutions is primarily derived from the excess of interest earned on interest-earning assets over the interest paid on interest-bearing liabilities. Accordingly, the Corporation places great importance on monitoring and controlling interest rate risk.

There are several methods employed by the Corporation to monitor and control interest rate risk. One such method is using a gap analysis. The gap is defined as the repricing variance between rate sensitive assets and rate sensitive liabilities within certain periods. The repricing can occur due to changes in rates on variable rate products as well as maturities of interest-earning assets and interest-bearing liabilities. A high ratio of interest sensitive liabilities, generally referred to as a negative gap, tends to benefit net interest income during periods of falling interest rates as the average rate paid on interest-bearing liabilities declines faster than the average rate earned on interest-earning assets. The opposite holds true during periods of rising interest rates. The Corporation attempts to minimize the interest rate risk

through management of the gap in order to achieve consistent shareholder return. The Corporation's asset and liability management policy is to maintain a laddered gap position. One strategy used by the Corporation is to originate variable rate loans tied to market indices. Such loans reprice on an annual, quarterly, monthly or daily basis as the underlying market indices change. Currently, $172,696, or 67.6%, of the Corporation's loan portfolio reprices on regular basis. The Corporation also invests excess funds in liquid federal funds that mature and reprice on a daily basis. The Corporation also maintains most of its securities in the available for sale portfolio to take advantage of interest rate swings and to maintain liquidity for loan funding and deposit withdrawals.

The following table provides information about the Corporation's financial instruments that are sensitive to changes in interest rates as of December 31, 1998, based on information and assumptions set forth in the Notes. The Corporation believes the assumptions utilized are reasonable. For loans, securities and liabilities with contractual maturities, the table represents principal cash flows and the weighted average interest rate. For variable-rate loans the contractual maturity and weighted-average interest rate was used with an explanatory footnote as to repricing periods. For liabilities without contractual maturities such as demand and savings deposit accounts, a decay rate was utilized to match their most likely withdrawal behavior.

<TABLE>
<CAPTION>

	1999	2000	2001	2002	2003	Thereafter	Total	Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Rate-sensitive assets:								
Fixed-rate loans (1)	$ 17,158	$ 6,094	$12,576	$14,200	$15,098	$ 17,467	$ 82,593	$ 83,525
Average interest rate	9.03%	10.09%	9.40%	9.35%	9.06%	9.06%	9.23%	
Variable-rate loans (1) (2)	37,211	10,295	6,614	4,763	7,957	105,856	172,696	173,198
Average interest rate	8.99	9.48	9.10	9.22	8.80	8.71	8.85	
Fixed-rate debt securities - available for sale (1)	11,365	1,266	3,282	2,017	3,762	39,612	61,304	61,304
Average interest rate	5.76	5.67	6.12	5.98	5.92	5.85	5.85	
Fixed-rate debt securities - held to maturity (1)	13,972	641	1,339	753	1,414	3,025	21,144	21,434
Average interest rate	5.30	4.70	4.93	5.21	5.43	5.59	5.30	
Fixed-rate mortgage-backed securities - available for sale (3)	1,340	1,240	635	721	500	4,496	8,932	8,932
Average interest rate	5.90	5.93	5.90	6.01	5.88	5.88	5.90	
Variable-rate mortgage-backed securities - available for sale (4)	999	949	901	856	814	15,457	19,976	19,976
Average interest rate	5.85	5.85	5.85	5.85	5.85	5.85	5.85	
Fixed-rate mortgage-backed securities - held to maturity (3)	5,329	4,099	2,540	2,635	2,098	11,339	28,040	28,263
Average interest rate	6.43	5.80	5.77	5.83	5.88	5.61	5.72	
Federal funds sold (5)	1,550	--	--	--	--	--	1,550	1,550
Average interest rate	5.44	--	--	--	--	--	5.44	
Total rate-sensitive assets	88,924	24,584	27,887	25,945	31,643	197,252	396,235	398,182
Average interest rate	7.71	8.38	8.20	8.38	8.12	7.65	7.82	

</TABLE>

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<TABLE>
<CAPTION>

	1999	2000	2001	2002	2003	Thereafter	Total	Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Rate-sensitive liabilities:								
Noninterest-bearing deposits (6)	$ 14,452	$11,562	$ 8,672	$ 7,226	$ 7,226	$ 8,672	$ 57,810	$ 57,810
Average interest rate	--	--	--	--	--	--	--	
Interest-bearing demand deposits (7)	44,303	44,303	33,227	33,227	22,150	44,303	221,513	221,513
Average interest rate	4.08%	4.08%	4.08%	4.08%	4.08%	4.08%	4.08%	
Time deposits (8)	78,765	8,791	2,039	--	--	--	89,595	90,270
Average interest rate	5.01	5.20	5.09	--	--	--	5.03	
Fixed-rate borrowings (8)	5,590	355	374	393	413	2,325	9,450	9,356
Average interest rate	5.65	5.10	5.10	5.10	5.10	5.10	5.43	
Total rate-sensitive liabilities	143,110	65,011	44,312	40,846	29,789	55,300	378,368	378,949
Average interest rate	4.24	3.51	3.34	3.37	3.10	3.48	3.72	

</TABLE>

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(1) Assumes normal amortization based on contractual maturity and repayment.

(2) Variable-rate commercial and home-equity loans are based on the prime rate of interest as stated in the Wall Street Journal and are subject to repricing when the prime rate is adjusted. Variable-rate mortgage loans are based on a constant-maturity treasury index and are subject to repricing on a 1-, 3- and 5-year basis.

(3) In addition to amounts contractually due in the periods indicated, fixed-rate mortgage-backed securities assume a prepayment rate on the

remaining balances of 15% for the first two years and 10% for years 3, 4 and 5 with the remaining 40% being more than 5 years.

(4) In addition to amounts contractually due in the periods indicated, variable-rate mortgage-backed securities assume a prepayment rate on the remaining balances of 5% for each year with the remaining 75% being more than 5 years.

(5) The interest rate on federal funds is subject to daily repricing and is that which is currently offered by the correspondent banks buying these short-term, overnight funds.

(6) Noninterest-bearing checking accounts assume a decay rate of 25% for year 1, 20% for year 2, 15% for year 3 and 12.5% for each of years 4 and 5 with the remaining 15% being more than 5 years.

(7) Savings, NOW and money market accounts assume a decay rate of 20% for each of years 1 and 2, 15% for each of years 3 and 4 and 10% for year 5 with the remaining 20% being more than 5 years.

(8) Based on contractual maturity as management believes expected maturity is not significantly different from contractual maturity.

The principal cash flows and the weighted-average interest rates of rate-sensitive assets and liabilities expected at year-end 1998 did not significantly change from year-end 1997. The following table provides summary information about the Corporation's financial instruments that were sensitive to changes in interest rates as of year-end 1997 and was prepared using assumptions similar to that of the above table.

	1998	1999	2000	2001	2002	Thereafter	Total	Fair Value
Total rate-sensitive assets	$ 98,569	$25,275	$20,615	$27,003	$26,912	$147,979	$346,353	$348,153
Average interest rate	7.88%	7.90%	8.90%	8.42%	8.83%	8.52%	8.33%	
Total rate-sensitive liabilities	$137,116	67,724	36,258	27,632	27,618	33,141	329,489	330,204
Average interest rate	4.36	4.20	3.43	3.19	3.19	3.19	3.91	

LIQUIDITY

Liquidity is the ability of the Corporation to fund customers' needs for borrowing and deposit withdrawals. The purpose of liquidity management is to assure sufficient cash flow to meet all of the financial commitments and to capitalize on opportunities for business expansion. This ability depends on the institution's financial strength, asset quality and types of deposit and investment instruments offered by the Corporation to its customers. The Corporation's principal sources of funds are deposits, loan and securities repayments, maturities of securities, sales of securities available for sale and other funds provided by operations. The Bank also has the ability to borrow from the FHLB. While scheduled loan repayments and maturing investments are relatively predictable, deposit flows and early loan and mortgage-backed security prepayments are more influenced by interest rates, general economic conditions and competition. The Corporation maintains investments in liquid assets based upon management's assessment of (1) need for funds, (2) expected deposit flows, (3) yields available on short-term liquid assets and (4) objectives of the asset/liability management program.

Cash and cash equivalents decreased $9,791, or 38.7%, from $25,283 at year-end 1997 to $15,492 at year-end 1998. The decrease is the result of a shift of investments in federal funds sold to higher yielding loans and securities. Cash and cash equivalents at year-end 1998 represented 3.7% of total assets compared to 6.9% of total assets at year-end 1997. The Corporation has the ability to borrow funds from the Federal Home Loan Bank and has various federal fund sources from correspondent banks, should the Corporation need to supplement its future liquidity needs in order to meet loan demand or to fund investment opportunities. Management believes the Corporation's liquidity position is strong based on its high level of cash, cash equivalents, core deposits, the stability of its other funding sources and the support provided by its capital base.

As summarized in the Consolidated Statements of Cash Flows, the most significant transactions which affected the Corporation's level of cash and cash equivalents, cash flows and liquidity during 1998 were the net increase in loans of $22,537; the receipt of proceeds from maturities and repayments of securities of $106,255; securities purchases of $138,613 and the net increase in deposits of $46,434.

CAPITAL RESOURCES

Total shareholders' equity increased $2,269 primarily due to earnings retained. The increase is net of cash dividends paid of $883. Additionally, the Corporation purchased 75,000 shares of treasury stock, which reduced shareholders' equity by $1,562, or the cost of the shares purchased. The shares were purchased in the over-the-counter market as a means to reduce the Corporation's excess capital. Management may purchase additional shares in the future, as opportunities arise. The number of shares to be purchased and the price to be paid will depend upon the availability of shares, the prevailing market prices and any other considerations which may, in the opinion of the Corporation's Board of Directors or management, affect the advisability of purchasing shares.

The components of shareholders' equity changed during the first quarter of 1997 with the formation of the holding company. Shareholders of the Bank received three shares of Corporation stock, no par value, for each share of Bank $1.00 par value stock owned. This exchange resulted in the reclassification of additional paid-in capital to common stock. The holding Corporation was formed to allow management to pursue other forms of financial services or acquisitions of full-service banking operations or branches of other organizations.

Tier 1 capital is shareholders' equity excluding the unrealized gain or loss securities classified as available for sale and intangible assets. Tier 2 capital, or total capital, includes Tier 1 capital plus the allowance for loan losses not to exceed 1.25% of risk weighted assets. Risk weighted assets are the Corporation's total assets after such assets are assessed for risk and assigned a weighting factor based on their inherent risk.

The Corporation and its subsidiaries meet all regulatory capital requirements. The ratio of total capital to risk weighted assets was 13.8% at year-end 1998, while the Tier 1 risk-based capital ratio was 13.2%. Regulatory minimums call for a total risk-based capital ratio of 8%, at least half of which must be Tier 1 capital. The Corporation's leverage ratio, defined as Tier 1 capital divided by average assets, of 9.2% at year-end 1998 exceeded the regulatory minimum for capital adequacy purposes of 4.0%.

YEAR 2000 ISSUE

The Corporation operates an in-house data processing center which also provides data processing services to other financial institutions. The Corporation's lending and deposit activities are almost entirely dependent upon computer systems which process and record transactions, although the Corporation can effectively operate with manual systems for brief periods when its electronic systems malfunction or cannot be accessed. In addition to its basic operating activities, the Corporation's facilities and infrastructure, such as security systems and communications equipment, are dependent, to varying degrees, upon computer systems.

The Corporation is aware of the potential Year 2000 related problems that may affect the computers which control or operate Corporation's operating systems, facilities and infrastructure. In 1997, the Corporation began a process of identifying any Year 2000 related problems that may be experienced by its computer-operated or computer-dependent systems. Each application has been identified as "Mission Critical" or "Non-Mission Critical." The Corporation has contacted the companies that supply or service the Corporation's computer-operated or computer-dependent systems to obtain confirmation that each system that is material to the operations of the Corporation is either currently Year 2000 compliant or is expected to be Year 2000 compliant. With respect to systems that cannot presently be confirmed as Year 2000 compliant, the Corporation will continue to work with the appropriate supplier or servicer to ensure all such systems will be rendered compliant in a timely manner, with minimal expense to the Corporation or disruption of the Corporation's operations. All of the identified computer systems affected by the Year 2000 issue are currently in the renovation, validation or implementation phase of the process of becoming Year 2000 compliant. The Corporation has examined its computer hardware and software and determined it will cost approximately $160,000 to make such systems Year 2000 compliant. Of that amount, the Corporation has already spent $39,000. At this time, however, any additional expense that may be incurred by the Bank in connection with Year 2000 issues cannot be determined.

As a contingency plan, however, the Corporation has determined that if the Corporation's systems fail, the Corporation would implement manual systems until such systems could be re-established. The Corporation does not anticipate that such short-term manual systems would have a material adverse effect on the Corporation's operations. At this time, however, the expense that may be incurred by the Corporation in connection with system failure related to the Year 2000 issue cannot be determined.

In addition to the possible expense related to its own systems, the Corporation could incur losses if loan payments are delayed due to Year 2000 problems affecting any of the Corporation's significant borrowers or impairing the payroll systems of large employers in the Corporation's primary market area. Because the Corporation's loan portfolio is highly diversified with regard to individual borrowers and types of businesses and the Corporation's primary market area is not significantly dependent on one employer or industry, the Corporation does not expect any significant or prolonged Year 2000 related difficulties will affect net earnings or cash flow.

IMPACT OF NEW ACCOUNTING STANDARDS

Beginning January 1, 2000 a new accounting standard will require all derivatives to be recorded at fair value. Unless designated as hedges, changes in these fair values will be recorded in the income statement. Fair value changes involving hedges will generally be recorded by offsetting gains and losses on the hedge and on the hedged item, even if the fair value of the hedged item is not otherwise recorded. This is not expected to have a material effect but the effect will depend on derivative holdings when this standard applies.

IMPACT OF INFLATION AND CHANGING PRICES

The Consolidated Financial Statements and Notes included herein have been prepared in accordance with generally accepted accounting principles ("GAAP"). Presently, GAAP requires the Corporation to measure financial position and operating results primarily in terms of historic dollars. Changes in the relative value of money due to inflation or recession are generally not considered.

In management's opinion, changes in interest rates affect the financial condition of a financial institution to a far greater degree than changes in the inflation rate. While interest rates are greatly influenced by changes in the inflation rate, they do not change at the same rate or in the same magnitude as the inflation rate. Rather, interest rate volatility is based on changes in the expected rate of inflation, as well as on changes in monetary and fiscal policies.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information is included under the heading "Asset and Liability Management and Market Risk" in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," on pages 24 through 26 of this document.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
DCB Financial Corp
Delaware, Ohio

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

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform 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 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 consolidated financial position of DCB Financial Corp as of December 31, 1998 and 1997, and consolidated results of operations and cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Crowe, Chizek and Company LLP

Columbus, Ohio
February 5, 1999

DCB FINANCIAL CORP
CONSOLIDATED BALANCE SHEETS
December 31, 1998 and 1997
(Dollars in thousands, except per share amounts)

	1998	1997
ASSETS		
Cash and due from banks	$ 13,942	$ 14,283
Federal funds sold	1,550	11,000
Total cash and cash equivalents	15,492	25,283
Securities available for sale, at fair value	91,399	53,935
Securities held to maturity (estimated fair value of $49,697 in 1998 and $54,158 in 1997)	49,184	53,834
Loans and leases	255,289	228,634
Less allowance for loan and lease losses	(1,948)	(1,842)
Net loans and leases	253,341	226,792
Premises and equipment, net	3,965	3,756
Cash surrender value of life insurance	1,414	--
Accrued interest receivable and other assets	3,745	3,518
Total assets	$418,540	$367,118
LIABILITIES		
Deposits		
Noninterest-bearing	$ 57,810	$ 50,969
Interest-bearing	311,108	271,515
Total deposits	368,918	322,484
Borrowed funds	9,450	7,005
Accrued interest payable and other liabilities	1,863	1,589
Total liabilities	380,231	331,078
SHAREHOLDERS' EQUITY		
Common stock, no par value, 7,500,000 shares authorized, 4,273,200 issued	3,779	3,779
Retained earnings	36,283	32,432
Treasury stock, 95,000 and 20,000 shares, at cost	(1,978)	(416)
Accumulated other comprehensive income	225	245
Total shareholders' equity	38,309	36,040
Total liabilities and shareholders' equity	$418,540	$367,118

See accompanying notes to consolidated financial statements.

DCB FINANCIAL CORP
CONSOLIDATED STATEMENTS OF INCOME
For the years ended December 31, 1998, 1997 and 1996
(Dollars in thousands, except per share amounts)

	1998	1997	1996
INTEREST INCOME			
Loans, including fees	$21,060	$19,774	$17,756
Securities			
Taxable	6,632	5,612	4,374
Tax-exempt	434	356	360
Federal funds sold	802	541	774
Other	--	126	203
Total interest income	28,928	26,409	23,467
INTEREST EXPENSE			
Deposits	13,936	12,014	10,048
Borrowings	387	355	154
Total interest expense	14,323	12,369	10,202
NET INTEREST INCOME	14,605	14,040	13,265
Provision for loan and leases losses	469	320	366
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	14,136	13,720	12,899
NONINTEREST INCOME			
Service charges on deposit accounts	1,487	1,389	1,235
Trust department income	231	166	123
Securities gains (losses)	--	36	(6)
Net gains from sales of loans	752	268	181
Data service fees	367	276	218
Other	1,302	1,189	1,139
Total noninterest income	4,139	3,324	2,890
NONINTEREST EXPENSE			
Salaries and other employee benefits	5,866	5,070	4,602
Equipment	1,252	813	635
Occupancy	991	805	654
State franchise taxes	516	503	414
Other	2,748	2,581	2,311
Total noninterest expense	11,373	9,772	8,616
INCOME BEFORE INCOME TAXES	6,902	7,272	7,173
Provision for income taxes	2,168	2,382	2,293
NET INCOME	$ 4,734	$ 4,890	$ 4,880
EARNINGS PER COMMON SHARE	$ 1.13	$ 1.14	$ 1.14

See accompanying notes to consolidated financial statements.

DCB FINANCIAL CORP
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 1998, 1997 and 1996
(Dollars in thousands, except per share amounts)

	1998	1997	1996
NET INCOME	$4,734	$4,890	$4,880
OTHER COMPREHENSIVE INCOME, NET OF TAX			
Unrealized gain (loss) on available for sale securities			

arising during the period	(20)	151	(44)
Reclassification adjustment for amounts realized on securities sales included in net income	--	(24)	4
Total other comprehensive income	(20)	127	(40)
COMPREHENSIVE INCOME	$4,714	$5,017	$4,840

</TABLE>

See accompanying notes to consolidated financial statements.

<TABLE>

DCB FINANCIAL CORP
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the years ended December 31, 1998, 1997 and 1996
(Dollars in thousands, except per share amounts)

<S>	Common Stock <C>	Additional Paid-in Capital <C>	Retained Earnings <C>	Treasury Stock <C>	Accumulated Other Comprehensive Income <C>	Total Shareholders' Equity <C>
BALANCE, JANUARY 1, 1996	$1,424	$ 2,355	$24,757	$ --	$158	$28,694
Net income	--	--	4,880	--	--	4,880
Cash dividends ($.2234 per share)	--	--	(955)	--	--	(955)
Change in fair value of securities available for sale	--	--	--	--	(40)	(40)
BALANCE, DECEMBER 31, 1996	1,424	2,355	28,682	--	118	32,579
Net income	--	--	4,890	--	--	4,890
Cash dividends ($.2667 per share)	--	--	(1,140)	--	--	(1,140)
Formation of holding company	2,355	(2,355)				
Purchase of 20,000 treasury shares	--	--	--	(416)	--	(416)
Change in fair value of securities available for sale	--	--	--	--	127	127
BALANCE, DECEMBER 31, 1997	3,779	--	32,432	(416)	245	36,040
Net income	--	--	4,734	--	--	4,734
Cash dividends ($.21 per share)	--	--	(883)	--	--	(883)
Purchase of 75,000 treasury shares	--	--	--	(1,562)	--	(1,562)
Change in fair value of securities available for sale	--	--	--	--	(20)	(20)
BALANCE, DECEMBER 31, 1998	$3,779	$ --	$36,283	$(1,978)	$225	$38,309

</TABLE>

See accompanying notes to consolidated financial statements.

<TABLE>

DCB FINANCIAL CORP
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the years ended December 31, 1998, 1997 and 1996
(Dollars in thousands)

<S>	1998 <C>	1997 <C>	1996 <C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 4,734	$ 4,890	$ 4,880
Adjustments to reconcile net income to net cash from operating activities			
Depreciation	677	520	428
Provision for loan losses	469	320	366
Deferred tax expense	339	612	277
Securities losses (gains)	--	(36)	6
Net amortization (accretion)	(428)	194	275
Federal Home Loan Bank stock dividends	(58)	(67)	(41)
Change in loans held for sale	(4,481)	(1,637)	(496)
Changes in other assets and other liabilities, net	(282)	(369)	(720)
Net cash from operating activities	970	4,427	4,975
CASH FLOWS FROM INVESTING ACTIVITIES			
Securities available for sale			
Purchases	(62,406)	(29,048)	(31,595)
Maturities and repayments	24,821	14,247	9,894
Proceeds from sales	--	8,084	5,740
Securities held to maturity			
Purchases	(76,207)	(58,955)	(84,208)
Maturities and repayments	81,434	37,050	81,778
Net change in loans	(22,537)	(23,806)	(29,940)
Premises and equipment expenditures	(886)	(1,572)	(599)
Proceeds from sale of premises and equipment	--	--	56
Purchase life insurance policies	(1,414)	--	--
Proceeds from sale of other real estate	--	201	30
Net cash from investing activities	(57,195)	(53,799)	(48,844)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net change in deposits	46,434	43,393	35,235
Net change in short-term borrowings	(1,780)	461	792
Proceeds from long-term debt	9,252	5,000	5,000
Repayment of long-term debt	(5,027)	(5,002)	(23)
Purchases of treasury stock	(1,562)	(416)	--
Cash dividends paid	(883)	(1,140)	(955)
Net cash from financing activities	46,434	42,296	40,049
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9,791)	(7,076)	(3,820)
Cash and cash equivalents at beginning of year	25,283	32,359	36,179
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 15,492	$ 25,283	$ 32,359

</TABLE>

See accompanying notes to consolidated financial statements.

DCB FINANCIAL CORP
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1998, 1997 and 1996
(Dollars in thousands, except per share amounts)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: The accompanying consolidated financial statements include the accounts of DCB Financial Corp (the "Corporation") and its wholly-owned subsidiary, The Delaware County Bank and Trust Company (the "Bank"). The financial statements of the Bank include accounts of its wholly-owned subsidiaries, D.C.B. Corporation and 362 Corp. All significant intercompany accounts and transactions have been eliminated in consolidation.

On March 14, 1997, a holding company was formed through an internal reorganization whereby each shareholder of the Bank received three shares of the Corporation's no par value common stock for each share of Bank $1.00 par value common stock owned. This internal reorganization was accounted for similar to a pooling of interests, where the historical carrying values of the Bank's assets and liabilities were carried forward to the consolidated financial statements, without change. The Corporation transferred $2,355 from paid-in capital to common stock due to the elimination of par value.

Nature of Operations: The Corporation's revenues, operating income and assets are primarily from the banking industry. The Corporation operates 15 offices in Delaware and Union Counties, Ohio. Loan customers include a wide range of individuals, businesses and other organizations. Major portions of loans are secured by various forms of collateral including real estate, business assets, consumer property and other items. The Corporation's primary funding source is deposits from customers in its market area. The Corporation also purchases investments, operates a trust department and engages in mortgage banking operations.

Use of Estimates: To prepare financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect amounts reported in the financial statements and disclosures provided; future results could differ. The collectibility of loans, fair value of financial instruments and status of contingencies are particularly subject to change.

Cash Flow Reporting: Cash and cash equivalents include cash and due from banks and federal funds sold. Cash flows are reported net for customer loan and deposit transactions, short-term bankers' acceptances and short-term borrowings.

The Corporation paid interest of $14,220, $12,213, and $10,077 for 1998, 1997 and 1996. Cash paid for income taxes was $2,072, $2,190, and $2,200 for 1998, 1997 and 1996.

Noncash transactions in 1997 included a transfer of $2,355 from additional paid-in capital to common stock due to the elimination the par value of common stock upon formation of the holding company. There were no significant noncash transactions in 1998 or 1996.

Bankers' Acceptances: Bankers' acceptances represent short-term financing arrangements the issuing party has agreed to pay at maturity. Interest income on these instruments is accrued over the contract period.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Securities: Securities are classified as held to maturity and carried at amortized cost when management has positive intent and ability to hold them to maturity. Securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported separately in shareholders' equity, net of tax. Securities are classified as trading when held for short-term periods in anticipation of market gains, and are carried at fair value. Securities are written down to fair value when a decline in fair value is not temporary. The Corporation held no trading securities during any period presented.

Realized gains and losses on sales are determined using the amortized cost of the specific security sold. Interest income includes amortization of purchase premiums and discounts.

Loans Held for Sale: Certain residential mortgage loans are originated for sale in the secondary mortgage-loan market. These loans are included in real estate mortgage loans and are carried at the lower of cost or estimated fair value taken together. Net unrealized losses are recognized through a valuation allowance by charges to income. To mitigate the interest rate risk, fixed commitments may be obtained at the time loans are originated or identified for sale. Loans originated and held for sale totaled $6,897 and $2,416 at year-end 1998 and 1997.

Loans Receivable: Loans are reported at the principal balance outstanding, net of deferred loan fees and costs. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term.

Interest income is not recognized when management believes the collection of interest is doubtful, typically when payments are past due over 90 days. Payments received on such loans are reported as principal reductions.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance, increased by the provision for loan losses and decreased by charge-offs less recoveries. Management estimates the allowance balance required based on past loan loss experience, known and inherent risks in the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentrations of Credit Risk: The Corporation grants commercial, real estate and consumer loans primarily in Delaware County, Ohio, and surrounding areas. Loans for commercial real estate, farmland, construction and land development purposes comprise 38.8% of loans. Loans for commercial purposes comprise 15.6% of loans, and include loans secured by business assets and agricultural loans. Loans for residential real estate purposes aggregate 21.7% of loans. Loans and leases for consumer purposes, including home equity loans, are primarily secured by consumer assets and represent 23.9% of total loans. The borrowers' ability to honor their contracts is not dependent on the economic status of any single industry.

Premises and Equipment: Asset cost is reported net of accumulated depreciation. Depreciation expense is calculated using the straight-line method based on the estimated useful lives of assets. These assets are reviewed for impairment when events indicate the carrying amount may not be recoverable.

Other Real Estate Owned: Real estate acquired in settlement of loans is initially reported at estimated fair value at acquisition. After acquisition, a valuation allowance reduces the reported amount to the lower of initial amount or fair value less costs to sell. Expenses are charged to operations as incurred. Gains and losses on disposition and changes in the valuation allowance are reported in other expense.

Loan Servicing: The Corporation has sold various loans to the Federal Home Loan Mortgage Corporation ("FHLMC") while retaining servicing rights. Gains and losses on loan sales are recorded at the time of the cash sale. Mortgage servicing rights are recorded as assets when the related loan is sold. These assets are amortized in proportion to, and over the period of, estimated net servicing income and are evaluated periodically for impairment. Impairment is evaluated based on the fair value of the rights using groupings of underlying loans with similar characteristics.
Mortgage servicing rights totaled $217 and $176 at year-end 1998 and 1997.

Income Taxes: Income tax expense is the sum of the current-year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax consequences of temporary differences between carrying amounts and tax bases of assets and liabilities computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized.

Fair Values of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed separately. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or market conditions could significantly affect the estimates. The fair value estimates of existing on- and off-balance-sheet financial instruments do not include the value of anticipated future business or the value of assets and liabilities not considered financial instruments.

(Dollars in thousands, except per share amounts)

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to shareholders.

Industry Segment: Internal financial information is primarily reported and aggregated solely in the line of business of banking.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Earnings Per Common Share: Earnings per share computations are based on the weighted average number of shares of common stock outstanding during the year. The weighted average number of shares outstanding was 4,197,077 for 1998 and 4,270,789 for 1997 and 4,273,200 for 1996.

Comprehensive Income: Under a new accounting standard adopted on January 1, 1998, comprehensive income is reported for all periods. Comprehensive income includes both net income and other comprehensive income, which includes the change in unrealized gains and losses on securities available for sale.

Financial Statement Presentation: Some items in prior financial statements have been reclassified to conform to the current presentation.

NOTE 2 - SECURITIES

Year-end securities were as follows:

	1998			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
SECURITIES AVAILABLE FOR SALE				
U.S. Treasury	$ 4,518	$ 38	$ --	$ 4,556
U.S. government agencies and corporations	50,194	395	(33)	50,556
States and political subdivisions	6,167	55	(30)	6,192
Mortgage-backed	29,009	59	(160)	28,908
Total debt securities	89,888	547	(223)	90,212
Other securities	1,169	18	--	1,187
Total securities available for sale	$91,057	$565	$(223)	$91,399
SECURITIES HELD TO MATURITY				
U.S. government agencies and corporations	$ 1,000	$ 2	$ --	$ 1,002
States and political subdivisions	7,994	330	(7)	8,317
Corporate	12,150	--	(35)	12,115
Mortgage-backed	28,040	230	(7)	28,263
Total securities held to maturity	$49,184	$562	$ (49)	$49,697

(Dollars in thousands, except per share amounts)

NOTE 2 - SECURITIES (Continued)

	1997			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
SECURITIES AVAILABLE FOR SALE				
U.S. Treasury	$ 5,538	$ 30	$ --	$ 5,568
U.S. government agencies and corporations	33,176	234	(1)	33,409
States and political subdivisions	203	--	--	203
Mortgage-backed	13,608	107	(10)	13,705
Total debt securities	52,525	371	(11)	52,885
Other securities	1,038	12	--	1,050
Total securities available for sale	$53,563	$383	$(11)	$53,935
SECURITIES HELD TO MATURITY				
States and political subdivisions	$ 6,523	$215	$(15)	$ 6,723
Corporate	21,089	6	(46)	21,049
Mortgage-backed	26,222	190	(26)	26,386
Total securities held to maturity	$53,834	$411	$(87)	$54,158

Substantially all mortgage-backed securities are backed by pools of mortgages that are insured or guaranteed by the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC").

The amortized cost and estimated fair value of debt securities at year-end 1998, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations. Mortgage-backed securities are shown separately since they are not due at a single maturity date.

	Available for sale		Held to maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$11,322	$11,365	$13,972	$13,948
Due from one to five years	10,258	10,327	4,147	4,270
Due from five to ten years	30,237	30,547	2,478	2,609
Due after ten years	9,062	9,065	547	607
Mortgage-backed securities	29,009	28,908	28,040	28,263
	$89,888	$90,212	$49,184	$49,697

(Dollars in thousands, except per share amounts)

NOTE 2 - SECURITIES (Continued)

There were no sales of securities available for sale in 1998. Proceeds from sales of securities available for sale totaled $8,084 and $5,740 for 1997 and 1996. Gross gains of $53 and $4 and gross losses of $17 and $10 were realized on those sales.

At year-end 1998, there were no holdings of securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of shareholders' equity.

Investments with a carrying value of approximately $35,520 and $42,689 as of year-end 1998 and 1997, were pledged to secure public funds and other obligations.

NOTE 3 - LOANS AND LEASES

Year-end loans and leases were as follows:

	1998	1997
Commercial and industrial	$ 39,864	$ 37,486
Commercial real estate	66,501	56,434
Residential real estate and home equity	63,140	53,686
Real estate construction and land development	32,382	29,104
Consumer and credit card	44,050	42,914
Lease financing, net	9,352	9,010
	$255,289	$228,634

Certain directors, executive officers and principal shareholders of the Corporation, including their immediate families and companies in which they are principal owners, were loan customers during 1998 and 1997. A summary of activity on these borrower relationships with aggregate debt greater than $60,000 is as follows:

	1998	1997
Beginning balance	$ 3,493	$2,734
New loans and advances	2,344	1,313
Payments	(1,048)	(554)
Ending balance	$ 4,789	$3,493

(Continued)

NOTE 3 - LOANS AND LEASES (Continued)

The following is a summary of the components of the Corporation's net investment in direct financing equipment and vehicle leases at year-end:

(Dollars in thousands, except per share amounts)

	1998	1997
Minimum lease payments receivable	$ 5,377	$ 4,880
Lease residuals (unguaranteed)	5,694	5,668
	11,071	10,548
Unearned income	1,719	1,538
	$ 9,352	$ 9,010

NOTE 4 - ALLOWANCE FOR LOAN AND LEASE LOSSES

Activity in the allowance for loan and lease losses was as follows:

	1998	1997	1996
Balance at beginning of year	$ 1,842	$ 1,923	$ 1,940
Provision for loan and lease losses	469	320	366
Loans charged off	(568)	(644)	(528)
Recoveries	205	243	145
Balance at end of year	$ 1,948	$ 1,842	$ 1,923

Impaired loans were not material during any period presented.

NOTE 5 - PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

	1998	1997
Land	$ 550	$ 286
Buildings	2,768	3,173
Furniture and equipment	3,662	2,941
	6,980	6,400
Accumulated depreciation and amortization	3,015	2,644
	$ 3,965	$ 3,756

NOTE 6 - LEASE COMMITMENTS

The Corporation has long-term operating leases for branch offices and equipment, which expire at various dates through 2017. Rental expense on lease commitments for 1998, 1997 and 1996 amounted to $686, $362 and $210. In 1997, the Corporation entered two leases for branch facilities with a partnership in which a director of the Corporation holds an interest. One lease commenced on April 1, 1997 for a term of 20 years with annual rental payments of $84. The other lease commenced on September 1, 1997 for a term of 20 years with annual rental payments of $71. The following is a summary of the future minimum-lease payments on the Corporation's lease obligations:

(Dollars in thousands, except per share amounts)

1999	$ 634
2000	630
2001	580
2002	296
2003	257
Thereafter	2,334
	$4,731

NOTE 7 - INTEREST-BEARING DEPOSITS

Year-end interest-bearing deposits were as follows:

	1998	1997
Interest-bearing demand and money market deposits	$180,604	$132,167
Savings deposits	40,909	37,807
Certificates of deposit		
In denominations under $100,000	62,354	66,016
In denominations of $100,000 or more	27,241	35,525
	$311,108	$271,515

At year-end 1998, the scheduled maturities of certificates of deposit were as follows:

1999	$78,765
2000	8,791
2001	2,039
	$89,595

NOTE 8 - BORROWED FUNDS

The following table is a summary of year-end borrowings:

	1998	1997
Fixed-rate FHLB advance, 5.91%, due August 1998	$ -	$5,000
Fixed-rate FHLB advance, 5.70%, due May, 1999	5,000	-
Fixed-rate FHLB advance, 5.10%, due October, 2008	4,225	-

(Dollars in thousands, except per share amounts)

Demand note issued to the U.S. Treasury	225	2,005
	------	------
	$9,450	$7,005
	======	======

</TABLE>

As a member of the FHLB system, the Bank has the ability to obtain additional borrowings up to a maximum total of 50% of Bank assets subject to the level of qualified 1-4 family residential real estate loans to pledge and FHLB stock owned. The advances are collateralized by a blanket pledge of the Bank's residential mortgage loan portfolio and FHLB stock.

At year-end 1998, required annual principal payments on borrowed funds were as follows:

<TABLE>

<S>	<C>
1999	$5,590
2000	355
2001	374
2002	393
2003	413
Thereafter	2,325

	$9,450
	======

</TABLE>

NOTE 9 - RETIREMENT PLANS

The Bank provides a 401(k) savings plan for all eligible employees. To be eligible, an individual must have at least 1,000 hours of service during a 12-consecutive-month period and must be 20 or more years of age. Participants are permitted to make voluntary contributions to the Plan of up to 10% of individual compensation. The Bank matches 50% of those contributions up to a maximum match of 3% of the participant's compensation. The Bank may also provide an additional discretionary percentage. Employee voluntary contributions are vested at all times and Bank contributions are fully vested after three years. The 1998, 1997 and 1996 expense related to this plan was $175, $170 and $168.

In 1998, the Corporation implemented a supplemental post-retirement benefit plan for the benefit of certain officers of the Bank. The plan is designed to provide post-retirement benefits to supplement other sources of retirement income such as social security and 401(k) benefits. The benefits will be paid for a period of 15 years after retirement. The amount of each officer's benefit will depend on their salary at retirement as well as the their other sources of retirement income. The Corporation accrues the cost of these post-retirement benefits during the working careers of the officers. Expense under this plan was not material in 1998.

(Continued)

NOTE 9 - RETIREMENT PLANS (Continued)

The Corporation has purchased insurance contracts on the lives of the participants in the supplemental post-retirement benefit plan and has named the Corporation as the beneficiary. While no direct contract exists between the supplemental post-retirement benefit plan and the life insurance contracts, it is management's current intent that the revenue from the insurance contracts be used as a funding source for the plan.

NOTE 10 - OTHER NONINTEREST EXPENSE

Other noninterest expense consisted of the following:

<TABLE>
<CAPTION>

(Dollars in thousands, except per share amounts)

	1998	1997	1996
Advertising and marketing	$ 285	$ 327	$ 245
Postage, freight and courier	292	301	270
Office supplies	324	319	281
Other expenses	1,847	1,634	1,515
	$ 2,748	$ 2,581	$ 2,311

NOTE 11 - INCOME TAXES

The provision for income taxes consists of the following:

	1998	1997	1996
Current tax expense	$ 1,829	$ 1,770	$ 2,016
Deferred tax expense	339	612	277
	$ 2,168	$ 2,382	$ 2,293

Year-end deferred tax assets and liabilities consist of the following:

	1998	1997
Deferred tax assets:		
Allowance for loan losses in excess of tax reserve	$ 477	$ 437
Other	3	12
	480	449
Deferred tax liabilities:		
Unrealized gain on securities available for sale	$ (116)	$ (126)
Investment accretion	(96)	(93)
Federal Home Loan Bank stock dividends	(64)	(37)
Deferred loan fees and costs	(55)	(37)
Leases	(905)	(685)
Depreciation	(94)	(6)
Mortgage servicing rights	(74)	(60)
	(1,404)	(1,044)
Net deferred tax liability	$ (924)	$ (595)

(Continued)

NOTE 11 - INCOME TAXES (Continued)

The difference between financial statement tax provision and amounts computed by applying the statutory federal income tax rate of 34.0% to income before income taxes was as follows:

	1998	1997	1996

	1998	1997	1996
Income taxes computed at the statutory federal tax rate on pre-tax income	$2,347	$2,472	$2,439
Tax effect of			
Tax exempt income	(168)	(157)	(155)
Other	(11)	67	9
	$2,168	$2,382	$2,293
Effective tax rate	31.4%	32.8%	32.0%

NOTE 12 - COMMITMENTS, CONTINGENCIES AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

Litigation: Various contingent liabilities are not reflected in the financial statements, including claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material effect on financial condition or results of operations.

Reserve Requirements: The Corporation was required to have $5,416 and $4,192 of cash on hand or on deposit with the Federal Reserve to meet regulatory reserve requirements at year-end 1998 and 1997. These balances do not earn interest.

Financial Instruments with Off-Balance-Sheet Risk: Some financial instruments are used in the normal course of business to meet financing needs of customers. These financial instruments include commitments to extend credit, standby letters of credit and other financial guarantees. These involve, to varying degrees, credit and interest-rate risk more than the amount reported in the financial statements.

Exposure to credit loss if the other party does not perform is represented by the contractual amount for commitments to extend credit, standby letters of credit and financial guarantees written. Each customer's creditworthiness is evaluated on a case-by-case basis. The same credit policies are used for commitments and conditional obligations as are used for loans. The amount of collateral obtained, if deemed necessary, on extension of credit is based on management's credit evaluation. Collateral varies, but may include accounts receivable, inventory, property, equipment, income-producing commercial properties, residential real estate and consumer assets.

Commitments to extend credit are agreements to lend to a customer, as long as there is no violation of any condition established in the commitment. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many commitments are expected to expire without being used, total commitments do not necessarily represent future cash requirements. Standby letters of credit and financial guarantees written are conditional commitments to guarantee a customer's performance to a third party.

(Continued)

NOTE 12 - COMMITMENTS, CONTINGENCIES AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (Continued)

A summary of the notional or contractual amounts of financial instruments with off-balance-sheet risk at year-end follows:

	1998	1997
Commitments to extend credit	$60,277	$58,464
Standby letters of credit	968	1,806

(Dollars in thousands, except per share amounts)

At year-end 1998 and 1997, and included above, commitments to make fixed-rate loans at current market rates totaled $4,080 and $2,468. There were no fixed-rate standby letters of credit at year-end 1998 while such commitments totaled $1,806 as of year-end 1997. The interest rates on fixed-rate commitments ranged from 5.63% to 11.00% for 1998 and from 6.38% to 10.50% for 1997.

Employment Agreements: The Bank has employment agreements with certain officers of the Bank. The agreements provide for terms of one year which renew automatically unless prior written notice is provided to the officer.

NOTE 13 - REGULATORY MATTERS

The Corporation and the Bank are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective-action regulations involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors, and regulators can lower classifications in certain cases. Failure to meet various capital requirements can initiate regulatory action having a direct material effect on the financial statements.

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required.

The minimum capital requirements are as follows:

	Capital to risk weighted assets		Tier 1 capital to average assets
	Total	Tier 1	
Well capitalized	10%	6%	5%
Adequately capitalized	8	4	4
Undercapitalized	6	3	3

(Continued)

NOTE 13 - REGULATORY MATTERS (Continued)

At year-end, actual capital levels and minimum required levels were:

	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
1998						
Total capital (to risk weighted assets)						
Corporation	$40,011	13.8%	$23,156	8.0%	$28,945	10.0%
Bank	37,888	13.1	23,197	8.0	28,996	10.0
Tier 1 capital (to risk weighted assets)						
Corporation	38,063	13.2	11,578	4.0	17,367	6.0
Bank	35,932	12.4	11,598	4.0	17,397	6.0

(Dollars in thousands, except per share amounts)

Tier 1 capital (to average assets)						
Corporation	38,063	9.2	16,634	4.0	20,793	5.0
Bank	35,932	8.6	16,634	4.0	20,793	5.0
1997						

Total capital (to risk weighted assets)						
Corporation	$37,637	14.1%	$21,315	8.0%	$26,644	10.0%
Bank	35,447	13.4	$21,230	8.0	$26,537	10.0
Tier 1 capital (to risk weighted assets)						
Corporation	35,795	13.4	10,657	4.0	15,986	6.0
Bank	33,605	12.7	10,615	4.0	15,922	6.0
Tier 1 capital (to average assets)						
Corporation	35,795	10.0	14,309	4.0	17,886	5.0
Bank	33,605	9.4	14,309	4.0	17,886	5.0

</TABLE>

As of the latest regulatory examinations, the Corporation and the Bank were categorized as well capitalized. Management is not aware of any matters subsequent to these examinations that would cause the Corporation's or the Bank's regulatory capital category to change.

Dividends are paid by the Corporation from its assets, which are mainly provided by dividends from the Bank. Restrictions by banking regulations limit the amount of funds the Bank can transfer to the Corporation in the form of dividends. The most restrictive provision requires approval by regulatory authorities if dividends declared in any year exceed the year's net income, as defined, plus retained net profits of the two preceding years. The amount of the Bank's retained earnings available for dividends without approval from its supervising regulator was $7,917 at December 31, 1998.

(Continued)

NOTE 14 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value approximates carrying value for financial instruments except those described below:

Securities: For debt and marketable equity securities held for investment purposes, fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar instruments.

Loans: The fair value of most types of loans is estimated by discounting future cash flows using current rates at which similar loans would be made to borrowers. Leases are not considered financial instruments under generally accepted accounting principles and are therefore not included in the following schedule.

Deposits: The fair value of deposit liabilities with defined maturities is estimated by discounting future cash flows using the rates currently offered for deposits of similar remaining maturities.

Long-term Debt: The fair value of long-term debt is estimated by discounting future cash flows using currently available rates for similar financing.

Commitments to Extend Credit and Standby Letters of Credit: The fair values of these items are not material and are therefore not included on the following schedule.

The estimated year-end fair values of financial instruments were as follows:

<TABLE>
<CAPTION>

	1998 Carrying Value	1998 Fair Value	1997 Carrying Value	1997 Fair Value
<S>	<C>	<C>	<C>	<C>
Financial assets:				
Cash and cash equivalents	$ 15,492	$ 15,492	$ 25,283	$ 25,283

(Dollars in thousands, except per share amounts)

Securities available for sale	91,399	91,399	53,935	53,935
Securities held to maturity	49,184	49,697	53,834	54,158
Loans (excluding leases)	245,937	247,371	219,624	221,100
Cash surrender value of life insurance	1,414	1,414	-	-
Accrued interest receivable	2,662	2,662	2,390	2,390
Financial liabilities:				
Noninterest-bearing deposits	(57,810)	(57,810)	(50,969)	(50,969)
Interest-bearing deposits	(311,108)	(311,783)	(271,515)	(272,230)
Borrowings	(9,450)	(9,356)	(7,005)	(7,005)
Accrued interest payable	(1,032)	(1,032)	(929)	(929)

</TABLE>

(Continued)

NOTE 15 - PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

Condensed financial information of DCB Financial Corp as of December 31, 1998 and 1997, and for the year ended December 31, 1998 and the period beginning March 14, 1997, the effective date of the internal reorganization, through December 31, 1997, is as follows:

<TABLE>

CONDENSED BALANCE SHEETS
December 31, 1998 and 1997

<CAPTION>

	1998	1997
ASSETS		
Cash and cash equivalents	$ 2,035	$ 92
Investment in subsidiary	36,179	33,850
Advance to Bank	--	2,000
Other assets	57	272
Total assets	$38,271	$36,214
LIABILITIES		
Other liabilities	$ (38)	174
SHAREHOLDERS' EQUITY	38,309	36,040
Total liabilities and shareholders' equity	$38,271	$36,214

</TABLE>

<TABLE>

CONDENSED STATEMENTS OF INCOME
Year ended December 31, 1998 and Period from
March 14, 1997 to December 31, 1997

<CAPTION>

	1998	1997
INTEREST AND DIVIDEND INCOME		
Dividends from subsidiary	$2,416	$3,297
Other	6	--
Total interest and dividend income	2,422	3,297
Operating expenses	53	73
Income before income taxes and equity in undistributed earnings of subsidiary	2,369	3,224
Income tax benefit	(16)	(23)

(Dollars in thousands, except per share amounts)

Income before equity in undistributed earnings of subsidiary	2,385	3,247
Equity in undistributed earnings of subsidiary	2,349	421
NET INCOME	$4,734	$3,668

</TABLE>

(Continued)

NOTE 15 - PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION (Continued)

<TABLE>

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
Year ended December 31, 1998 and Period from
March 14, 1997 to December 31, 1997

<CAPTION>

<S>	1998 <C>	1997 <C>
NET INCOME	$ 4,734	$ 3,668
OTHER COMPREHENSIVE INCOME, NET OF TAX		
Unrealized gain (loss) on available for sale securities arising during the period	(20)	127
Reclassification adjustment for amounts realized on securities sales included in net income	--	--
Total other comprehensive income	(20)	127
COMPREHENSIVE INCOME	$ 4,714	$ 3,795

</TABLE>

<TABLE>

CONDENSED STATEMENTS OF CASH FLOWS
Year ended December 31, 1998 and Period from
March 14, 1997 to December 31, 1997

<CAPTION>

<S>	1998 <C>	1997 <C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 4,734	$ 3,668
Adjustments to reconcile net income to cash provided by operations:		
Equity in undistributed income of subsidiary	(2,349)	(421)
Net change in other assets/other liabilities	3	(98)
Net cash from operating activities	2,388	3,149
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan to subsidiary	--	(2,000)
Principal payments received on loan to subsidiary	2,000	--
Net cash from investing activities	2,000	(2,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchases of treasury stock	(1,562)	(416)
Cash dividends paid	(883)	(641)
Net cash from financing activities	(2,445)	(1,057)
Net change in cash and cash equivalents	1,943	92
Cash and cash equivalents at beginning of period	92	--
CASH AT END OF YEAR	$ 2,035	$ 92

</TABLE>

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

No changes in or disagreements with the independent accountants on accounting and financial disclosure have occurred.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

This information is included in the definitive Proxy Statement for the 1998 Annual Meeting of Shareholders of DCB Financial Corp (the "Proxy Statement") under the captions "Election of Directors and Information with Respect to Directors and Officers", "Security Ownership of Certain Beneficial Owners and Management" and "Compliance with Section 16(A) of the Securities Exchange Act of 1934" on pages 62 through 70 of this document.

Principal officers of the Corporation and the Bank are as follows:

NAME	AGE	TERM OF OFFICE	EXPERIENCE
Larry D. Coburn President & CEO	51	Since August, 1995	President/CEO at community bank in Northwest, Ohio prior 3 years and same position in a community bank in Kansas 10 years previous.
Larry E. Westbrook Senior Vice President Cashier	59	Since 1986	Chief Operations Officer and Cashier
David G. Bernon Senior Vice President Loan Division Manager	54	Since 1991	Chief Financial Officer at SBF Services Inc., Vice President of the Delaware County Bank & Trust Co.
Donald Blackburn Vice President Shareholder & Customer Relations	55	Since 1993	Assistant Vice President Main Office Manager, Sr. Banking Center Officer
Thomas E. Whitney Vice President and Sr. Trust Officer	50	Since 1996	Attorney - Private Practice
Donna R. Warbel Human Resources Director	34	Since 1995	Human Resources Assistant, DCB

All officers serve at the pleasure of the Bank's Board of Directors. There are no arrangements or understandings, other than certain employment agreements discussed on pages 66 through 67 in this document, between the Bank and any person above which such person was selected as an officer.

ITEM 11 - EXECUTIVE COMPENSATION

This information is included in the section captioned "Executive Compensation and Other Information" on page 66 of this document.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

This information is included in the section captioned "Security Ownership of Certain Beneficial Owners and Management" on pages 64 and 65 of this document.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information is included in the section captioned "Certain Relationships and

Related Transactions" on page 69 of this document.

PART IV

ITEM 14 - EXHIBITS AND REPORTS ON FORM 8-K

Exhibit Number	Description of Document
3.1	Articles of Incorporation of DCB Financial Corp (incorporated by reference to Registrant's Form S-4, File No. 333-15579, effective January 10, 1997)
3.2	Code of Regulations of DCB Financial Corp (incorporated by reference to Registrant's Form S-4, File No. 333-15579, effective January 10, 1997)
10.1	Employment agreement with Mr. Coburn (incorporated by reference to Registrant's Form 8-B, File No. 000-22387, effective April 15, 1997)
10.2	Employment agreement with Mr. Westbrook (incorporated by reference to Registrant's Form 8-B, File No. 000-22387, effective April 15, 1997)
10.3	Employment agreement with Mr. Whitney (incorporated by reference to Registrant's Form 10-K, File No. 0-22387, effective March 25, 1998)
11	Statement Regarding Computation of Per Share Earnings
21	Subsidiaries of DCB Financial Corp
27	Financial Data Schedule
99	Proxy Statement

No reports on Form 8-K were filed during the last quarter of the period covered by this report.

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.

DCB FINANCIAL CORP

By: /s/ LARRY D. COBURN

Larry D. Coburn, President & CEO

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on March 24, 1999.

Signatures	Title
/s/ LARRY D. COBURN Larry D. Coburn	President (Principal Executive Officer), CEO and Director
/s/ JEROME J. HARMEYER Jerome J. Harmeyer	Director, Chairman of the Board
/s/ CHARLES W. BONNER Charles W. Bonner	Director
/s/ WILLIAM R. OBERFIELD William R. Oberfield	Director

/s/ RODNEY B. HURL, M.D. ----------------------------- Rodney B. Hurl, M.D.	Director
/s/ G. WILLIAM PARKER, M.D. ----------------------------- G. William Parker, M.D.	Director
/s/ THOMAS T. PORTER ----------------------------- Thomas T. Porter	Director
/s/ EDWARD A. POWERS ----------------------------- Edward A. Powers	Director
/s/ MERRILL KAUFMAN ----------------------------- Merrill Kaufman	Director

/s/ GARY M. SKINNER ----------------------------- Gary M. Skinner	Director
/s/ TERRY M. KRAMER ----------------------------- Terry M. Kramer	Director
/s/ G. EDWIN JOHNSON ----------------------------- G. Edwin Johnson	Director
/s/ VICKIE J. LEWIS ----------------------------- Vickie J. Lewis	Director
/s/ RICHARD L. BUMP ----------------------------- Richard L. Bump	Director

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	SEQUENTIAL PAGE
3.1	Amended Articles of Incorporation of DCB Financial Corp (incorporated by reference to Registrant's Form S-4, File No. 333-15579, effective January 10, 1997)	N/A
3.2	Code of Regulations of DCB Financial Corp (incorporated by reference to Registrant's Form S-4, File No. 333-15579, effective January 10, 1997)	N/A
10.1	Employment agreement with Mr. Coburn (incorporated by reference to Registrant's Form 8-B, File No. 000-22387, effective April 15, 1997)	N/A
10.2	Employment agreement with Mr. Westbrook (incorporated by reference to Registrant's Form 8-B, File No. 000-22387, effective April 15, 1997)	N/A
10.3	Employment agreement with Mr. Whitney (incorporated by reference to Registrant's 1997 Form 10-K, File No. 0-22387, effective March 25, 1998)	N/A
11	Statement Regarding Computation of Per Share Earnings	58

EXHIBIT 11

STATEMENT REGARDING COMPUTATION OF PER SHARE EARNINGS

	Years ended December 31,		
	1998	1997	1996(1)
Average shares outstanding	4,197,077	4,270,789	4,273,200
Net income	$4,734,000	$4,890,000	$4,880,000
Earnings per common share	$ 1.13	$ 1.14	$ 1.14

(1) Restated to reflect the formation of a holding company through an internal reorganization whereby each share holder of the Bank received three shares of the Corporation's no par value common stock for each share of Bank $1.00 par value stock owned.

EXHIBIT 21

SUBSIDIARIES OF DCB FINANCIAL CORP

The Delaware County Bank and Trust Company, Delaware, Ohio, an Ohio-charter commercial bank.

EXHIBIT 99

PROXY STATEMENT

DCB FINANCIAL CORP
41 North Sandusky Street
Delaware, Ohio 43015

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS TO BE HELD

May 19, 1999

TO THE SHAREHOLDERS OF DCB FINANCIAL CORP:

You are hereby notified that the annual meeting of the shareholders of DCB Financial Corp (the "Company") will be held on May 19, 1999 at 7:30 P.M. (Dinner at 6:30 P.M.) at Branch Rickey Arena (South Sandusky Street), Ohio Wesleyan University, Delaware, Ohio, for the purpose of considering and acting upon the following:

1. To elect Class III directors to hold office until the expiration of their terms (3 years) expiring is at the Annual Meeting in 2002 or until their successors shall be duly elected and qualified, and

2. To transact such other business as may properly come before the meeting or any adjournment thereof.

This is the third Annual Meeting for the Company which acquired The Delaware County Bank and Trust Company (the "Bank") effective as of the conclusion of business on March 14, 1997. The Board of Directors has fixed April 1, 1999 as the record date for the determination of shareholders entitled to notice of and to vote at the annual meeting. As of the record date there were 4,178,200 shares of the Company's no par value common stock outstanding. The stock transfer books of the Company will not be closed prior to the meeting.

A copy of the Bank's Annual Report, which includes the Bank's audited Balance Sheets as of December 31, 1998 and 1997, the related audited statements of Income, Statements of Changes in Shareholders' Equity, and Statements of Cash Flows for each of the two years ended December 31, 1998 and 1997, is enclosed.

By the order of the Board of Directors

Larry D. Coburn, President

April 19, 1999

YOUR VOTE IS IMPORTANT. EVEN IF YOU PLAN TO ATTEND THE MEETING, PLEASE DATE AND SIGN THE ENCLOSED PROXY AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE. YOU MAY REVOKE YOUR EXECUTED PROXY AT ANY TIME BEFORE IT IS EXERCISED AT THE ANNUAL MEETING OF SHAREHOLDERS BY NOTIFYING THE CHAIRMAN OF THE MEETING OR THE SECRETARY OF THE COMPANY AT, OR PRIOR TO THE MEETING, OF YOUR INTENTION. IF YOUR STOCK IS HELD IN MORE THAN ONE (1) NAME, ALL PARTIES MUST SIGN THE PROXY FORM.

GENERAL INFORMATION

This Proxy Statement and the accompanying form of proxy is furnished in connection with the solicitation, by the Board of Directors of DCB Financial Corp, 41 North Sandusky Street, Delaware, Ohio 43015, (740) 363-1133, of proxies to be voted at the annual meeting of the shareholders of DCB Financial Corp to be held on May 19, 1999 at 7:30 P.M. (Dinner at 6:30 P.M.) at Branch Rickey Arena (South Sandusky Street), Ohio Wesleyan University, Delaware, Ohio, in accordance with the foregoing notice.

DCB Financial Corp is a registered bank holding company of which The Delaware County Bank and Trust Company (the "Bank") is its only subsidiary. The Company and the Bank are at times hereinafter collectively referred to as the "Company". This is the third Annual Meeting for the Company which acquired the Bank effective as of the conclusion of business on March 14, 1997.

The solicitation of proxies on the enclosed form is made on behalf of the Board of Directors of the Company. All costs associated with the solicitation will be borne by the Company. The Company does not intend to solicit proxies other than by use of the mails, but certain officers and regular employees of the Company or its subsidiaries, without additional compensation, may use their personal efforts, by telephone or otherwise, to obtain proxies. The proxy materials are first being mailed to shareholders on April 19, 1999.

Any shareholder executing a proxy has the right to revoke it by the execution of a subsequently dated proxy, by written notice delivered to the Secretary of the Company prior to the exercise of the proxy in person by voting at the meeting. The shares will be voted in accordance with the direction of the shareholder as specified on the proxy. In the absence of instruction, the proxy will be voted "FOR" the election of the nominees listed in this proxy statement.

VOTING SECURITIES

Only shareholders of record at the close of business on April 1, 1999 will be eligible to vote at the Annual Meeting or any adjournment thereof. As of April 1, 1999, the Company had outstanding 4,178,200 shares of no par value common stock. Shareholders are entitled to one vote for each share of common stock owned as of the record date, and shall have the right to cumulate votes in the election of Directors in accordance with Ohio law. Cumulative voting permits a shareholder to multiply the number of shares held by the number of directors to be elected, and cast those votes for one candidate or spread those votes among several candidates as he or she deems appropriate.

All Directors and Executive Officers of the Company as a group (comprised of 20 individuals), beneficially held 347,788 shares of the Company's common stock as of February 28, 1999, representing 8.32156 percent of the outstanding common stock of the company.

PROPOSAL #1 ELECTION OF DIRECTORS AND INFORMATION WITH RESPECT TO DIRECTORS AND OFFICERS

At the meeting May 19, 1999, Class III Directors are to be elected to hold office until the expiration of their term (3 years) which will be at the Annual Meeting 2002 or until their successor shall be duly elected and qualified.

The Code of Regulations for the Company provides that the Directors shall be divided into three Classes, as nearly equal in number as possible. The number of members and year of term expiration for each Class is as follows:

Class I	5 Members	Term Expiration 2000
Class II	5 Members	Term Expiration 2001
Class III	3 Members	Term Expiration 2002

The Board is designating the following individuals to serve as nominees for election as Class III Directors for terms expiring at the Annual Meeting in 2002. In the event any of the nominees should be unable to serve, the persons named in the proxy will vote for such substitute nominees as shall have been designated by the Board. Information regarding these nominees is set forth as follows:

Name	Age	Director Since *	Occupation During Past Five Years
Jerome J. Harmeyer	60	1990	President, Fisher Cast Steel Products
Rodney B. Hurl	69	1990	Retired Physician
G. Edwin Johnson	66	1993	President, AgriCommunicators

* Service includes the time served as a Director of The Delaware County Bank and Trust Company

The election of each nominee will require the affirmative vote of the majority of the outstanding shares of the common stock of the Company.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth the number and percentage of shares of common stock owned by the Directors and Executive Officers of the Company. As of the date of this Proxy Statement, management is not aware of any person who beneficially owns five percent or more of the Company's common stock.

Name	Amount and Nature of Beneficial Ownership February 28, 1999	Percentage
Larry D. Coburn, Director & CEO (1)	10,057	0.24%
William R. Oberfield, Director (2)	12,000	0.28%
G. William Parker, Director (3)	26,502	0.62%
Gary M. Skinner, Director (4)	9,564	0.23%
C. William Bonner, Director (5)	12,600	0.29%
Merrill L. Kaufman, Director (6)	20,940	0.50%
Terry M. Kramer, Director (7)	49,190	1.18%
Thomas T. Porter, Director (8)	28,350	0.68%
Edward Powers, Director	20,040	0.48%
Jerome J. Harmeyer, Director (9)	46,998	1.11%
Rodney B. Hurl (10)	44,250	1.06%
G. Edwin Johnson, Director (11)	5,336	0.13%
Vickie J. Lewis, Director (12)	16,200	0.39%
Richard L. Bump, Secretary to the Board	5,809	0.14%
David G. Bernon, Executive Officer	4,288	0.10%
Donald R. Blackburn, Executive Officer	5,268	0.13%
Douglas A. Lockwood, Executive Officer	274	0.01%
Donna R. Warbel, Executive Officer	963	0.02%
Larry E. Westbrook, Executive Officer	19,392	0.46%
Thomas R. Whitney, Executive Officer	9,767	0.23%

(1) 8,600 shares owned by CEDE & Co., Custodian and 1,457 shares held by Larry Coburn 401(k) Plan.

(2) 8,008 shares owned by William Oberfield individually, 1,600 shares owned by Janet Oberfield, 1,482 shares owned by William Oberfield IRA, 910 shares owned by Janet Oberfield IRA.

(3) 24,843 shares owned by G. William Parker individually and 1,659 shares

owned by G. William Parker IRA.

(4) 3,636 shares owned by Gary or Carolyn Skinner jointly, 72 shares owned by Carolyn Skinner individually and 5,856 shares owned by Gary Skinner IRA.

(5) 1,800 shares owned by Charles W. Bonner individually, 1,800 shares owned by Charles W. or Barbara Bonner jointly and 9,000 shares owned by Cede and Co., Custodian.

(6) 1,800 shares owned by Merrill Kaufman individually, 8,640 shares owned by Merrill or Charlotte Kaufman jointly, 5,250 shares owned by Merrill Kaufman IRA and 5,250 shares owned by Ann Kaufman IRA.

(7) 25,770 shares owned by Terry Kramer individually and 23,420 shares owned by Sandra Kramer individually.

(8) 1,800 shares owned by Thomas Porter individually, 450 shares owned by Carolyn Porter individually, 25,050 shares owned by Garth's Auctions, Inc., 600 shares owned by Thomas T. Porter 401(k) Plan and 450 shares owned by Carolyn B. Porter 401(k) plan.

(9) 1,800 shares owned by Jerome Harmeyer individually, 1,944 shares owned by Jerome or Madelyn Harmeyer jointly and 43,254 shares owned by Madelyn Harmeyer individually.

(10) 10,250 shares owned by Rodney B. Hurl Revocable Trust, 32,650 shares owned by Rodney B. Hurl IRA and 1,350 shares owned by Judith Hurl individually.

(11) 2,476 shares owned by G. Edwin and Marilyn Johnson and 2,860 shares owned by G. Edwin Johnson individually.

(12) 500 shares owned by Vickie J. Lewis individually and 15,700 shares owned by Jonathan Lewis individually.

COMMITTEES AND COMPENSATION OF THE BOARD OF DIRECTORS

The Board of Directors conducts its business through meetings of the Board and through its committees. The Board of Directors of the Company and the Bank has appointed and maintains an Audit Committee, Salary Committee, Nominating Committee and Trust Committee.

The Audit Committee reviews with the Company's independent auditors, the audit plan, the scope and results of their audit engagement and the accompanying management letter, if any; reviews the scope and results of the Company's internal auditing procedures; consults with the independent auditors and management with regard to the Company's accounting methods and the adequacy of its internal accounting controls; approves professional services provided by the independent auditors; reviews the independence of the independent auditors; and reviews the range of the independent auditors' audit and nonaudit fees. The Audit Committee is comprised of Harmeyer, Kramer, Parker, Porter and Powers. The Audit Committee met nine (9) times during 1998.

The Salary Committee is responsible for administering the Company's employee benefit plans; setting the compensation of officers; reviewing the criteria that forms the basis for management's officer and employee compensation recommendations and reviewing management's recommendations in this regard. The Salary Committee is composed of Coburn, Johnson, Kramer, Parker and Porter. The Salary Committee met five (5) times during 1998.

The Company's Nominating Committee is responsible for making annual nominations for Directors to fill vacancies created by expiring terms of Directors and from time to time, making appointments to fill vacancies created prior to the expiration of a Director's term. During 1998 the Committee met one (1) time to consider and act upon the nomination of Directors. The Nomination Committee is composed of Coburn, Kaufman and Porter.

The Trust Committee is a committee of the Bank and oversees all activities of the Trust Division of the Bank to assure that all fiduciary obligations are fulfilled ethically, professionally and prudently. Coburn, Harmeyer, Hurl, Oberfield and Lewis served on the committee in 1998 meeting twelve (12) times.

The Board of Directors of the Company meets monthly for its regular meetings and upon call for special meetings. During 1997, the Board of Directors of the Company met thirteen (13) times. All Directors of the

Company attended at least 75 percent of the Board and Committee Meetings that they were scheduled to attend during 1998.

Directors are paid a monthly retainer of $175 for serving on the Board, except for the Chairman of the Board who receives a retainer of $500 per month. In addition, the Directors receive $250 per board meeting attended and $150 for each committee meeting attended. Committee Chairs receive $200 for each committee meeting.

EXECUTIVE COMPENSATION AND OTHER INFORMATION

The following table provides certain summary information concerning compensation paid or accrued by the Company and/or its subsidiaries, to or on behalf of the Bank's Chief Executive Officer for the fiscal years ended December 31, 1998 and 1997, and to all executive officers as a group during 1998:

<TABLE>

SUMMARY COMPENSATION TABLE ANNUAL COMPENSATION

<CAPTION>

Name and Principal Position	Year	Salary	Bonus	All Other Compensation(1)
<S>	<C>	<C>	<C>	<C>
Larry D. Coburn	1998	$154,000	$46,813	$15,632
President - The Delaware County Bank & Trust	1997	$140,000	$48,000	$9,475
All Executive Officers (2) as a Group [Seven (7) in number]	1998	$641,832		

</TABLE>

(1) The Bank pays no "fringe benefits" for its Executive Officers except for use of an automobile by the President, the total value of which is less than $5,000. Includes compensation for attendance at Board meetings while serving as a Director and the Bank's contribution to the 401(k) plan.

(2) Includes Mr. Coburn; David G. Bernon, Senior Vice President - Loans; Donald R. Blackburn, Vice President - Retail Banking and Customer Relations; Douglas A. Lockwood, Acting Controller; Donna R. Warbel, Vice President - Human Resources; Larry E. Westbrook - Senior Vice President & Cashier; and Thomas R. Whitney - Vice President & Senior Trust Officer.

EMPLOYMENT CONTRACTS

The Bank has employment contracts currently in place with Larry D. Coburn, President and CEO of the Company and the Bank, Thomas R. Whitney, Vice President and Senior Trust Officer of the Bank and Larry E. Westbrook, Senior Vice President and Cashier of the Bank and Treasurer of the Company.

The contract with Mr. Coburn was entered for the period from August 14, 1995, the effective date of his employment with the Bank, until December 31, 1995. The contract is renewed for successive one year terms after a performance evaluation upon the written consent of the Bank and Mr. Coburn. The contract provides for a base salary of $140,000, subject to the adjustment upward at the discretion of the Board of Directors. Fringe benefits are provided that are comparable to other executive employees except that Mr. Coburn is granted the use of an automobile unlike any other employee. The contract also provides for a severance payment in the event that the Bank terminates Mr. Coburn for other than: (i) "Just Cause" (as defined in the contract); (ii) Mr. Coburn reaching retirement age: or (iii) the Bank's decision not to renew the contract. In such a termination, the Bank is obligated under the contract to pay Mr. Coburn an amount equal to his monthly salary for up to 12 months or until he accepts other employment. In the event the Bank is the subject of an acquisition to which Mr. Coburn does not consent, and his position with the Bank is changed significantly, Mr. Coburn may voluntarily terminate the contract and receive as severance an amount equal to the average annual salary he has received from the Bank for the past five years.

The contract with Mr. Whitney was entered for the period from August 1, 1996 through December 31, 1996. The contract is renewed for successive one year terms upon the written consent of the Bank and Mr. Whitney. The contract provides for a base salary to be set by the Board's Salary Committee and the employee is entitled to participate in any bonus and other employee benefit plans. The contract also provides for a severance payment in the event that the Bank terminates Mr. Whitney for other than: (i) "Just Cause" (as defined in the contract); (ii) Mr. Whitney reaching retirement age: or (iii) the Bank's decision not to renew the contract. In such a termination, the Bank is obligated under the contract to pay Mr. Whitney an amount equal to his monthly salary for up to 12 months or until he accepts other employment. In the event the Bank is the subject of an acquisition to which Mr. Whitney does not consent, and his position with the Bank is changed significantly, Mr. Whitney may voluntarily terminate the contract and receive as severance an amount equal to the average annual salary he has received from the Bank for the past five years.

The contract for Mr. Westbrook was entered into on April 12, 1990 with an initial term ending December 31, 1990. The contract automatically renews for annual periods unless the Bank does not less than 10 nor more than 20 days notice that the Bank chooses not to renew the contract. The contract also provides for termination "for cause" (as defined in the contract). The contract can be terminated by Mr. Westbrook at any time, upon 90 days written notice. Mr. Westbrook's contract also contains a "change in control" provision providing for payment to the employee if, in connection with any acquisition of the Bank or for one year thereafter, the employee is terminated or exercises his right to terminate the agreement for "Good Reason" (as defined in the contracts) because his position with the Bank is changed significantly. In the event of such termination, the employee is entitled to receive as severance an amount equal to the average annual salary he has received from the Bank for the past 5 years. The contract for Mr. Westbrook is silent as to compensation and such amounts are set by the Board of Directors on an annual basis.

REPORT OF THE SALARY COMMITTEE OF DCB FINANCIAL CORP ON COMPENSATION

Under rules established by the Securities and Exchange Commission (the "SEC"), the Company is required to provide certain data and information in regard to the compensation and benefits provided to the Company's President and Chief Executive Officer and, if applicable, the four other most highly compensated Executive Officers, whose compensation exceeded $100,000 during the Company's fiscal year. The disclosure requirements, as applied to the Company, include only the Company's President and Chief Executive Officer, Larry D. Coburn. The disclosure includes the use of tables and a report explaining the rationale and considerations that led to fundamental executive compensation decisions affecting such officers. The Company is a bank holding company and owns a single operating subsidiary, The Delaware County Bank and Trust Company. The Company has no direct employees. All disclosures contained in this Proxy Statement regarding executive compensation reflect compensation paid by the Bank. The

Salary Committee of this company has the responsibility of determining the compensation policy and practices with respect to all Executive Officers. At the direction of the Board of Directors, the Salary Committee of the Company has prepared the following report for inclusion in the Proxy Statement.

Compensation Policy. The report reflects the Company's compensation philosophy as endorsed by the Salary Committee. The Salary Committee makes the recommendation regarding the level of compensation for all Executive Officers including Mr. Coburn and Mr. Coburn has input into the compensation levels for all Executive Officers, except himself.

The executive compensation program of the Company has been designed to:

o Support a pay-for-performance policy that awards Executive Officers for corporate performance.

o Motivate key Executive Officers to achieve strategic business goals.

o Provide compensation opportunities which are comparable to those offered by other peer group companies, thus allowing the Company to compete for and retain talented executive's who are critical to the Company's long-term success.

The Salary Committee approved compensation increases for all Executive Officers of the Company during 1997. Executive Officer salary increase determinations are based upon an evaluation of such executives performance against goals set in the prior year.

The Bank maintains a cash bonus plan (the "Bonus Plan") which allocates a portion of the Bank's pre-tax income for the purpose of employee cash bonuses on an annual basis. The Bonus Plan is administered by the Salary Committee. The award of a bonus to any employee under the terms of the Bonus Plan is discretionary and is determined by the Board of Directors upon the recommendation of the Salary Committee.

The Salary Committee has determined that a significant portion of executive compensation should be payable in an annual bonus which shall be based principally upon the financial performance of the Company and that of the individual in attaining his or her established goals.

This Report of Compensation is submitted by the Salary Committee Members: Larry D. Coburn, G. Edwin Johnson, Terry M. Kramer, G. William Parker and Thomas T. Porter.

SALARY COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Larry D. Coburn, Company's President and Chief Executive Officer served on the Salary Committee of the Company, which is responsible for compensation matters (see "Report of the Salary Committee" in this Proxy Statement).

Although Mr. Coburn served on the Salary Committee, he did not participate in any decisions regarding his own compensation as an Executive Officer. Each year, the Salary Committee recommends that amount of the bonus award for Mr. Coburn (pursuant to the Bonus Plan described above) and salary for the ensuing year. Mr. Coburn did not participate in discussions nor decision-making relative to his own compensation.

PERFORMANCE GRAPH - SIX YEAR SHAREHOLDER RETURN COMPARISON

The SEC requires that the Company include in this Proxy Statement a line-graph presentation comparing cumulative five or more year shareholder returns on an indexed basis with a broad equity market index and either a nationally recognized industry standard or an index of peer companies selected by the Company. The Company has selected the S&P 500 Market Index and the S&P Regional Bank Index for the purposes of this performance comparison. The chart below compares the value of $100 invested on December 31, 1992, in the Bank's stock, S&P 500 Market Index and the S&P Regional Bank Index. The Company has used the Bank's performance because the Company was not an operating company during this time.

The Delaware County Bank and Trust Company Common Stock performance was used through March 17, 1997 when the holding company, DCB Financial Corp, was formed. The performance of DCB Financial Corp then was used for the rest of 1997.

	1992	1993	1994	1995	1996	1997	1998
DCB Financial Corp.	$100.00	$119.99	$131.57	$145.66	$268.67	$443.60	$365.08
S&P 500 Index	$100.00	$110.08	$111.54	$153.47	$188.71	$251.17	$323.03
S&P Major Regional Bank Index	$100.00	$106.03	$100.35	$158.00	$215.91	$322.92	$356.05

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

There are no existing or proposed material transactions between the Company and any of the Company's officers, directors or the immediate family or associates of any of the foregoing persons, except as indicated below:

Mr. C. William Bonner, a Director of the Company, purchased land and built two office complexes located at 6156 Highland Lakes Avenue, Westerville and 10149 Brewster Lane, Powell. The Bank entered into a lease for these office complexes with initial terms of 20 years at a rent of $83,840 and $71,000 per year, respectively. The Board of Directors approved the lease transactions with Mr. Bonner abstaining from consideration of the matter. The Board believes that the rent to be paid to Mr. Bonner and the other terms and conditions of the lease transactions are comparable to those which would be available from an unrelated party.

Some of the directors of the Company, as well as the companies with which such directors are associated, are customers of, and have had banking transactions with the Bank in the ordinary course of the Bank's business and the Bank expects to have such ordinary banking transactions with such persons in the future. In the opinion of management of the Company and the Bank, all loans and commitments to lend included in such transactions were made in compliance with applicable laws on substantially the same terms, including interest rates and collateral, as those prevailing for comparable transactions with other persons of similar creditworthiness and did not involve more than a normal risk of collectablility or present other unfavorable features. During 1998 none of the Bank's Directors or principal officers had outstanding indebtedness that exceeded ten percent (10%) of the Bank's equity capital accounts.

The Bank expects to have in the future, banking transactions, in the ordinary course of its business with directors, officers and principal shareholders, and their associates of the Bank and the Company, on substantially the same terms, including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with others and which do not involve more than the normal risk of collectability or present other unfavorable features.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and Directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, Directors and greater than ten percent shareholders are required by the SEC regulation to furnish the Company with copies of all Section 16(a) forms they file. Prior to the acquisition of the Bank by the Company, such reports were filed with the Federal Deposit Insurance Company as the Bank was a "public bank."

Based solely on review of the copies of such forms furnished to the Company or written representations that no such forms were required, the Company believes that during 1998 all Section 16(a) filing requirements applicable to its officers and Directors were complied with. The Company has no shareholders who are ten percent beneficial owners.

RELATIONSHIP WITH INDEPENDENT ACCOUNTANTS

The Board of Directors engaged the accounting firm of Crowe Chizek & Company LLP to perform the certified audit of the Bank's books as of year-end 1998. Their certification is included in the Annual Report which accompanies this proxy material. In addition to the audit report, the Bank relies on Crowe Chizek & Company LLP for consultation on other accounting, investment and tax-related matters as needed by management. The Bank's Board has determined that the performance of non-audit services for the Bank by Crowe Chizek & Company LLP will not have an adverse effect on the independence of that firm with

respect to its certified audit report. The independent accountants, Crowe Chizek & Company LLP, will be in attendance at the annual meeting. The Board of Directors will determine who shall perform the 1999 annual certified audit at a later date.

SHAREHOLDER PROPOSALS

Any proposals to be considered for inclusion in the proxy material to be provided to shareholders of the Company for its next annual meeting, to be held in 2000, must be made by a qualified shareholder and must be received by the Company no later than February 18, 2000.

OTHER MATTERS

The Board of Directors of the Company is not aware of any other matters that may come before the meeting. However, the enclosed Proxy will confer discretionary authority with respect to matters which are not known to the Board of Directors at this time of printing and which may properly come before the meeting. A copy of the Company's 1998 report filed with the Security and Exchange Commission, on Form 10-K, will be available without charge to shareholders on request. Address all requests, in writing, for this document to Donald R. Blackburn, Vice President, The Delaware County Bank and Trust Company, 41 North Sandusky Street, Delaware, Ohio 43015.

By Order of the Board of Directors of
DCB Financial Corp

Larry D. Coburn, President

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.

DCB FINANCIAL CORP

By: ------------------------------
Larry D. Coburn, President and CEO

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

Signatures	Title
--------------------------- Larry D. Coburn	President CEO and Director (Principal Executive Officer)
--------------------------- Date	
--------------------------- Jerome J. Harmeyer	Director, Chairman of the Board
--------------------------- Date	
--------------------------- Charles W. Bonner	Director
--------------------------- Date	
--------------------------- William R. Oberfield	Director
--------------------------- Date	
--------------------------- Rodney B. Hurl, M.D.	Director
--------------------------- Date	
--------------------------- G. William Parker, M.D.	Director
--------------------------- Date	

--------------------------- Thomas T. Porter	Director

Date

-------------------------- Director
Edward A. Powers

-------------------------- Director
Merrill Kaufman

Date

-------------------------- Director
Gary M. Skinner

Date

-------------------------- Director
Terry M. Kramer

Date

-------------------------- Director
G. Edwin Johnson

Date

-------------------------- Director
Vickie J. Lewis

Date

-------------------------- Director
Richard L. Bump

Date

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE
CONSOLIDATED BALANCE SHEET AND THE CONSOLIDATED STATEMENT OF INCOME FILED AS
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