FORM 10-K

Annual report pursuant to section 13 and 15(d)

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

NATIONAL CITY BANCORPORATION

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Business Address
651 NICOLLET MALL
MINNEAPOLIS MN 55402
6129048503

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

_X_ Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 1998

_____ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file number 0-9426

NATIONAL CITY BANCORPORATION

(Exact name of registrant as specified in its charter)

Iowa	42-0316731
(State or other jurisdiction of incorporation of organization)	(I.R.S. Employer Identification Number)
651 Nicollet Mall Minneapolis, Minnesota	55402-1611
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number (including area code): 612-904-8500

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

$1.25 Par Value Common Stock

(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 _____

As of February 22, 1999, the aggregate market value of 7,713,410 shares of voting common stock, $1.25 par value, held by non-affiliates of the registrant was approximately $169,695,020 based upon the reported closing price on the NASDAQ Stock Market SM. As of February 22, 1999, 8,781,899 shares of $1.25 par value common stock of the registrant were outstanding.

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

DOCUMENTS INCORPORATED BY REFERENCE

(1) Portions of National City Bancorporation's Annual Report to Stockholders for the year ended December 31, 1998 are incorporated by reference into Parts I, II, and IV.

(2) Portions of the definitive Proxy Statement of National City Bancorporation for the Annual Meeting of Stockholders to be held on April 21, 1999 are incorporated by reference into Part III.

NATIONAL CITY BANCORPORATION

FORM 10-K
YEAR ENDED DECEMBER 31, 1998

PART I

ITEM 1 - BUSINESS

National City Bancorporation (NCBC) was incorporated in 1937 under the laws of the State of Iowa. NCBC is a bank holding company which owns 99.9% of the capital stock of National City Bank of Minneapolis (NCB), which is a commercial bank. NCBC owns 100% of the capital stock of Diversified Business Credit, Inc. (DBCI), a commercial finance company. NCBC also owns 100% of the capital stock of National City Development & Realty, Inc., an inactive subsidiary.

NCB has its main banking office in the business district of downtown

Minneapolis and also serves customers from two detached facilities. One of these facilities provides a drive-up location in downtown Minneapolis, and the other is a full service branch location in Edina, Minnesota, a suburb of Minneapolis.

NCBC provides its subsidiaries advice and specialized services in various fields of financial and banking policy. The responsibility for the management of each subsidiary remains with the Board of Directors and with the officers appointed by the Boards of Directors. NCB provides usual and customary banking services, including without limitation: business, personal and real estate loans; a full range of deposit services; correspondent banking and safe deposit facilities. In addition to the services generally provided by a full-service bank, NCBC's subsidiaries offer specialized services as described below:

TRUST SERVICES - NCB offers clients a wide variety of fiduciary services ranging from the management of funds for individuals to the administration of estates and trusts. For corporations, governmental bodies, and public authorities, NCB acts as fiscal and paying agent, registrar, and trustee under corporate indentures and pension and profit sharing agreements. NCB also provides record keeping and reporting for 401-K retirement savings plans.

INTERNATIONAL OPERATIONS - NCB provides a wide range of services in the area of international banking including trade service products, such as letters of credit, bankers acceptances, international collections and foreign exchange.

ASSET-BASED FINANCING - DBCI specializes in providing working capital loans secured by accounts receivable, inventory, and other marketable assets. All loans are made on a full recourse basis to the borrower. Personal guarantees from the owners of the borrower are normally obtained. Loans are made on a demand basis with no fixed repayment schedule. Compared to equity-based loans made by banks and others, asset-based loans usually require closer monitoring which results in higher loan servicing costs. Typically, interest rates earned on these loans are higher than rates earned on equity-based loans.

OTHER SERVICES - NCBC and subsidiaries do not have more than one line of business or class of service. All income is derived from commercial banking and bank-related services. It is not dependent on a single customer or a single industry for any material part of its business.

COMPETITION - Banking in Minnesota, as elsewhere, is highly competitive and NCB competes with other banks, both independent and those affiliated with other bank holding companies. Additional competitors are able to enter the Minnesota market following the June, 1997 change in banking regulations (See Supervision & Regulation). In addition, in lending funds and obtaining deposits, NCB competes with other types of institutions, such as savings and loan associations, credit unions, insurance companies, finance companies, and various institutions offering money market and mutual funds.

EMPLOYEES - NCBC and its subsidiaries have approximately 278 employees, none of whom are represented by a collective bargaining organization.

GOVERNMENT POLICIES - The earnings of NCBC's various operating units, as lenders of money, are affected by state and federal legislative changes and by policies of various regulatory authorities, including those of the State of Minnesota and the United States and, to a lesser extent, by those of foreign governments, and international agencies. These policies include, for example, statutory maximum legal interest rates, domestic monetary policies of the Board of Governors of the Federal Reserve System, United States fiscal policy, international currency regulations and monetary policies, and capital adequacy and liquidity constraints imposed by bank regulatory agencies.

SUPERVISION AND REGULATION - NCBC is a registered bank holding company under the Bank Holding Company Act of 1956 (the Act) and is subject to the supervision of and regulation by the Board of Governors of the Federal Reserve System (the Board).

Under the Act, a bank holding company may engage in banking, managing or controlling banks, furnishing and performing services for banks which it controls, and activities which the Board has determined to be closely related to banking. NCBC must obtain approval of the Board before acquiring control of a bank or acquiring more than 5% of the outstanding voting shares of a company engaged in a bank-related business.

In general, effective June 1, 1997, federal law permits the merger of insured banks within different home states, without regard to whether such transaction is prohibited under the law of any state.

Under state law, a bank subsidiary of an out-of state bank holding company may establish branch offices in Minnesota if the bank subsidiary's principal place of business is within the state. An acquiring out-of-state bank may maintain and operate branches within Minnesota provided the in-state acquired bank has been in continuous operation for at least five years.

NCBC's subsidiary bank is a national bank and is, accordingly, subject to the supervision of and examination by the Comptroller of the Currency and the Federal Reserve System. The subsidiary bank is a member of the Federal Deposit Insurance Corporation and, accordingly, is subject to examination thereby.

Areas subject to regulation by federal and state authorities include deposit reserves, investments, loans, mergers, issuance of securities, payment of dividends, establishment of branches, and other aspects of operations.

STATISTICAL DATA - Statistical data is presented on pages 29 through 35 of the Annual Report to Stockholders for the year ended December 31, 1998, and such statistical data is incorporated herein by reference.

ITEM 2 - PROPERTIES

NCB currently leases 95,200 square feet of space for its downtown main office under a lease which expires in 2006.

NCB leases 3,380 square feet of record storage space at a downtown location under a lease that expires in the year 2000.

NCB maintains a drive-up detached banking facility in downtown Minneapolis on leased land. The lease expires in the year 2000.

NCB also owns an 8,500 square foot banking facility and land in Edina, Minnesota.

DBCI leases 14,067 square feet of space in downtown Minneapolis. This lease expires in the year 2002.

The aggregate net rentals for all of the above described facilities were approximately $2,332,000 in 1998.

NCB's banking offices are located at Gaviidae Common at 651 Nicollet Mall. NCB entered into a ten year lease commencing March 16, 1996, to occupy approximately 95,200 square feet at this location.

The effective annual base rent per square foot is $4.98 for the first five years and $6.98 for the second five years of the lease term. These rents are based upon NCB advancing $3,346,608 to the landlord, which amount was used to pay for certain base building improvements, real estate commissions, design fees and reimbursement for moving expenses. The annual cost for the first five years will be approximately $1.7 million and for the last five years will be approximately $1.8 million per year. In addition, NCB paid for all its leasehold improvements, which cost approximately $2,000,000. NCB has two options of five years each to extend the lease term at the then current fair market rents for office and retail space. NCB has the right to terminate the lease in its entirety or to give back substantial portions of the leased premises on the sixth anniversary of the lease term. NCB has expansion rights on all space on the third and fourth levels of the premises, subject to the rights of existing tenants. Rent for expansion space taken on or before March 31, 1999, would be $8.00 net per square foot. Rent for expansion space taken after March 31, 1999, would be at the lower of (i) $8.00 per square foot plus any increase in the Minneapolis CPI from March 16, 1996, or (ii) the fair market value of the space. NCB will pay its pro rata share of taxes when due. NCB has the right to contest real estate taxes against the premises if the landlord fails to do so. NCB pays normal operating expenses which includes a cap on management fees and exclusions that are generally consistent with other large office tenant leases. The approximate cost per square foot related to real estate taxes and normal operating expenses is $13.85.

DBCI is located in Dain Bosworth Plaza, at 60 South Sixth Street. DBCI entered into a five year lease commencing September, 1, 1997, to occupy 14,067 square feet at this location. The effective annual base rent per square foot is $21.31 for the five years. The annual cost for the five years will be approximately $240,000 per year. In addition, DBCI paid all leasehold improvements which cost approximately $108,000. DBCI has two options of five years each to extend the lease term at the then current fair market rents for office space. DBCI will pay its pro rata share of taxes when due. DBCI will have the right to contest real estate taxes against the premises if the landlord fails to do so. DBCI will pay normal operating expenses which will include exclusions that are generally consistent with other office tenant leases. The approximate cost per square foot related to real estate taxes and normal operating expenses is $13.40.

ITEM 3 - LEGAL PROCEEDINGS

NCBC is party to various legal proceedings incidental to its business. Certain claims, suits, and complaints arising in the ordinary course of business have been filed or are pending against NCBC. In the opinion of management, the resulting liability, if any, arising from all such actions will not have a material impact on NCBC's consolidated financial position, liquidity or results of operations.

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

No matters were submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders through the solicitation of proxies or otherwise.

ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The market for National City Bancorporation's common stock and related stockholder matters is presented on pages 1 and 35 of the Annual Report to Stockholders for the year ended December 31, 1998, and is incorporated herein by reference.

PART II

ITEM 6 - SELECTED FINANCIAL DATA

Selected financial data is presented on page 34 of the Annual Report to Stockholders for the year ended December 31, 1998 and is incorporated herein by reference.

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

Management's discussion and analysis of financial condition and results of operations is presented on pages 19 through 28 of the Annual Report to Stockholders for the year ended December 31, 1998 and is incorporated herein by reference.

ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and qualitative disclosures about market risk are presented in pages 22 through 24 of the Annual Report to Stockholders for the year ended December 31, 1998 and is incorporated herein by reference.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements and supplementary financial information of National City Bancorporation and subsidiaries are presented on pages 3 through 18 and 29 through 35 of the Annual Report to Stockholders for the year ended December 31, 1998 and are incorporated herein by reference.

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

None.

PART III

ITEM 10 - DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The directors and executive officers of National City Bancorporation are presented on pages 3 through 5 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 21, 1999, and said presentation is incorporated herein by reference.

The executive officers referred to in this Item 10 are as follows:

Mr. David L. Andreas has been a director since 1980 and was elected Chief Executive Officer effective November 1, 1987. Mr. Andreas served as Chairman of the Board from 1987 to 1998. Mr. Andreas had been a Vice President and Senior Vice President of NCBC during the five years prior to being elected Chairman. Mr. Andreas was elected President and Chief Executive Officer of NCB in 1994.

Mr. Thomas J. Freed was elected Secretary and Controller of NCBC effective January 1, 1982 and Secretary and Chief Financial Officer effective July 16, 1997. Mr. Freed was elected Senior Vice President and Chief Financial Officer of NCB in 1986. Previous to 1986, Mr. Freed served as an officer of NCB for seventeen years.

Mr. Robert L. Olson has been President, Chief Executive Officer and director of Diversified Business Credit, Inc. since 1985.

ITEM 11 - EXECUTIVE COMPENSATION

Executive compensation is set forth on pages 6 through 9 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 21, 1999 and is incorporated herein by reference.

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The security ownership of certain beneficial owners and management is presented on page 2 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 21, 1999 and is incorporated herein by reference.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Certain relationships and related transactions are presented on pages 2 through 5 of the Proxy Statement for the Annual Meeting of Stockholders to be held April 21, 1999 and is incorporated herein by reference.

PART IV

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

(a) (1) Financial Statements

The Following consolidated financial statements and report of independent auditors of National City Bancorporation and subsidiaries, included in the annual report of the registrant to its stockholders for the year ended December 31, 1998, are incorporated by reference in Item 8:

Independent Auditors' Report
Consolidated balance sheets - December 31, 1998 and 1997
Consolidated statements of earnings - years ended December 31, 1998, 1997 and 1996
Consolidated statements of stockholders' equity - years ended December 31, 1998, 1997 and 1996
Consolidated statements of comprehensive income - years ended December 31, 1998, 1997 and 1996
Consolidated statements of cash flows - years ended December 31, 1998, 1997 and 1996
Notes to consolidated financial statements

(2) Financial Statement Schedules

All schedules are omitted because they are not applicable, not required, or the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits

3(a) - Restated Articles of Incorporation (incorporated herein by reference to Exhibit 3.01 of the Registrant's Registration Statement on Form S-1, Registration No. 269057).

3(b) - Restated By-laws [incorporated herein by reference to Exhibit 3(ii) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1985].

10(c) - Salary Continuation Agreement between NCB and Walter E. Meadley, Jr. (incorporated herein by reference to Exhibit 10(c) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990).

10(d) - Salary Continuation Agreement, as amended, between NCB and Thomas J. Freed (incorporated herein by reference to Exhibit 10(d) to the Registrant's Annual Report on Form 10-K for the year ended December 31, 1994).

10(f) - Fourth Amendment to Executive Salary Continuation Agreement by and between NCB and Thomas J. Freed dated November 31, 1995. [Incorporated herein by reference to Exhibit 10(f) to the 1995 Form 10-K.]

10(g) - Fourth Amendment to Executive Salary Continuation Agreement by and between NCB and Walter E. Meadley, Jr. dated November 31, 1995. [Incorporated herein by reference to Exhibit 10(g) to the 1995 Form 10-K.]

10(h) - Fourth Amendment to Executive Salary Continuation Agreement by and between NCB and David L. Andreas dated December 31, 1995. [Incorporated herein by reference to Exhibit 10(h) to the 1995 Form 10-K.]

10(i) - Change in Control Agreement by and between NCBC, NCB, and Thomas J. Freed dated as of November 19, 1996. [Incorporated herein by reference to Exhibit 10(i) to the 1996 Form 10-K.]

10(j) - Employment Agreement, dated December 4, 1997, by and between DBCI and Robert L. Olson. [Incorporated herein by reference to Exhibit 10(j) to the 1997 Form 10-K.]

11 - Computation of Basic Earnings Per Share.

13 - Annual Report to Stockholders (only those portions incorporated herein by reference shall be deemed filed with the Commission).

22 - Subsidiaries of Registrant are listed and described in PART I, Item 1.

23 - Consent of Ernst & Young, LLP.

27 - Financial Data Schedule

Copies of the exhibits will be furnished upon request and payment of registrant's reasonable expenses in furnishing the exhibits.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the quarter ended December 31, 1998.

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.

NATIONAL CITY BANCORPORATION

Date: March 18,1999 /S/David L. Andreas

David L. Andreas, Chief Executive Officer

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.

Date: March 18, 1999	/S/David L. Andreas David L. Andreas, Chief Executive Officer (Principal Executive Officer)
Date: March 18, 1999	/S/Thomas J. Freed Thomas J. Freed, Secretary and Chief Financial Officer (Principal Financial and Accounting Officer)
Date: March 18 1999	/S/David C. Malmberg David C. Malmberg, Chairman of the Board
Date: March 18, 1999	/S/Wendell R. Anderson Wendell R. Anderson, Director
Date: March 18, 1999	/S/Terry L. Andreas Terry L. Andreas, Director
Date: March 18, 1999	/S/ Michael J. Boris Michael J. Boris, Director
Date: March 18, 1999	/S/Marvin Borman Marvin Borman, Director

Date: March 18, 1999	
	--
	Sharon N. Bredeson, Director
Date: March 18, 1999	
	--
	Kenneth H. Dahlberg, Director
Date: March 18, 1999	/S/John H. Daniels, Jr.
	--
	John H. Daniels, Jr., Director
Date: March 18, 1999	/S/ James B. Goetz
	--
	James B. Goetz, Sr., Director
Date: March 18, 1999	/S/ Esperanza Guerrero-Anderson
	--
	Esperanza Guerrero-Anderson, Director
Date: March 18, 1999	/S/Thomas E. Holloran
	--
	Thomas E. Holloran, Director
Date: March 18, 1999	/S/ Bernard Jacobs
	--
	C. Bernard Jacobs, Director

Date: March 18, 1999	/S/ Walter E. Meadley, Jr.
	--
	Walter E. Meadley, Jr., Director
Date: March 18, 1999	/S/ Robert L. Olson
	--
	Robert L. Olson, Director
Date: March 18, 1999	/S/Roger H. Scherer
	--
	Roger H. Scherer, Director

NATIONAL CITY BANCORPORATION AND SUBSIDIARIES

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION	SUBSEQUENTLY NUMBERED PAGE
11	Computation of Basic Earnings Per Share.	
13	Annual Report to Stockholders (only those portions incorporated herein by reference shall be deemed filed with the Commission).	
22	Subsidiaries of Registrant are listed and described in PART I, Item 1.	
23	Consent of Ernst & Young, LLP.	
27	Financial Data Schedule	

NATIONAL CITY BANCORPORATION AND SUBSIDIARIES EXHIBIT 11

COMPUTATION OF BASIC EARNINGS PER SHARE (IN THOUSANDS EXCEPT PER SHARE DATA)
YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

	1998	1997	1996
Net earnings applicable to common stock	$15,664	$14,964	$12,686
Weighted average common shares outstanding*	8,855,348	8,901,415	8,915,473
Basic earnings per share	$1.77	$1.68	$1.42

*Adjusted for stock dividends

1998 ANNUAL REPORT

NATIONAL CITY BANCORPORATION

This year's annual report cover was designed by Minneapolis College of Art and Design's (MCAD) first year graduate student, Viera Hartmannova. She divides her academic program time between design, interactive multimedia and professional practice at MCAD DesignWorks, the college's in-house design studio. A BFA graduate from the Academy of Fine Arts and Design in Bratislava, Slovakia, Viera will gain an MFA from MCAD in 2000. Her work in design includes graphics for television. Her emphasis at MCAD is in interactive multimedia. After graduation Viera hopes to secure an internship at a Twin Cities studio. Regarding her objectives for the concept and design of this annual report cover, says Hartmannova, "I wanted to show the focus and strength of this bank over its competitors, its attention to personalized business relationships with its clients. Also, the integration of a web site into the innovative communication vehicles already established at the bank became a visual idea. The bank itself is a very creative environment, and I thought we could depict its fresh approach to the business of banking with composition and imagery."

A program of the college's design division, MCAD DesignWorks is committed to providing professional opportunities to outstanding students of graphic design, illustration, advertising and interactive multimedia. The studio offers professional practice opportunities to students and provides creative solutions to Minnesota's non-profit and business communities. This project was managed by Barsuhn Design Incorporated.

National City Bancorporation's work with DesignWorks is one of the many ways we support MCAD, an internationally recognized non-profit, accredited college of art and design. Our community benefits when businesses and community leaders support arts and education. We are all richer for these relationships.

For more information about MCAD DesignWorks call Pamela Arnold, Coordinator, at (612) 874-3767, or e-mail: pamela_arnold@mn.mcad.edu.

FINANCIAL HIGHLIGHTS

(IN THOUSANDS EXCEPT PER SHARE)	1998	1997
For the Year		
Net interest income	$ 47,602	$ 43,709
Net earnings	15,664	14,964
Basic earnings per share	1.77	1.68
At Year End		
Total assets	$1,025,682	$935,172
Loans	762,747	666,382
Deposits	517,494	478,650
Stockholders' equity	147,288	132,927
Book value per share	16.71	14.97

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NATIONAL CITY BANCORPORATION

National City Bancorporation (NCBC) is a bank holding company headquartered in Minneapolis, Minnesota. NCBC owns National City Bank of Minneapolis (the "Bank") which has three offices in metropolitan Minneapolis. NCBC also owns Diversified Business Credit, Inc. (DBCI), a commercial finance company.

FORM 10-K

The consolidated financial statements and related footnotes and certain other information included in this Annual Report will be incorporated by reference in the Company's Annual Report on Form 10-K to the Securities and Exchange Commission. A copy of the Form 10-K report is available free of charge upon written request to the Company, attention: D. L. Andreas, President and Chief Executive Officer, National City Bancorporation, 651 Nicollet Mall, Minneapolis, Minnesota 55402-1611.

STOCK TRANSFER AGENT AND REGISTRAR

National City Bank of Minneapolis, Gaviidae Common, 651 Nicollet Mall, Minneapolis, Minnesota 55402-1611.

ANNUAL MEETING

The annual meeting of Stockholders will be held in the Company's offices on the fifth floor of Gaviidae Common, 651 Nicollet Mall, Minneapolis, Minnesota, on Wednesday, April 21, 1999, at 11:00 a.m.

MARKET FOR COMMON STOCK

NCBC's common stock is traded on The NASDAQ Stock Market- under the symbol NCBM. There are currently approximately 2500 registered stockholders.

[LOGO] PRINTED WITH SOY INK
[LOGO] RECYCLED PAPER

This annual report is printed with soy ink on recycled paper. All papers meet or exceed the current E.P.A. guidelines for recycled paper. To help our environment, please recycle this publication.

REPORT TO STOCKHOLDERS

To Our Stockholders:

As you will read in our financial report, we have increased our performance over the prior year even though 1997 revenues included a non-recurring tax refund from the State of Minnesota.

Total assets increased 9.7 percent and were $1.026 billion at year-end. Loans grew by 14.5 percent and were $763 million at year-end. Both subsidiaries accounted for these increases. Net earnings grew by 4.7 percent and equaled $15,664,000, $1.77 per share for 1998, compared with $14,964,000, and $1.68 per share for 1997.

[GRAPH]

CONSOLIDATED NET EARNINGS
(Thousands $)

1985	1,596
1986	2,704
1987	3,409
1988	5,032
1989	4,536
1990	4,319
1991	5,090
1992	6,919
1993	7,339
1994	8,949
1995	11,454
1996	12,686
1997	14,114
1998	15,664

This is our eighth consecutive year of increased earnings and reflects the acquisition of Diversified Business Credit, Inc. in 1985, and our implementation of a Strategic Planning process and management at National City Bank of Minneapolis in 1990.

Our efficiency ratio, the ratio of non-interest expense to net revenue, for 1998 improved to 49.34 percent. This achievement has been instrumental in our continuous improvement and compares favorably to our peer group banks.

The fourth quarter of 1998 was affected by the increase in the

[GRAPH]

EFFICIENCY RATIO

1985	57.94
1986	56.69
1987	63.27
1988	64.99
1989	61.5
1990	65.57
1991	68.58
1992	66.41
1993	68.12
1994	62.38
1995	55.99
1996	53.01
1997	50.55
1998	49.34

provision for loan losses to replenish the reserve to 1.37 percent of total loans at year end. Net earnings were $3,430,000 for the quarter. That equals $.39 per share.

Total stockholders' equity was $147 million at year-end and equaled $16.71 per share.

Non-performing assets were $11.5 million, and equaled 1.5 percent of total loans.

We progressed in each of our subsidiaries with substantial growth in assets, recurring income, and process improvement. This growth is the result of the commitment of each of our employees and their commitment to their customers. Each day we address the concerns of our customers by providing up-to-date systems and services designed to make their lives more productive and more secure. We are excited to continue this unique commitment and valuable relationship with our customers and to provide you a safe return on your investment.

/s/ David C. Malmberg
David C. Malmberg
Chairman of the Board

/s/ David L. Andreas
David L. Andreas
President and Chief Executive Officer

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

(IN THOUSANDS)	DECEMBER 31, 1998	1997
<S>	<C>	<C>
ASSETS		
Cash and due from banks	$ 52,271	$ 52,847
Federal funds sold and resale agreements	6,100	3,740
Available-for-sale securities	133,897	141,325
Held-to-maturity securities (market value: 1998-$41,569 and 1997-$37,861)	41,255	37,402
Loans	762,747	666,382
Less allowance for loan losses	(10,423)	(10,071)
	752,324	656,311
Bank premises and equipment	10,399	11,413
Accrued interest receivable	7,499	7,260
Customer acceptance liability	824	811
Other assets	21,113	24,063
	$1,025,682	$ 935,172
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$ 165,598	$ 149,624
Interest bearing	351,896	329,026
	517,494	478,650
Federal funds purchased and repurchase agreements	98,702	104,399
Commercial paper	99,396	119,081
Other short-term borrowed funds	12,663	23,218

Acceptances outstanding	824	811
Other liabilities	10,315	9,086
Long-term debt	139,000	67,000
Total liabilities	878,394	802,245
Stockholders' equity:		
Common stock, par value $1.25, Authorized shares: 1998-40,000,000; 1997-20,000,000 Issued: 1998-8,861,944 shares; 1997-8,110,836 shares	11,077	10,139
Additional paid-in capital	121,982	94,756
Unrealized gains net of tax effect	913	424
Retained earnings	14,470	28,464
	148,442	133,783
Less common stock in treasury at cost: 1998-45,030 shares; 1997-33,553 shares	(1,154)	(856)
Total stockholders' equity	147,288	132,927
	$1,025,682	$ 935,172

</TABLE>

See Notes To Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF EARNINGS

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,		
(IN THOUSANDS EXCEPT PER SHARE DATA)	1998	1997	1996
<S>	<C>	<C>	<C>
INTEREST INCOME			
Interest and fees on loans	$ 73,090	$ 66,110	$ 57,992
Interest on federal funds sold and resale agreements	1,092	1,450	804
Interest and dividends on securities:			
Taxable	11,443	11,440	10,580
Exempt from federal income taxes			20
	11,443	11,440	10,600
Total interest income	85,625	79,000	69,396
INTEREST EXPENSE			
Interest on deposits	16,393	16,281	14,980
Interest on short-term borrowed funds	15,275	15,069	11,908
Interest on long-term debt	6,355	3,941	3,261
Total interest expense	38,023	35,291	30,149
Net interest income	47,602	43,709	39,247
Provision for loan losses	2,940	2,134	2,345
Net interest income after provision for loan losses	44,662	41,575	36,902
NON-INTEREST INCOME			
Service charges on deposit accounts	2,145	2,195	2,189
Fees for other customer services	1,635	1,698	1,837
Trust fees	4,641	4,801	4,605
State income tax refund		1,369	
Gains on sale of securities			133
Other income	821	1,327	1,318

	9,242	11,390	10,082
NON-INTEREST EXPENSE			
Salaries and employee benefits	15,238	15,110	14,965
Net occupancy expense of bank premises	3,062	3,194	2,750
Equipment rentals, depreciation and maintenance	3,512	3,648	2,731
Other expense	6,237	6,313	5,743
	28,049	28,265	26,189
Earnings before income taxes	25,855	24,700	20,795
Income taxes	10,191	9,736	8,109
Net earnings	$ 15,664	$ 14,964	$ 12,686
BASIC EARNINGS PER SHARE	$ 1.77	$ 1.68	$ 1.42
Average common and common equivalent shares outstanding	8,855,348	8,901,415	8,915,473

</TABLE>

See Notes To Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

	COMMON STOCK		
(IN THOUSANDS EXCEPT NUMBER OF SHARES)	NUMBER OF SHARES	AMOUNT	ADDITIONAL PAID-IN CAPITAL
<S>	<C>	<C>	<C>
Balance at January 1, 1996	6,705,808	$8,382	$65,484
Net earnings for the year			
Ten percent stock dividend	669,352	837	13,721
Unrealized securities (losses) net of tax effect			
Cancellation of treasury stock	(640)	(1)	(6)
Purchase of treasury			
Balance at December 31, 1996	7,374,520	9,218	79,199
Net earnings for the year			
Ten percent stock dividend	736,374	921	15,558
Unrealized securities gains net of tax effect			
Cancellation of treasury stock	(58)		(1)
Purchase of treasury stock			
Balance at December 31, 1997	8,110,836	10,139	94,756
Net earnings for the year			
Ten percent stock dividend	804,574	1,005	27,961
Unrealized securities gains net of tax effect			
Cancellation of treasury stock	(53,466)	(67)	(735)
Purchase of treasury stock			
Balance at December 31, 1998	8,861,944	$11,077	$121,982

</TABLE>

[WIDE TABLE CONTINUED FROM ABOVE]

<TABLE>
<CAPTION>

(IN THOUSANDS EXCEPT NUMBER OF SHARES)	RETAINED EARNINGS	UNREALIZED GAINS (LOSSES)	TREASURY STOCK NUMBER OF SHARES	TREASURY STOCK AMOUNT	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>
Balance at January 1, 1996	$ 31,903	$ 275	562	$ (10)	$106,034
Net earnings for the year	12,686				12,686
Ten percent stock dividend	(14,584)				(26)
Unrealized securities (losses) net of tax effect		(680)			(680)
Cancellation of treasury stock	(4)		(640)	11	
Purchase of treasury			94	(1)	(1)
Balance at December 31, 1996	30,001	(405)	16	0	118,013
Net earnings for the year	14,964				14,964
Ten percent stock dividend	(16,500)				(21)
Unrealized securities gains net of tax effect		829			829
Cancellation of treasury stock	(1)		(58)	1	(1)
Purchase of treasury stock			33,595	(857)	(857)
Balance at December 31, 1997	28,464	424	33,553	(856)	132,927
Net earnings for the year	15,664				15,664
Ten percent stock dividend	(29,006)				(40)
Unrealized securities gains net of tax effect		489			489
Cancellation of treasury stock	(652)		(53,466)	1,454	0
Purchase of treasury stock			64,943	(1,752)	(1,752)
Balance at December 31, 1998	$ 14,470	$ 913	45,030	$(1,154)	$147,288

</TABLE>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<TABLE>
<CAPTION>

(IN THOUSANDS EXCEPT PER SHARE DATA)	YEAR ENDED DECEMBER 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Total interest income	$85,625	$79,000	$ 69,396
Total interest expense	38,023	35,291	30,149
Net interest income	47,602	43,709	39,247
Provision for loan losses	2,940	2,134	2,345
Net interest income after provision for loan losses	44,662	41,575	36,902
Total noninterest income	9,242	11,390	10,082
Total noninterest expense	28,049	28,265	26,189
Earnings from operations before taxes	25,855	24,700	20,795
Applicable income taxes	10,191	9,736	8,109
Net earnings	15,664	14,964	12,686
Other comprehensive income, before tax:			
Unrealized gain (loss) on investments in securities	821	1,393	(1,143)
Applicable income tax	332	564	(463)
Other comprehensive income, net of tax	489	829	(680)
Comprehensive income	$16,153	$15,793	$ 12,006

</TABLE>

See Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings	$ 15,664	$ 14,964	$ 12,686
Adjustments to reconcile net earnings to net cash from operating activities:			
Depreciation and amortization	2,927	3,245	2,169
Amortization of securities premiums and discounts	579	469	426
Provision for loan losses	2,940	2,134	2,345
Deferred income taxes	(25)	(347)	472
(Gain) on sale of securities			(133)
(Increase) decrease in accrued interest receivable	(239)	(954)	29
(Increase) decrease in other assets	2,950	(3,567)	(138)
Increase (decrease) in other liabilities	1,229	1,421	(1,147)
Other (increase)	(308)	(1,216)	(853)
Total operating adjustments	10,053	1,185	3,170
Net cash from operating activities	25,717	16,149	15,856
Cash flows from investing activities:			
Net (increase) in loans	(98,953)	(69,878)	(43,923)
Net (increase) decrease in federal funds sold	(2,360)	56,380	(35,120)
Available-for-sale securities:			
Proceeds from maturities and principal repayments	64,810	27,274	50,740
Proceeds from sale of securities			4,688
Purchases of securities	(57,114)	(34,476)	(68,114)
Held-to-maturity securities:			
Proceeds from maturities and principal repayments	17,865	9,233	13,581
Purchases of securities	(21,743)	(15,139)	(9,000)
Purchase of premises and equipment	(1,913)	(2,436)	(9,365)
Payment of prepaid expenses			(1,739)
Net cash (used in) investing activities	(99,408)	(29,042)	(98,252)
Cash flows from financing activities:			
Net increase in non-interest bearing and savings deposits	31,333	2,151	26,326
Net increase (decrease) in time deposits	7,511	(43,132)	53,320
Net increase (decrease) in federal funds purchased and repurchase agreements	(5,697)	7,759	(13,895)
Net increase (decrease) in commercial paper	(19,685)	20,974	18,121
Net increase (decrease) in other short-term borrowed funds	(10,555)	11,852	4,679
Net increase (decrease) in long-term debt	72,000	19,080	(200)
Purchase of treasury stock	(1,752)	(856)	(1)
Payment for fractional shares on stock dividends	(40)	(22)	(26)
Net cash from financing activities	73,115	17,806	88,324
Net increase (decrease) in cash and due from banks	(576)	4,913	5,928
Cash and due from banks at beginning of year	52,847	47,934	42,006
Cash and due from banks at end of year	$ 52,271	$ 52,847	$ 47,934
Supplemental disclosures			
Cash paid during the year for:			
Interest	$ 36,306	$ 35,194	$ 30,266
Income taxes	10,618	10,076	7,206
Unrealized securities gains (losses) net of tax	489	829	(680)

</TABLE>

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS--The Company's principal business is a bank holding company for National City Bank of Minneapolis which is a full service national bank offering a variety of loans, deposit programs, trust and related banking services. The Company's principal non-bank subsidiary is Diversified Business Credit, Inc., a commercial finance company.

PRINCIPLES OF CONSOLIDATION--The consolidated financial statements include the accounts of the Company and its subsidiaries, after elimination of all material intercompany transactions and balances. The preparation of the financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual experience could differ from those estimates.

SECURITIES--Securities which the Company has the positive intent and ability to hold to maturity are reported as held-to-maturity securities. Securities in this category are stated at cost, adjusted for amortization of premiums and accretion of discounts over their remaining lives. Securities not classified as held-to-maturity securities are classified as available-for-sale securities and are reported at fair value, with unrealized gains and losses, net of tax, reported in a separate component of stockholders' equity. Realized gains and losses on disposition of securities and declines in value judged to be other than temporary are computed on a specific identification method, and included in earnings.

LOANS--Most of the Company's loans are to customers within Minnesota. Interest income on loans is accrued on the basis of unpaid principal. Loan and commitment fees are generally deferred and recognized over the loan or commitment period as a yield adjustment on a straight-line basis. In other circumstances fees are recognized on a cash basis as a yield adjustment due to immateriality. Loans are generally placed on nonaccrual status when the collection of interest or principal has become 90 days past due or collection is otherwise considered doubtful. When a loan is placed on nonaccrual status, interest previously accrued and unpaid in the current year is reversed against current period interest income. Interest payments received on nonaccrual loans are generally applied against principal unless the loan is well secured or in the process of collection.

ALLOWANCE FOR LOAN LOSSES--The provision for loan losses is based on management's continuing evaluation of the loan portfolio, including estimates and appraisals of collateral values, and current economic conditions. Changes in the estimates, appraisals and evaluations might be required quickly in the event of changing economic conditions and the economic prospects of borrowers. The Company allocates the allowance for loan losses by identifying specific loans that have a possibility of loss, and by applying a historical loss migration analysis. The entire balance of the allowance is available to absorb losses on loans that become uncollectible.

BANK PREMISES AND EQUIPMENT--Bank premises and equipment, including leasehold improvements, are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are primarily computed on the straight-line basis over the estimated useful life of the asset or lease term.

IMPAIRMENT OF LONG-LIVED ASSETS--The Company adopted in 1997 Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". This standard requires a reduction in the carrying amounts of certain impaired assets to their estimated fair value, determined on the basis of estimated cash flows or net realizable value. The impairments relate to assets not currently in use, assets significantly underutilized, and assets with limited planned future use. The Company had no impaired assets requiring adjustments in 1998.

TREASURY STOCK--The Company's board of directors has authorized the repurchase of shares from stockholders who have 99 or fewer shares. The board also authorized the repurchase of larger blocks of stock, from time to time.

INCOME TAXES--Deferred income taxes are provided on all significant temporary differences between the tax basis of an asset or liability and its reported amount in the financial statements at currently enacted tax rates.

INTEREST RATE SWAPS--The Company enters into interest rate swap transactions as a tool to manage its interest rate risk. Income or expense on swaps designated as hedges of assets or liabilities is recorded as an adjustment to interest income or expense. If the hedged instrument is terminated prior to maturity, the swap agreement is marked to

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NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

market with any resulting gain or loss included in the gain or loss from the disposition. If the interest rate swap is terminated, the gain or loss is deferred and amortized over the remaining life of the specific asset or liability it was designated to hedge.

EARNINGS PER SHARE--In February 1997, the Financial Accounting Standards Board issued Statement of Financial Standards (SFAS) No. 128, "Earnings per Share". The Company adopted SFAS No. 128 in the fourth quarter of 1997. This standard requires dual presentation on basic and diluted earnings per share (EPS) in the statement of earnings. Basic EPS excludes dilution, if any, and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted EPS recognizes all potential common shares outstanding during the period, such as, outstanding stock options. The Company had no dilutive options outstanding during 1998 and at December 31, 1998. There was no impact on the Company's financial condition or results of operation due to the adoption of SFAS No. 128.

CAPITAL STRUCTURE--SFAS No. 129, "Disclosures of Information about Capital Structure" was issued in February 1997. The Company's current disclosures regarding capital structure were not materially different under this standard.

COMPREHENSIVE INCOME--SFAS No. 130, "Reporting Comprehensive Income" was issued in June, 1997. SFAS 130 established standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. The Company adopted SFAS 130 in 1998.

BUSINESS SEGMENTS--SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information", was issued in June, 1997, and is effective for annual financial statements issued for fiscal years beginning after December 15, 1997. This statement establishes new standards for the way that public business enterprises report information about operating segments. The Company adopted SFAS 131 in 1998.

PENSIONS AND OTHER POSTRETIREMENT BENEFITS--SFAS No. 132, "Pensions and Other Postretirement Benefits", was issued by the Financial Accounting Standards Board in February, 1998. The Company adopted SFAS 132 in 1998. The statement does not change the recognition or measurement of pension or postretirement benefit plans, but standardizes disclosure requirements for pensions and other postretirement benefits.

ACCOUNTING FOR DERIVATIVES--The Financial Accounting Standards Board issued in June, 1998 Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", effective for years beginning after June 15, 1999. No. 133 provides a comprehensive and consistent standard for the recognition and measurement of derivatives and hedging activities. The Company intends to adopt Statement No. 133 in year 2000 and is not expected to have a material impact.

NOTE B. ESTIMATED FAIR VALUE

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of SFAS No. 107, "Disclosures about Fair Value of Financial Instruments"

	DECEMBER 31, 1998	
(IN THOUSANDS)	CARRYING AMOUNT	ESTIMATED FAIR VALUE
ASSETS:		
Cash and due from banks	$52,271	$52,271
Federal funds sold and resale agreements	6,100	6,100
Available-for-sale securities	133,897	133,897
Held-to-maturity securities	41,255	41,569
Loans-net of allowance for loan losses	752,324	756,573
LIABILITIES:		
Deposits	517,494	518,331
Federal funds purchased and repurchase agreements	98,702	98,702
Commercial paper and other short-term funds	112,059	112,495

Long-term debt	139,000	144,581
OFF-BALANCE SHEET UNREALIZED GAINS:		
Interest rate swap agreements		5,071

	DECEMBER 31, 1997	
(IN THOUSANDS)	CARRYING AMOUNT	ESTIMATED FAIR VALUE
ASSETS:		
Cash and due from banks	$52,847	$52,847
Federal funds sold and resale agreements	3,740	3,740
Available-for-sale securities	141,325	141,325
Held-to-maturity securities	37,402	37,861
Loans-net of allowance for loan losses	656,311	660,971
LIABILITIES:		
Deposits	478,650	478,787
Federal funds purchased and repurchase agreements	104,399	104,412
Commercial paper and other short-term funds	142,299	142,331
Long-term debt	67,000	69,203
OFF-BALANCE SHEET UNREALIZED GAINS:		
Interest rate swap agreements		2,013

The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required to interpret market data to develop the

estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amount the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

CASH AND DUE FROM BANKS--The carrying value of cash and due from banks approximates estimated fair value.

FEDERAL FUNDS SOLD, RESALE AGREEMENTS, FEDERAL FUNDS PURCHASED, AND REPURCHASE AGREEMENTS--The carrying value of these instruments approximates estimated fair value.

SECURITIES--Estimated fair values of securities are based primarily on quoted market prices or dealer quotes. If quoted market price is not available, fair value is estimated using quoted market prices for securities with similar characteristics.

LOANS--Approximately 83% of the loans outstanding have variable rate pricing. Management segregates all loans into appropriate risk categories. For that portion of the portfolio for which there are no known credit concerns, management believes that the risk factor embedded in the pricing of loans results in a fair valuation of such loans at their carrying value. For that portion of the portfolio with an element of credit concern, the level of credit adjustment required in the marketplace approximates the allowance for loan losses.

DEPOSITS--The fair value of non-interest bearing deposits and savings accounts is the amount payable on demand at the reporting date. The fair value of fixed-maturity certificates of deposit is estimated using the rates currently offered in the marketplace for deposits of similar remaining maturities.

COMMERCIAL PAPER AND OTHER BORROWED FUNDS--These short term borrowings generally mature in less than 90 days and carrying value is a reasonable estimate of fair value.

LONG-TERM DEBT--The fair value of long-term debt is estimated using the rates currently available on debt with similar terms and similar remaining maturities.

INTEREST RATE SWAP AGREEMENTS--The fair value is the estimated amount that the Company would receive or pay to execute a new agreement with terms identical to those remaining on the current agreement, considering current interest rates.

NOTE C. LOANS

The following loans were outstanding:

(IN THOUSANDS)	DECEMBER 31, 1998	1997
Commercial & Industrial	$517,310	$438,116
Real estate:		
Construction	24,196	10,405
Residential mortgage	40,074	43,295
Non-residential mortgage	92,769	88,448
Loans to individuals for personal expenditures	46,800	54,987
Other	41,598	31,131
	$762,747	$666,382

At December 31, 1998 and 1997, receivables from and standby letters of credit issued on behalf of commercial real estate developers and investors were approximately $95 million and $93 million, respectively. The credit risk associated with these loans is subject to changes in real estate market values. The properties held as collateral are primarily in the state of Minnesota.

An analysis of the allowance for loan losses is presented below:

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 1998	1997	1996
Balance at beginning of period	$10,071	$ 8,511	$8,602
Provision charged to operating expense	2,940	2,134	2,345
Charge-offs	(2,644)	(1,106)	(2,552)
Recoveries	56	532	116
Balance at end of period	$10,423	$10,071	$8,511

In the opinion of management, the allowance for loan losses is adequate to provide for known and estimated exposures in the loan portfolio.

At December 31, 1998, the Company had three impaired commercial loans totaling $1,533,000 compared with two loans totaling $171,000 at December 31, 1997. Management has allocated $825,000 and $171,000 for 1998 and 1997, respectively, of the Allowance for Loan Losses to these loans. Impaired loans averaged $201,000 and $209,000 during 1998 and 1997, respectively. Interest payments received on impaired loans are generally applied against principal unless the loan is well secured or in the process of collection. Non-accrual, impaired, renegotiated and loans past due 90 days or more were $11,497,000 and $1,194,000 at December 31, 1998 and 1997, respectively. Gross interest income would have been increased by approximately $636,000, $95,000, and $426,000 for the years ended December 31, 1998, 1997 and 1996, respectively, had such loans been current and in accordance with original terms. Nonperforming status is not necessarily an indication of probable loss.

NOTE C. LOANS (CONTINUED)

Loans to principal officers and directors of the Company and its subsidiaries aggregated approximately $8,266,000, $8,552,000, and 8,822,000 at December 31, 1998, 1997, and 1996, respectively. New loans and repayments during 1998 were $8,180,000 and $8,466,000, respectively. In the opinion of management, all such loans are made at normal interest rates and terms.

NOTE D. BANK PREMISES AND EQUIPMENT

(IN THOUSANDS)	DECEMBER 31, 1998	1997
Assets, at cost:		
Land	$ 183	$ 183
Buildings	1,229	1,222
Leasehold improvements	2,622	2,613

Equipment	17,280	16,419
	21,314	20,437
Accumulated depreciation:		
Buildings	585	528
Leasehold improvements	1,060	829
Equipment	9,270	7,667
	10,915	9,024
	$10,399	$11,413

NOTE E. DEPOSITS

Approximately $112,897,000 and $93,975,000 of interest bearing time deposits were in denominations of $100,000 or more at December 31, 1998 and 1997, respectively. The scheduled maturities of time deposits at December 31, 1998 are summarized as follows:

(IN THOUSANDS)	LESS THAN $100,000	$100,000 OR MORE
3 months or less	$18,350	$ 63,699
3 - 6 months	20,868	25,096
6 - 12 months	21,791	5,140
1 - 2 years	11,081	16,526
2 - 3 years	7,121	846
3 - 5 years	9,842	1,590
over 5 years	91	
	$89,144	$112,897

NOTE F. SHORT-TERM BORROWINGS

Short-term borrowings include federal funds purchased, securities sold under agreements to repurchase, treasury tax and loan deposits, Federal Home Loan Bank advances and commercial paper. Federal funds purchased generally mature the day following the date of purchase, while securities sold under agreements to repurchase generally mature within 30 days from the various dates of sale. The Company had unsecured lines of credit available in the amount of $140,000,000 at December 31, 1998, 1997 and 1996.

There were no borrowings under the lines on these dates. The lines contain covenants which require the Company to maintain certain levels of capitalization and maintain debt to capitalization ratios within prescribed limits. The following information relates to aggregate short-term borrowings:

	DECEMBER 31,		
(IN THOUSANDS)	1998	1997	1996
Maximum amount out-standing at any month end:			
Federal funds & repurchase	$163,128	$156,104	$137,883
Commercial paper	138,323	137,714	109,079
Other	27,388	26,332	20,391
Daily average amount outstanding:			
Federal funds & repurchase	145,095	133,366	116,973
Commercial paper	115,197	118,154	95,950
Other	17,488	17,047	6,967
Weighted average interest rate for full year:			
Federal funds & repurchase	4.91%	4.99%	4.83%
Commercial paper	6.26%	6.28%	6.09%
Other	5.40%	5.82%	5.37%
Outstanding at year-end:			
Federal funds & repurchase	98,702	104,399	96,640
Commercial paper	99,396	119,081	98,107
Other	12,663	23,218	11,366
Weighted average interest rate on debt outstanding as of December 31:			
Federal funds & repurchase	4.03%	5.43%	5.36%
Commercial paper	5.75%	6.04%	6.11%
Other	5.11%	5.33%	5.11%

NOTE G. LONG-TERM DEBT

(IN THOUSANDS)	DECEMBER 31, 1998	1997
Diversified Business Credit, Inc.		
Senior Notes		
Series A, 8.18% due 1999	$23,000	$23,000
Series B, 8.45% due 2001	24,000	24,000
Series C, 7.84% due 2007	10,000	10,000
Series D, 7.15% due 2004	5,000	5,000
Series E, 7.22% due 2007	5,000	5,000
Series F, 6.68% due 2003	51,000	
Series G, 6.79% due 2005	11,000	
Federal Home Loan Bank		
Advance, 5.81%, due 2000	10,000	
Total	$139,000	$67,000

The Company has entered into interest rate swap agreements to effectively convert the Senior Notes to floating rate instruments. At December 31, 1998, the weighted average effective interest rate for the Senior Notes Series A and B, including the effects of the related swap agreements is the one month LIBOR rate plus 102 basis points, or 6.08%. The weighted average effective interest rate for the Senior Notes Series C, D, E, F, and G including the effects of the related swap agreements, is the three month LIBOR rate plus 80 basis points or 5.86%.

The Senior Notes are unsecured and are unconditionally guaranteed by the parent company.

NOTE G. LONG-TERM DEBT (CONTINUED)

The Senior Notes include covenants which require Diversified Business Credit, Inc. and the parent company to maintain certain levels of capitalization and maintain debt to capitalization ratios within prescribed limits.

NOTE H. NOTE H. INCOME TAXES

The components of income tax expense were:

(IN THOUSANDS)	1998	1997	1996
Current:			
Federal	$ 8,133	$8,074	$6,080
State	2,083	2,009	1,557
	10,216	10,083	7,637
Deferred:			
Federal	(19)	(263)	357
State	(6)	(84)	115
	(25)	(347)	472
	$10,191	$9,736	$8,109

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities are as follows:

(IN THOUSANDS)	DECEMBER 31, 1998	1997
Deferred tax assets:		
Loan loss reserves	$4,218	$4,076
Salary continuation plan	994	866
Loan fees	21	60
Nondeductible expenses	20	5
Total deferred tax assets	5,253	5,007
Deferred tax liabilities:		
Retirement plan	1,256	1,143
Prepaid expenses	111	101

Tax over book depreciation	482	396
Security discounts	14	2
Unrealized gains on securities	620	288
Total deferred tax liabilities	2,483	1,930
Net deferred tax assets	$2,770	$3,077

It is more likely than not that the Company will realize the benefit of the deferred tax assets. Therefore, no valuation allowance has been recorded for any of the periods reported.

The total effective tax rate for the years ended December 31, 1998, 1997 and 1996 is different than the federal income tax rate.

The reasons for the differences are as follows:

	1998	1997	1996
Federal income tax rate	35.0%	35.0%	35.0%
Tax exempt income	(0.2)	(0.1)	(0.2)
State income taxes, net of federal income tax benefit	5.2	5.1	5.2
Cash value of life insurance	(0.5)	(0.6)	(0.8)
Other items	(0.1)		(0.2)
Effective rate	39.4%	39.4%	39.0%

NOTE I. COMMITMENTS AND CONTINGENCIES

The Company had commitments outstanding in connection with standby letters of credit aggregating approximately $21,714,000 and $19,164,000 at December 31, 1998 and 1997, respectively.

Commercial letters of credit were $2,980,000 and $3,187,000 at December 31, 1998 and 1997, respectively. Acceptance participations acquired were $11,419,000 at December 31, 1998 and $7,214,000 at December 31, 1997.

National City Bank has entered into a ten year lease which commenced March 16, 1996, for its headquarters in downtown Minneapolis. The annual cost for the first five years will be approximately $1.7 million per year and for the last five years will be approximately $1.8 million per year. The lease provides an option to extend the term for two consecutive five-year periods at the then current fair market rents. The Bank will have the right to terminate the lease or give back substantial portions of the leased premises on the sixth anniversary of the lease term. In addition, the Bank paid for all of its leasehold improvements, which approximated $2.0 million.

Diversified Business Credit, Inc. has entered into a five year lease which commenced September 1, 1997, for its headquarters in downtown Minneapolis. The annual cost for the five years will be approximately $240,000. The lease provides an option to extend the term for two consecutive five-year periods at the then current fair market rents.

The Company was obligated under operating leases for premises and equipment with terms of one year or more at December 31, 1998. The aggregate lease commitments outstanding as of December 31, 1998 were $13,874,000 and for the next five years are payable as follows:

(IN THOUSANDS)	
1999	$2,410
2000	2,225
2001	2,210
2002	2,159
2003	1,998

Net rental expense for the years ended December 31, 1998, 1997, and 1996, was $2,332,000, $2,478,000, and $2,170,000, respectively.

NOTE I. COMMITMENTS AND CONTINGENCIES
(CONTINUED)

Dividends declared by national banks that exceed retained net earnings for the current year plus the preceding two years must be approved by the Comptroller of the Currency. Under this formula, approximately $12,957,000 of dividends may be paid by the Company's bank subsidiary at December 31, 1998, without such approval, subject to continued maintenance of regulatory capital requirements.

The Company is party to various legal proceedings incidental to its business. Certain claims, suits and complaints arising in the ordinary course of business have been filed or are pending against the Company. In the opinion of management, the resulting liability, if any, arising from these actions will not be material.

NOTE J. RESTRICTIONS ON CASH BALANCES

Federal Reserve Board regulations require that the Bank maintain certain minimum reserve balances on deposit with the Federal Reserve Bank. Cash balances maintained to meet reserve requirements are not available for use by the Company. During 1998, approximately $4,640,000 was maintained in required reserves on a daily average basis.

NOTE K. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The Company is a party to certain financial instruments with off-balance-sheet risk which are entered in the normal course of business to meet the financing needs of its customers and to reduce the Company's exposure to fluctuations in interest rates. These financial instruments include unfunded commitments to extend credit and interest rate swaps. These instruments involve, to varying degrees, amounts of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheet. The contract or "notional" amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

A summary of the Company's contractual or notional amounts for off-balance-sheet activities at December 31, 1998 and 1997, is as follows:

(IN THOUSANDS)	1998	1997
Credit activities:		
Commitments to extend credit	$315,391	$262,007
Standby letters of credit	21,714	19,164
Commercial letters of credit	2,980	3,187
Acceptance participations acquired	11,419	7,214
Other financial instrument activities:		
Interest rate swap agreements	$129,000	$ 87,000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and generally require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral, obtained if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies, but may include cash, marketable securities, accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Company to assure the performance of a customer to a third-party. Those standby letters of credit are primarily issued to support customers' international business transactions, and public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Most standby letters of credit expire within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company holds collateral supporting those commitments for which collateral is deemed necessary. In most cases where collateral is held, coverage is 100%.

Interest rate swaps involve the contractual exchange of fixed and floating rate interest payment obligations based on a notional principal amount. The Company enters into interest rate swap contracts to hedge its balance sheet for risk caused by fluctuations in interest rates. The risks associated with such swaps are the exposure to movement in interest rates (market risk) and the ability of counterparties to meet the terms of the contract (credit risk). The use of swaps for interest rate risk management purposes is integrated into the Company's overall asset/liability management process.

NOTE K. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (CONTINUED)

For interest rate swap transactions, the contract or notional amounts do not represent exposure to credit loss. The Company estimates the credit risk for interest rate swap contracts by calculating the cost to replace all outstanding contracts in a gain position at current market rates. At December 31, 1998 and 1997, the gain position of these contracts was $5.1 million and $2.0 million, respectively. If the counterparties failed to perform according to the terms of the contracts, the Company could incur a loss in the amount of its current gain position. The Company controls the credit risk associated with swap agreements through credit approvals and monitoring procedures. Under the terms of certain swaps, each party may be required to pledge certain assets if the market value of the swap exceeds an amount set forth in the swap agreement or in the event of a change in their credit rating.

At December 31, 1998 and 1997, interest rate swaps totaling $129 million and $67 million, respectively, hedged long-term debt. At December 31, 1997, swaps totaling $20 million hedged interest bearing deposits. The Company is a receiver of fixed rate interest and a payer of floating rate interest based on the one month LIBOR rate on $47 million of these swaps and the three month LIBOR on $82 million. The notional balances and yields by maturity date for interest rate swaps at December 31, 1998, are as follows:

MATURITY DATE	WEIGHTED NOTIONAL AMOUNT (IN THOUSANDS)	WEIGHTED AVERAGE INTEREST RATE RECEIVED	AVERAGE INTEREST RATE PAID
1999	$ 23,000	7.19%	5.75%
2001	24,000	7.41%	5.75%
2003	51,000	5.89%	5.73%
2004	5,000	6.45%	5.71%
2005	11,000	5.93%	5.73%
2007	15,000	6.84%	5.76%
Total	$129,000	6.54%	5.74%

Swaps contributed to the Company's net interest income by reducing interest expense for the years ended December 31, 1998, 1997 and 1996, by $971,000, $995,000 and $799,000, respectively.

NOTE L. EMPLOYEE BENEFIT PLANS

The Company has a defined benefit pension plan covering substantially all of its full-time employees. The benefits are based on years of service and the employee's compensation while employed with the Company. The Company's funding policy is to contribute annually current service costs accrued and past service costs amortized over a 30-year period. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future. Plan assets consist principally of equity securities and U.S. Government and corporate bonds.

The following table sets forth the plan's funded status and amounts recognized in the Company's financial statements:

<TABLE>
<CAPTION>

(IN THOUSANDS)	DECEMBER 31, 1998	1997	1996
Projected benefit obligation:			
Balance at beginning of period	$10,541	$ 9,457	$10,051
Service cost	379	316	344
Interest cost	745	718	716
Actuarial (gain) or loss	(7)	758	10
Benefits paid during period	(523)	(531)	(886)
Projected benefit obligation at end of period	11,135	10,718	10,235
Plan assets at fair value:			
Balance at beginning of period	14,579	13,204	12,730
Actual return on plan assets during period	1,635	1,906	1,360
Benefits paid during period	(523)	(531)	(886)

Fair value of plan assets at end of period	15,691	14,579	13,204
Plan assets in excess of projected benefit obligation	4,556	3,861	2,969
Unrecognized prior service cost	(98)	(107)	(116)
Unrecognized net loss or (gain)	(961)	(431)	325
Unrecognized transition asset	(261)	(323)	(385)
Prepaid pension cost at end of period	$3,236	$ 3,000	$ 2,793
Prepaid pension cost at beginning of period	$3,000	$ 2,793	$ 2,651
Pension cost (credit) for the period	(236)	(207)	(142)
Prepaid pension cost at end of period	$3,236	$ 3,000	$ 2,793

</TABLE>

NOTE L. EMPLOYEE BENEFIT PLANS (CONTINUED)

For 1998, the discount rate and rate of increase in future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7.5% and 4.5%, respectively. For 1997, the rates were 7.0% and 4.5%. For 1996, the rates were 7.5% and 4.5%. The expected long-term rate of return on assets was 9.0% for all three years.

The Company maintains a retirement savings 401(k) plan. All employees of the Company and its subsidiaries are eligible to participate in the plan after completing twelve months of service during which they have worked at least one thousand hours. Matching contributions are made at the discretion of management. Company contributions charged to operations for the years ended December 31, 1998, 1997 and 1996, were $276,000, $271,000, and $263,000, respectively.

The Company and its subsidiaries have entered into agreements to provide salary continuation supplemental payments at retirement to certain officers. The benefits due under these agreements are being accrued currently.

NOTE M. PARENT ONLY INFORMATION

The following financial information relates to National City Bancorporation (parent only) operations:

BALANCE SHEETS

(IN THOUSANDS)	DECEMBER 31, 1998	1997
ASSETS		
Cash	$ 4,396	$ 15,911
Investment in bank subsidiary	64,371	58,980
Investment in non-bank subsidiary	34,256	27,925
Subordinated note receivable from affiliate	8,000	8,000
Other investments	183	374
Due from affiliates	135,200	140,650
Other assets	355	337
	$246,761	$252,177
LIABILITIES AND STOCKHOLDERS' EQUITY		
Commercial paper	$ 99,396	$119,081
Other liabilities	77	169
Stockholders' equity	147,288	132,927
	$246,761	$252,177

STATEMENTS OF EARNINGS

<TABLE>
<CAPTION>

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 1998	1997	1996
<S>	<C>	<C>	<C>
INCOME			
Dividends from bank subsidiary	$ 3,000	$ 3,000	$ 3,120
Interest income	10,321	9,879	7,836
Other income	80	239	296

	13,401	13,118	11,252
EXPENSES			
Interest expense	7,290	7,507	5,909
Other expenses	738	621	628
	8,028	8,128	6,537
Earnings before taxes	5,373	4,990	4,715
Income taxes	967	817	652
	4,406	4,173	4,063
Equity in undistributed net earnings of subsidiaries	11,258	10,791	8,623
Net earnings	$15,664	$14,964	$12,686

</TABLE>

NOTE M. PARENT ONLY INFORMATION (CONTINUED)

STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings	$ 15,664	$ 14,964	$ 12,686
Adjustments to reconcile net earnings to net cash from operating activities:			
Equity in undistributed earnings of subsidiaries	(11,258)	(10,791)	(8,623)
Decrease in other assets	198	726	550
Increase (decrease) in other liabilities	(92)	112	(92)
	(11,152)	(9,953)	(8,165)
Net cash from operating activities	4,512	5,011	4,521
Cash flows from investing activities:			
(Advances to) payments from affiliates	5,450	(13,300)	(23,195)
Net cash from (used for) investing activities	5,450	(13,300)	(23,195)
Cash flows from financing activities:			
Net increase(decrease) in commercial paper	(19,685)	20,974	18,121
Payment for fractional shares on stock dividends	(40)	(22)	(26)
Purchase of treasury stock	(1,752)	(856)	(1)
Other			(34)
Net cash from financing activities	(21,477)	20,096	18,060
Net increase (decrease) in cash	(11,515)	11,807	(614)
Cash at beginning of year	15,911	4,104	4,718
Cash at end of year	$ 4,396	$ 15,911	$ 4,104
Supplemental disclosures			
Cash paid during the year for:			
Interest	$ 7,290	$ 7,504	$ 5,465
Income taxes	1,058	660	690

</TABLE>

NOTE N. SECURITIES

Securities consist of the following:

<TABLE>
<CAPTION>

	DECEMBER 31, 1998			
(IN THOUSANDS)	COST OR AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	APPROXIMATE MARKET VALUE
<S>	<C>	<C>	<C>	<C>
Available-for-sale				

U.S. Treasury	$ 4,969	$ 108		$ 5,077
U.S. Government agencies	17,057	84	$52	17,089
Federal agency mortgage-backed	107,537	1,436	43	108,930
Other securities	2,801			2,801
	$132,364	$1,628	$95	$133,897
Held-to-maturity				
Collateralized mortgage obligations	$ 41,255	$ 314		$ 41,569

</TABLE>

NOTE N. SECURITIES (CONTINUED)

<TABLE>
<CAPTION>

(IN THOUSANDS)	DECEMBER 31, 1997 COST OR AMORTIZED COST	UNREALIZED GAINS	UNREALIZED LOSSES	APPROXIMATE MARKET VALUE
<S>	<C>	<C>	<C>	<C>
Available-for-sale				
U.S. Treasury	$ 24,012	$ 13	$ 28	$ 23,997
U.S. Government agencies	9,816	28		9,844
Federal agency mortgage-backed	101,830	1,052	353	102,529
Other securities	4,955			4,955
	$140,613	$1,093	$381	$141,325
Held-to-maturity				
Collateralized mortgage obligations	$ 37,402	$ 459		$ 37,861

</TABLE>

Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

CONTRACTUAL MATURITIES AND MARKET VALUE

<TABLE>
<CAPTION>

	DECEMBER 31, 1998							
	WITHIN ONE YEAR		AFTER ONE BUT WITHIN FIVE YEARS		AFTER FIVE BUT WITHIN TEN YEARS		AFTER TEN YEARS	
(IN THOUSANDS)	AMOUNT	YIELD	AMOUNT	YIELD	AMOUNT	YIELD	AMOUNT	YIELD
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Available-for-sale								
U.S. Treasury			$ 5,077	5.69%				
U.S. Government agencies	$ 5,077	6.17%	12,012	5.25%				
Federal agency mortgage-backed			4,368	5.82%	$10,129	6.28%	$94,433	6.71%
Other securities							2,801	6.56%
	$ 5,077	6.17%	$21,457	5.47%	$10,129	6.28%	$97,234	6.71%
Held-to-maturity								
Collateralized mortgage obligations					$ 2,271	7.25%	$38,984	6.60%
Approximate market value					$ 2,288		$39,281	

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31, 1997							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Available-for-sale								
U.S. Treasury	$23,997	5.26%						
U.S. Government agencies	4,655	6.05%	$ 5,189	6.17%				
Federal agency mortgage-backed					$13,700	5.83%	$88,829	7.05%

Other securities							4,955	6.85%
	-------		-------		-------		-------	
	$28,652	5.39%	$ 5,189	6.17%	$13,700	5.83%	$93,784	7.04%
	=======		=======		=======		=======	
Held-to-maturity								
Collateralized mortgage obligations					$ 4,478	7.21%	$32,924	7.10%
					=======		=======	
Approximate market value					$ 4,526		$33,335	
					=======		=======	

</TABLE>

Securities carried at $124,468,000 and $137,547,000 at December 31, 1998 and 1997, respectively, were pledged to secure government, public and trust deposits, borrowings in the form of repurchase agreements and FHLB advances and for other purposes as required by law. Average yields on available-for-sale securities is based on amortized cost.

The Company retains possession of most securities sold under agreements to repurchase. The Company takes possession of securities purchased under agreement to resell.

The underlying collateral for collateralized mortgage obligations consists of Federal agency mortgage-backed securities. The average life of Federal agency mortgage-backed securities and collateralized mortgage obligations is expected to be considerably less than the contractual maturities shown in the table because of scheduled payments and prepayments. The estimated average lives for these instruments depend on the level of interest rates. The estimated average lives as of the reporting date are 3.2 years for agency mortgage-backed securities and 2.8 years for collateralized mortgage obligations.

NOTE O. BUSINESS SEGMENTS

The Company provides a wide range of banking and financial services and products through its subsidiaries. The business segments are managed with a focus on various performance objectives including net income, return on average equity, and operating efficiency. The Company has two business segments: National City Bank of Minneapolis (Bank) and Diversified Business Credit, Inc. (DBCI). The Bank offers a full range of banking services to businesses and individuals including loans, deposit services, trust services, cash management services, and investment sales. DBCI is a commercial finance company offering asset-based lending to businesses. The revenues, expenses, and assets of the business segments are summarized below:

<TABLE>
<CAPTION>

	DECEMBER 31, 1998			
(IN THOUSANDS)	COMMERCIAL BANKING	COMMERCIAL FINANCE	OTHER*	CONSOLIDATED COMPANY
<S>	<C>	<C>	<C>	<C>
Interest income	$ 52,737	$ 32,982	$ (94)	$ 85,625
Interest expense	24,967	16,203	(3,147)	38,023
	--------	--------	--------	----------
Net interest income	27,770	16,779	3,053	47,602
Non-interest income	9,002	599	(359)	9,242
	--------	--------	--------	----------
Total revenue	36,772	17,378	2,694	56,844
Loan loss provision	640	2,300		2,940
Depreciation and amortization expense	2,792	129	6	2,927
Other non-interest expense	20,383	4,330	409	25,122
Income taxes	5,031	4,287	873	10,191
	--------	--------	--------	----------
Net income	$ 7,926	$ 6,332	$ 1,406	$ 15,664
	========	========	========	==========
Total loans	$461,324	$301,423		$ 762,747
Total assets	721,570	310,638	$ (6,526)	1,025,682

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31, 1997			
(IN THOUSANDS)	COMMERCIAL BANKING	COMMERCIAL FINANCE	OTHER*	CONSOLIDATED COMPANY

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

Interest income	$ 51,167	$ 27,892	$ (59)	$ 79,000
Interest expense	24,182	13,600	(2,491)	35,291
Net interest income	26,985	14,292	2,432	43,709
Non-interest income	10,729	749	(88)	11,390
Total revenue	37,714	15,041	2,344	55,099
Loan loss provision	1,607	527		2,134
Depreciation and amortization expense	3,159	82	4	3,245
Other non-interest expense	20,683	3,928	409	25,020
Income taxes	4,738	4,240	758	9,736
Net income	$ 7,527	$ 6,264	$ 1,173	$ 14,964
Total loans	$426,495	$239,887		$666,382
Total assets	693,065	246,584	$ (4,477)	935,172

</TABLE>

<TABLE>
<CAPTION>

	DECEMBER 31, 1996			
(IN THOUSANDS)	COMMERCIAL BANKING	COMMERCIAL FINANCE	OTHER*	CONSOLIDATED COMPANY
Interest income	$ 46,857	$ 22,616	$ (77)	$ 69,396
Interest expense	21,363	10,809	(2,023)	30,149
Net interest income	25,494	11,807	1,946	39,247
Non-interest income	9,630	533	(81)	10,082
Total revenue	35,124	12,340	1,865	49,329
Loan loss provision	1,820	525		2,345
Depreciation and amortization expense	2,084	78	7	2,169
Other non-interest expense	20,502	3,177	341	24,020
Income taxes	4,094	3,441	574	8,109
Net income	$ 6,624	$ 5,119	$ 943	$ 12,686
Total loans	$397,934	$198,570		$596,504
Total assets	699,515	206,811	$ (6,197)	900,129

</TABLE>

*Other includes parent only and consolidating eliminations

NOTE O. BUSINESS SEGMENTS (CONTINUED)

The Bank has experienced increased net interest income related primarily to a growth in loans, while containing growth in non-interest expense. The Bank received a state tax refund in 1997 of $1,369,000 which was included in non-interest income. DBCI has also experienced higher net interest income related to loan growth. DBCI had a higher loan loss provision in 1998 due to charge-offs on two nonaccrual loans which are expected to be liquidated in 1999.

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
National City Bancorporation
Minneapolis, Minnesota

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

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

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

ERNST & YOUNG LLP

Minneapolis, Minnesota
January 15, 1999

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

SUMMARY RESULTS

Net earnings for 1998 were $15,664,000 compared with $14,964,000 in 1997, up 5 percent. Basic earnings per share increased to $1.77 in 1998 compared with $1.68 in 1997. The net earnings for 1997 include a state income tax refund, related to taxes paid in prior years, of $1,369,000 with a net earnings effect of approximately $850,000. Without regard for the 1997 tax refund, earnings for 1998 increased 11 percent.

The major factor contributing to the earnings increase in 1998 was higher net interest income resulting from growth in loans. We accomplished this growth while decreasing non-interest expenses.

The Company has issued stock dividends in each year beginning in 1981. The Company has not paid cash dividends.

NET INTEREST INCOME

Net interest income, on a fully taxable equivalent basis, increased to $47.7 million up from $43.8 million in 1997 and $39.3 million in 1996. Fluctuations in net interest income can result from changes in the volume of assets and liabilities as well as changes in interest rates. These changes are presented in the analysis on page 29. The average base rate decreased to 8.35 percent from 8.44 percent in 1998. Approximately 83 percent of the Company's loan portfolio has floating interest rates that generate more income during periods of rising rates. Net interest margin, the relationship between net interest income and average earning assets, was 5.17 percent compared with 5.18 percent in 1997. Average earning assets grew to $922 million in 1998, an increase of $77 million or 9 percent. Average loans increased to $721 million in 1998 from $647 million in 1997, an increase of 11 percent. Loans were 78.1 percent of total earning assets in 1998, compared with 76.5 percent in 1997.

The general decrease in interest rates during 1998 had no effect on the cost of interest bearing deposits and borrowed funds which remained constant at 5.33 percent. The lower cost of short-term funds was offset by a higher volume and cost of long-term debt. Time deposits are slower to reprice because of their longer maturities. While the average base rate decreased 9 basis points, the average yield on earning assets, including fixed rate securities, decreased 6 basis points. As a result, interest rate spread declined to 3.97 percent from 4.03 percent in 1997. Interest bearing time deposits of $100,000 or more decreased and averaged $59.5 million in 1998 compared with $51.8 million in 1997. Other interest bearing deposit accounts increased $4.8 million compared with last year and comprise approximately 31 percent of interest bearing sources. Brokered deposits averaged $59 million in 1998 compared with $66.9 million in 1997. While the Company's emphasis remains on increasing funding from direct deposits, the brokered deposit market is an important funding option. Commercial paper proceeds are used to fund the loans of the Company's commercial finance subsidiary, Diversified Business Credit, Inc. (DBCI). Long-term debt is issued by DBCI, and National City Bank (Bank) borrows from the Federal Home Loan Bank. At December 31, 1998, long-term debt totaled $139 million. Detail information about long-term debt is presented in Note G to the financial statements. Non-interest bearing deposits increased from 1997 and averaged $130.8 million in 1998.

The following table summarizes the changes in funding sources since 1996:

(DAILY AVERAGES IN THOUSANDS)	1998 AMOUNT	1998 % CHANGE FROM 1997	1997 AMOUNT	1997 % CHANGE FROM 1996
Interest bearing time deposits of $100,000 or more	$ 59,528	14.9%	$ 51,811	(19.7)%
Brokered deposits	58,987	(11.8)	66,865	(28.5)
Other interest bearing deposits	221,779	2.2	217,028	39.0
Commercial paper	115,197	(3.4)	119,192	24.2
Other short-term borrowed funds	162,583	8.8	149,375	20.5
Long-term debt	94,994	65.2	57,509	19.7
Total interest bearing	713,068	7.8	661,780	13.7
Non-interest bearing deposits	130,761	11.2	117,605	6.7
Other liabilities	10,118	11.6	9,069	6.3
Stockholders' equity	139,725	12.4	124,323	12.4
	$993,672	8.9%	$912,777	12.5%

CREDIT RISK MANAGEMENT

The responsibility for credit administration rests with the credit committees of each subsidiary. The credit committees determine applicable policies and credit approval authorities used in the Company. Management monitors compliance with credit standards. Lending officers are responsible for applying credit standards and the Company uses a rating system to assess and monitor the credit risk associated with loans. Detecting negative trends at the earliest possible stage is essential in managing risk of loan loss to the Company and assisting the borrowing customer. A diligent follow-up process is used to monitor, communicate and correct credit weaknesses that are revealed.

The Bank has established a risk management function that is responsible for assessing credit risk associated with new loans and lines of credit as well as monitoring credit risk factors on an ongoing basis. The Bank uses an independent review procedure to monitor compliance with its credit granting process. The review includes an assessment of credit policy application and the accuracy of the loan rating system. The review of credit process covers all lending industry segments on a schedule determined by assessment of risk. Management and the Examining and Audit Committee of the Board of Directors are informed directly of the results of the reviews. Additionally, DBCI monitors collateral values and related credit risks through its staff of field auditors.

The largest loan category is commercial and industrial loans, which grew from $438 million in 1997 to $517 million in 1998, an increase of 18 percent. Management monitors loan concentrations by industry segment to develop a diverse mix of credits. Industry Credit Exposure Guidelines are established and managed based on the current and anticipated economic conditions and the perceived risk profile of an industry. The Company's ability to manage the credit risk within an industry is also considered. A high percentage of the commercial and industrial loans originate from the Minneapolis/St. Paul metropolitan area. Those industry sectors showing signs of weakness are targeted by management for slow or no growth in credit facilities. Underwriting Guidelines including profitability, cash flow, leverage, collateral, guarantee and monitoring standards are applicable for the bulk of the commercial and industrial loans. The Bank also purchases loans from correspondent banks. Purchased loans were $66.5 million and $55.2 million at December 31, 1998, and 1997, respectively.

Loans secured by commercial real estate were approximately $117 million as of December 31, 1998 and $99 million as of the previous year end. Included in this total is approximately $24.2 million of construction financing. The Company makes commercial real estate loans for owner occupied real estate (commercial and industrial borrowers), as well as to commercial real estate developers and investors. A diversification of property types is maintained within the commercial real estate

portfolio with apartment buildings being the largest category at 19 percent. Commercial real estate lending activities are guided by Credit Policies, Underwriting Guidelines, Operating Procedures, Collateral Standards and Environmental Risk Procedures.

Loans secured by residential mortgages totaled $40 million at December 31, 1998, compared with $43 million last year. This category includes $16 million secured by first liens on 1-4 family housing, $16 million secured by junior liens on 1-4 family housing and $8 million revolving Executive Line loans that are secured by either first or second mortgages. The comparable 1997 amounts are $20 million first liens, $14 million junior liens and $9 million revolving Executive Lines. Collateral standards for residential real estate lending generally call for a maximum 80 percent loan-to-value ratio for properties up to $300,000 and lesser advance rates for properties above $300,000.

Loans to individuals were $47 million at December 31, 1998, compared with $55 million in 1997. These loans are from a variety of sources including loans to higher net-worth individuals in which smaller loan amounts are typically unsecured and where larger amounts are normally secured by marketable securities or home equity. The Company has experienced a low level of loss in the residential mortgage and loans to individuals categories. This resulted from a combination of favorable economic conditions in the Twin Cities over the past several years and the effective performance of credit risk management functions.

Other loans were $42 million on December 31, 1998, compared with $31 million in 1997. These loans are comprised primarily of loans to owners of community banks and bank holding companies to finance the purchase and expansion of those banks. The management of risks related to bank stock loans includes specific underwriting guidelines, periodic reviews performed by experienced consultants or bank staff, receipt and analysis of quarterly financial data and frequent calls with bank ownership and management.

PROVISION FOR LOAN LOSSES

The provision for loan losses was $2.9 million in 1998 compared with $2.1 million in 1997. Management determines an appropriate provision based on its evaluation of the adequacy of the allowance for loan losses in relationship to a continuing review of problem loans, including estimates and appraisals of collateral values, prior loss experience, and current economic conditions. Changes in these estimates, appraisals and evaluations might be required quickly in the event of changing economic conditions and the economic prospects of borrowers. Management engages in a detailed review of loans showing weakness based on established criteria. A system of risk grading is used to establish monthly assessments of the portfolio and such assessments are the basis for a quarterly review of the allowance for loan losses. During the five-year period beginning in 1994, the allowance for loan losses has declined as a percent of loans outstanding. The Summary of Loan Loss Experience presented on page 33 shows the decline in the percentage from 1.70 percent in 1994 to 1.37 percent in 1998.

The allowance for loan losses increased to $10.4 million in 1998. At December 31, 1998, the reserve was 1.37 percent of loans compared with 1.51 percent in 1997. Actual net loan losses in 1998 were $2.6 million compared with $574,000 in 1997. Charge-offs were $2.6 million in 1998, and recoveries were $56,000. The method used and assumptions made in the determination of the provision and allowance for loan losses is consistent for all periods presented in the Company's financial statements.

The Company experienced a higher level of loss in 1998 than in the previous four years as presented in the Summary of Loan Loss Experience on page 33. The losses occurred in the commercial lending portfolio of DBCI and, accordingly, increased the Company's percent of net loan charge-offs to average loans to .36 percent compared with .09 percent in 1997. The remaining balance of the loans continues to have a negative affect on income and are included in non-accrual loans. The loans involved are being reduced through a process of collateral liquidation. The allocation of the allowance for loan losses for 1998 presented on page 33 reflects a greater amount for commercial and industrial loans than in the previous years presented. The increased allocation is in the portfolio of DBCI and represents three loans totaling $2.5 million.

NON-PERFORMING ASSETS

Non-performing assets were $11.5 million at December 31, 1998, compared with $1.2 million in 1997 and $3.2 million in 1996. At the current year-end, non-performing assets consisted of loans on non-accrual status, restructured loans, and loans past due 90 days or more.

In addition to non-accrual loans and accruing loans 90 days or more past due, there were loans with an aggregate principal balance of $13.7 million outstanding at December 31, 1998, to borrowers who are currently experiencing financial difficulties. This compares with $19 million at December 31, 1997. Although these loans are adequately secured by commercial real estate or other assets, management has concerns regarding the ability of such borrowers to continue meeting existing loan repayment terms. Accordingly, these loans may be subject to future modifications of their terms or may become non-performing. Management is monitoring the performance and classification of such loans and the financial condition of these borrowers and has considered the risk associated with these loans in determining the adequacy of the allowance for loan losses.

Non-accrual loans are loans on which the accrual of interest ceases when the collection of principal or interest is determined to be doubtful by management. It is the Company's policy to cease the accrual of interest when principal or interest payments are delinquent 90 days or more. Any unpaid amounts previously accrued in the current year are reversed from income, and thereafter interest is recognized only when payments are received. Restructured loans are loans on which the Company, for economic or legal reasons related to a borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. Nonperforming loans include loans on which principal payments are contractually delinquent 90 days or more and interest is still being accrued. These loans are well secured and in the process of collection. The Company had no other real estate owned acquired in foreclosure at December 31, 1998 or 1997.

INTEREST RATE RISK MANAGEMENT

Because of the rate sensitivity of financial instruments, fluctuations in interest rates expose the Company to potential gains and losses resulting from changes in the fair value of the instruments. The objective of interest rate risk management is to control exposure of net interest income to risks associated with interest rate movements. The Company actively manages its interest rate risk position. The tools used to measure interest rate risk include gap analysis and a market valuation model that measures interest rate risk from an economic perspective. Significant assumptions required in the use of these tools include prepayment risks and the timing of changes in deposit rates compared with changes in money market rates.

The market value of each asset and liability is calculated in the market valuation model by computing the present value of all cash flows generated. In each case, the cash flows are discounted by a market interest rate chosen to reflect as closely as possible the characteristics of the given asset or liability. As of the reporting date, this internal valuation model indicates that a two percent shift in the absolute level of interest rates would change the market value of equity by less than four percent. This represents a relatively risk neutral position from an economic perspective.

The following table summarizes the Company's repricing gap for various time intervals at December 31, 1998:

(IN MILLIONS)	WITHIN 3 MONTHS	3 MONTHS TO 1 YEAR	1 YEAR TO 5 YEARS	MORE THAN 5 YEARS
Loans	$ 575	$57	$ 84	$ 36
Securities	9	32	94	40
Other assets	9			90
	593	89	178	166
Non-interest bearing deposits	39	44	36	47
Interest bearing deposits	187	88	77	
Short-term borrowings	197	14		
Long-term debt	47		21	71
Interest rate swaps	82		(11)	(71)
Other liabilities and stockholders' equity				158
	552	146	123	205
Repricing gap	$ 41	$(57)	$ 55	$ (39)
Cumulative gap	41	(16)	39	0
Cumulative gap as a percent of assets	4%	(2)%	4%	0%

As indicated by the Gap table, assets reprice slightly faster than liabilities as of the reporting date. With this balance sheet position, which is typical for the Company, interest margins are projected to increase slightly in an environment of rising short-term rates and decline slightly in a declining rate environment. A lower interest rate environment is preferable for the Company from a credit perspective, however, as there is less pressure on customers to meet variable rate debt servicing obligations.

The following table provides information about the Company's derivative financial instruments and other financial instruments used for purposes other than trading that are sensitive to changes in interest rates. For loans, securities, and liabilities with contractual maturities, the table presents principal cash flows and related weighted-average interest rates by contractual maturities as well as the Company's historical experience of the impact of interest rate fluctuations on the prepayment of residential and home equity loans and mortgage-backed securities. For core deposits (e.g., non-interest bearing checking, interest bearing checking and savings, savings and money market deposits) that have no contractual maturity, the table presents principal cash flows and, as applicable, related weighted-average interest rates based on the Company's historical experience, management's judgment, and statistical analysis, as applicable, concerning their most likely withdrawal behaviors.

<TABLE>
<CAPTION>

(IN MILLIONS)	1999	2000	2001	2002	2003	THEREAFTER	TOTAL	FAIR VALUE AS OF 12/31/98
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
RATE SENSITIVE ASSETS:								
Fixed interest rate loans	$ 23	$ 15	$ 20	$ 16	$ 16	$ 42	$ 132	$135
Average interest rate	7.81%	8.36%	8.87%	8.48%	8.48%	8.36%	8.37%	
Variable interest rate loans	547	20	7	14	14	29	631	633
Average interest rate	9.54%	7.50%	8.70%	7.68%	7.68%	8.15%	9.32%	
Fixed interest rate securities	33	32	26	20	18	40	169	170
Average interest rate	6.49%	6.36%	6.02%	6.55%	6.55%	6.53%	6.41%	
Variable interest rate securities	1	1	1	1	1	1	6	6
Average interest rate	5.74%	6.14%	6.74%	5.93%	5.93%	6.69%	6.27%	
Other interest bearing assets	6						6	6
Average interest rate	5.00%						5.00%	
RATE SENSITIVE LIABILITIES:								
Non-interest bearing checking	82	9	9	9	9	47	165	165
Interest bearing checking & savings	120	9	8	8	8		153	153
Average interest rate	3.90%	1.22%	1.01%	1.01%	1.01%		3.29%	
Time deposits	151	28	8	6	6		199	200
Average interest rate	5.36%	5.91%	5.85%	5.87%	5.87%		5.48%	
Fixed interest rate borrowings	248	10		11	10	71	350	356
Average interest rate	5.07%	5.81%		5.64%	5.64%	6.04%	5.32%	
RATE SENSITIVE DERIVATIVE FINANCIAL INSTRUMENTS:								
Interest rate swaps	23		24		51	31	129	5
Average pay rate	5.75%		5.75%		5.73%	5.74%		
Average receive rate	7.19%		7.41%		5.89%	6.45%		

</TABLE>

NON-INTEREST INCOME

Total non-interest income was $9.2 million, compared with $11.4 million in 1997, and $10.1 million in 1996. 1997 included a state income tax refund related to taxes paid in prior years and interest earned to the date of the refund. In 1997, the bank discontinued origination of mortgage loans from its own mortgage banking unit, and instead, accommodates customers through a referral arrangement with another lender. The decline in mortgage fee income is offset by a decline in corresponding salary and other expense. The Bank realized no gains or losses on the sale of investment securities in 1998 or 1997 compared with gains of $133,000 in 1996.

The table below summarizes the major components of non-interest income:

<TABLE>
<CAPTION>

(IN THOUSANDS)	1998	1997	1996
<S>	<C>	<C>	<C>
Trust income	$4,641	$ 4,801	$ 4,605
Service charges on deposit accounts	2,145	2,195	2,189
Mortgage banking fees	50	204	514
Sale of financial services and investment products	306	292	383
State income tax refund		1,369	
Securities gains			133
Letter of credit commissions	609	558	374
Other	1,491	1,971	1,884
	------	-------	-------

	$9,242	$11,390	$10,082
	======	=======	=======

</TABLE>

NON-INTEREST EXPENSE

Non-interest expense totaled $28.0 million in 1998, compared with $28.3 million in 1997 and $26.2 million in 1996. Several categories reflect decreases which were offset by increases in other expense which includes various items such as supplies, travel and entertainment, and delivery expense.

The table below summarizes the major components of non-interest expense:

(IN THOUSANDS)	1998	1997	1996
Salaries and employee benefits	$15,238	$15,110	$14,965
Net occupancy	3,062	3,194	2,750
Equipment	3,512	3,648	2,731
Fees and assessments	1,374	1,539	1,102
Advertising and marketing	742	909	844
Other	4,121	3,865	3,797
	-------	-------	-------
	$28,049	$28,265	$26,189
	=======	=======	=======

YEAR 2000

In 1997 the Company formed a project team, and with assistance of an outside consulting firm, assessed the impact of Year 2000 on the Company's critical hardware and software, on the embedded technology in its physical facilities and automated equipment. The assessment also considered the potential impact on customers, business partners and vendors. A Year 2000 plan was developed, which included prioritized tasks, implementation, testing schedules, and contingency plans. The Company has replaced or modified certain systems to ensure Year 2000 compliance. The Company has substantially completed the testing of remediated systems related to Year 2000 compliance. The Company anticipates that the testing of all critical systems will be completed and implementation will be substantially completed by the end of the second quarter 1999. Any critical application that does not test successfully by the end of the second quarter of 1999 will have an approved contingency plan implemented. The Company estimates that the cost of its Year 2000 compliance program will approximate $1.1 million of which the Company has incurred approximately $800,000 to date. Costs incurred to modify internal use software will be expensed. A significant amount of the total estimated cost represents enhancements and improvements, which will be amortized over the estimated useful life of the enhancement or improvement. The Company will fund the expenditures from operating earnings.

The potential impact of the Year 2000 issue will depend not only on the corrective measures the Company undertakes, but also on the way in which the Year 2000 issue is addressed by governmental agencies, businesses, and other entities who provide data to, or receive data from the Company, or whose financial condition or operational capability is important to the Company. The Company continues to monitor the actions of these third parties to appropriately address their own Year 2000 issues and to evaluate any likely effect on the Company. There is no guarantee that the systems of other companies or entities on which the Company relies will be remediated on a timely basis, or that a remediation or conversion will be compatible with the Company's systems. If these issues are not adequately resolved, the Company's future business operations and, in turn, its financial position and results of operations, could be negatively impacted. In addition, the Company's credit risk associated with its borrowers may increase as a result of their individual Year 2000 issues.

Individual contingency plans have been established for mission critical business systems to mitigate potential delays or other problems associated with new system replacements, system remediation, or established vendor delivery dates. The plans were developed using a standard methodology that includes trigger dates, steps to follow, expected life of the plan and resources required. Business continuation plans will be developed for critical business processes to assure that service to customers will not be impaired. Federal banking regulators have conducted special examinations of banks to determine whether they are taking the necessary steps to prepare for Year 2000. They are closely monitoring the progress being made by the banks to ensure that key steps are fully completed as required by the individual bank plans.

CAPITAL AND LIQUIDITY

Stockholders' equity was $147 million or 14.3 percent of total assets at December 31, 1998, compared with $133 million and 14.2 percent in 1997. The Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weighting and other factors. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. The Office of the Comptroller of the Currency has categorized the Company as well capitalized under existing regulatory guidelines for 1998 and 1997. The required risk based ratio for capital adequacy purposes is eight percent and the required leverage ratio is four percent. A well capitalized company under prompt corrective action provisions must maintain a risk based ratio of ten percent and a leverage ratio of five percent. The table below states the Company's capital ratios:

	DECEMBER 31,	
	1998	1997
RISK CAPITAL RATIOS		
Tier I Capital	16.39%	16.61%
Total Capital	17.56%	17.86%
LEVERAGE RATIO	14.27%	14.15%

Liquidity is the ability to raise funds in all market environments to meet the commitments of the Company. Liquidity is available through the management of liabilities and from various asset sources. It is the policy of the Company to rely primarily on managed liabilities, but to recognize the potential need for asset liquidity in meeting liquidity requirements. Liability sources include large denomination certificates of deposit and borrowing as federal funds purchased, repurchase agreements, and Federal Home Loan Bank advances in the bank subsidiary. The sale of commercial paper as well as back up lines of credit available to the Parent Company provide additional sources of liquidity. The Bank's holding of short-term money market investments such as federal funds sold and securities purchased under agreements to resell enhances asset liquidity.

The Company issues commercial paper to finance the loans of DBCI. The Company's commercial paper has an independent rating and is backed by supporting lines of credit of $140 million. DBCI has original maturity five, seven, and ten-year term notes in the amount of $129 million with an investment grade rating.

Available-for-sale securities provide liquidity through scheduled maturities and the cash convertibility of these assets at market value. At December 31, 1998, the market value of available-for-sale securities exceeded amortized cost by $1.5 million. At December 31, 1997, the market value exceeded amortized cost by $712,000. Held-to-maturity securities provide liquidity through scheduled maturities. The majority of the securities are readily marketable. Management has structured the loan portfolio to provide additional liquidity with at least 55 percent of total loans having scheduled maturities within one year.

Cash flows from operations and changes in the balance sheet also affect liquidity. The Consolidated Statement of Cash Flows on page 6 shows the component changes in the Company's cash position for the three years ending December 31, 1998. In 1998, net cash provided from operating activities increased to $26 million. Investing activities reflect loan originations and principal repayments as well as activity in short-term money market investments, the investment portfolio and investment in premises and equipment. In 1998, net cash used in investing activities increased by $70 million. The increase reflects increased loan originations as compared with the prior year. Cash provided from financing activities increased by $55 million in 1998. Increased funding sources included non-interest bearing and savings deposits and long term debt, offset

by decreased commercial paper, federal funds purchased and repurchase agreements, and other short-term borrowings.

The Company is not aware of any current recommendations by regulatory authorities which if they were to be implemented would have a material effect on liquidity, capital resources or operations.

1997 VERSUS 1996

The major factors contributing to the earnings increase were higher net interest income and non-interest income, partially offset by higher non-interest expense. Net interest income increased to $43.8 million, up 11 percent. The increase resulted from a higher volume of earning assets offset by a decrease in net interest margin. Excluding gains and losses on sale of securities, non-interest income increased $1.3 million resulting from a state income tax refund. Non-interest expense increased $2.1 million from 1996 reflecting higher occupancy costs related to the relocation of the Company and its subsidiaries, continued investment in technology and equipment by the Company, and increased attorney and consulting fees.

BUSINESS SEGMENTS

The Company has two business segments, National City Bank of Minneapolis (commercial bank) and Diversified Business Credit, Inc. (commercial finance). The main offices of each segment are located in the business district of downtown Minneapolis. In addition to the main office, the commercial bank has a drive-up location in downtown Minneapolis and a full service bank in Edina, Minnesota. The commercial finance segment has an office in Milwaukee, Wisconsin.

The commercial bank offers the usual banking services including business, consumer, and real estate loans, deposit and cash management services, correspondent banking, and safe deposit. In addition, the commercial bank also offers trust services including management of funds for individuals, the administration of estates and trusts, and for corporations, governmental bodies, and public authorities, paying agent services, trustee under corporate indenture, pension and profit sharing agreements, and record keeping and reporting for 401-K savings plans. The commercial bank originates the majority of its business in the Minneapolis/St. Paul area.

The net income of the commercial bank increased to $7.9 million in 1998 from $7.5 million in 1997 and $6.6 million in 1996. The net earnings of 1997 included a state income tax refund of $1,369,000 which increased net earnings approximately $850,000. The bank has increased its net earnings through the growth of its loan portfolio and the use of low-cost funding sources, primarily deposits.

The following table summarizes the commercial bank's performance measures:

(IN THOUSANDS)	1998	1997	1996
Net interest income	$ 27,770	$ 26,985	$ 25,494
Net earnings	7,926	7,527	6,624
Average assets	720,504	684,609	606,265
Average loans	446,950	418,270	386,501
Average deposits	486,590	470,206	442,101
Return on average equity	13.19%	13.16%	12.51%
Efficiency ratio	63.03%	63.22%	64.55%

The commercial finance segment specializes in providing working capital loans secured by accounts receivable, inventory, and other marketable assets. Loans are made on a demand basis with no fixed repayment schedule. Compared to equity-based loans made by commercial banks and others, asset-based loans require closer monitoring and typically interest rates earned on these loans are higher. The commercial finance segment funds its loans through the issuance of long-term debt in the form of Senior Notes and borrowings from the parent company. The commercial finance segment originates the majority of its loans in Minnesota with approximately 15 percent originated in its Wisconsin office.

The net earnings of the commercial finance segment were $6.3 million in 1998 compared with $6.3 million in 1997 and $5.1 million in 1996. In 1998, this segment experienced an increase in non-performing loans which resulted in a loss of interest income and increased loan loss provision expense.

The following table summarizes the commercial finance segment's performance measures:

(IN THOUSANDS)	1998	1997	1996
Net interest income	$ 16,779	$ 14,292	$ 11,807
Net earnings	6,332	6,264	5,119
Average assets	278,737	233,260	188,825
Average loans	273,653	228,464	184,658
Return on average equity	20.59%	25.90%	27.44%
Efficiency ratio	25.66%	26.66%	26.38%

PRIVATE SECURITIES LITIGATION REFORM ACT

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. Certain information included in this annual report to stockholders and other material filed or to be filed by the Company with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Company) contains statements that are forward-looking, such as statements relating to plans for future expansion and other business development activities as well as other capital spending, financing sources and the effects of regulation and competition. Such forward-looking information involves important risks and uncertainties that could significantly affect actual results in the future and, accordingly, such results may differ materially from those expressed in any forward-looking statements made by or on behalf of the Company. These risks and uncertainties include, but are not limited to, those relating to development and construction activities, dependence on existing management, leverage and debt service (including sensitivity to fluctuations in interest rates), domestic or global economic conditions, changes in federal or state tax laws or the administration of such laws, litigation or claims, as well as all other risks and uncertainties described in the Company's filings.

CHANGE IN INTEREST INCOME AND EXPENSE

<TABLE>
<CAPTION>

	YEAR-ENDED DECEMBER 31,					
	1998 OVER 1997			1997 OVER 1996		
		CHANGES RESULTING FROM			CHANGES RESULTING FROM	
(IN THOUSANDS ON A FULLY TAXABLE EQUIVALENT BASIS)	TOTAL	RATES	VOLUME	TOTAL	RATES	VOLUME
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earned on:						
Funds sold	$(358)	$ (59)	$ (299)	$ 646		$ 646
Taxable securities	3	(577)	580	860	$ 172	688
Tax-exempt securities				(27)		(27)
Loans	7,015	(543)	7,558	8,107	425	7,682
Total earning assets	6,660	(1,179)	7,839	9,586	597	8,989
Interest Paid on:						
Savings deposits	573	186	387	364	66	298
Time deposits	(1)	(143)	142	(436)	172	(608)
Brokered deposits	(468)	(14)	(454)	1,345	63	1,282
Other deposits	8	3	5	28	3	25
Short-term funds borrowed	(309)	(826)	517	3,161	525	2,636
Long-term debt	2,929	360	2,569	680	38	642
Total interest bearing liabilities	2,732	(434)	3,166	5,142	867	4,275
Increase (decrease) in net interest income	$3,928	$ (745)	$4,673	$4,444	$ (270)	$4,714

</TABLE>

In the above analysis, rate differences were computed as the change in the rate between the current and prior period times the volume of the current year, while the volume differences were computed as the change in volume between the current and prior period times the prior year's rate.

SECURITIES

CARRYING VALUE OF SECURITIES (IN THOUSANDS)	DECEMBER 31, 1998	1997	1996
Available-for-sale			
U.S. Treasury	$ 5,077	$ 23,997	$ 23,903
U.S. Government agencies	17,089	9,844	9,661
Federal agency mortgage-backed	108,930	102,529	94,671
Other securities	2,801	4,955	4,955
	$133,897	$141,325	$133,190
Held-to-maturity			
Collateralized mortgage obligations	$ 41,255	$ 37,402	$ 31,254
Other securities			251

$ 41,255	$ 37,402	$ 31,505

DISTRIBUTION OF ASSETS, LIABILITIES

AND STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

(DAILY AVERAGES IN THOUSANDS AND ON A FULLY TAXABLE EQUIVALENT BASIS)	1998 AVERAGE BALANCE	1998 INTEREST INCOME/ EXPENSE	1998 AVERAGE RATE
<S>	<C>	<C>	<C>
ASSETS			
Federal funds sold and resale agreements	$ 20,844	$ 1,092	5.24%
Securities:			
Taxable	180,705	11,443	6.33
Tax-exempt			
Total securities	180,705	11,443	6.33
Loans	720,603	73,184	10.16
Total earning assets	922,152	85,719	9.30
Cash and due from banks	44,819		
Other assets	26,701		
	$993,672		
LIABILITIES AND STOCKHOLDERS' EQUITY			
Interest bearing deposits:			
Savings	$101,964	$ 4,283	4.20%
Time	204,296	11,694	5.72
Other	34,034	416	1.22
Total	340,294	16,393	4.82
Short-term borrowed funds	277,780	15,275	5.50
Long-term debt	94,994	6,355	6.69
Total interest bearing liabilities	713,068	38,023	5.33
Non-interest bearing deposits	130,761		
Other liabilities	10,118		
Stockholders' equity	139,725		
	$993,672		
Net interest income and interest rate spread		$47,696	3.97
Net interest margin			5.17
Fees on loans included above		$ 3,281	

</TABLE>

Average balance of non-accruing loans is included in the above analysis.

Interest income attributable to non-accruing loans has not been included in the above analysis except as collected.

<TABLE>
<CAPTION>

	1997 AVERAGE BALANCE	1997 INTEREST INCOME/ EXPENSE	1997 AVERAGE RATE	1996 AVERAGE BALANCE	1996 INTEREST INCOME/ EXPENSE	1996 AVERAGE RATE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	$ 26,268	$ 1,450	5.52%	$ 14,561	$ 804	5.52%

171,981	11,440	6.65	161,473	10,580	6.55
			170	27	15.88
171,981	11,440	6.65	161,643	10,607	6.56
646,734	66,169	10.23	571,159	58,062	10.17
844,983	79,059	9.36	747,363	69,473	9.30
39,733			37,245		
28,061			26,812		
$912,777			$811,420		

$ 92,338	$ 3,710	4.02%	$ 84,778	$ 3,346	3.95%
209,737	12,163	5.80	197,808	11,254	5.69
33,629	408	1.21	31,540	380	1.20
335,704	16,281	4.85	314,126	14,980	4.77
268,567	15,069	5.61	219,890	11,908	5.42
57,509	3,941	6.85	48,054	3,261	6.79
661,780	35,291	5.33	582,070	30,149	5.18
117,605			110,222		
9,069			8,533		
124,323			110,595		
$912,777			$811,420		
	$43,768	4.03		$39,324	4.12
		5.18			5.26
	$ 2,408			$ 2,326	

</TABLE>

LOAN PORTFOLIO ANALYSIS

<TABLE>
<CAPTION>

TYPES OF LOANS (IN THOUSANDS)	DECEMBER 31, 1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Commercial and industrial	$517,310	$438,116	$389,718	$379,290	$304,913
Real estate:					
Construction	24,196	10,405	10,444	16,089	16,582
Residential mortgage	40,074	43,295	40,323	32,125	25,828
Non-residential mortgage	92,769	88,448	76,086	68,504	62,731
Loans to individuals for personal expenditures	46,800	54,987	56,973	33,966	27,272
Other loans	41,598	31,131	22,960	22,607	29,727
	$762,747	$666,382	$596,504	$552,581	$467,053

</TABLE>

Maturities and sensitivity to changes in interest rates in the commercial and industrial and real estate construction loan portfolio are summarized below as of December 31, 1998:

<TABLE>
<CAPTION>

	WITHIN ONE YEAR	AFTER ONE BUT WITHIN FIVE YEARS	AFTER FIVE YEARS	TOTAL
<S>	<C>	<C>	<C>	<C>
Commercial and industrial	$412,364	$92,957	$11,989	$517,310
Real estate construction	6,509	1,338	16,349	24,196
	$418,873	$94,295	$28,338	$541,506
Loans with predetermined interest rates	$ 12,354	$45,495	$13,068	$ 70,917

Loans with floating interest rates	406,519	48,800	15,270	470,589
	$418,873	$94,295	$28,338	$541,506

The following table summarizes nonperforming assets:

(IN THOUSANDS)	DECEMBER 31, 1998	1997	1996	1995	1994
Non-accrual loans	$ 9,725	$ 320	$ 1,329	$ 1,314	$ 6,193
Impaired non-accrual loans	1,533	171	1,017	2,409	
Restructured loans	235				
Loans past due 90 days or more as to interest or principal	4	703	871	135	8
Nonperforming loans	$ 11,497	$ 1,194	$ 3,217	$ 3,858	$ 6,201
Percent of total loans	1.5%	0.2%	0.5%	0.7%	1.3%

The gross interest income that would have been recorded in 1998 had nonperforming assets remained current and in accordance with original terms, is approximately $667,000. The amount of interest included in income was $31,000.

It is the Company's policy to consider loans for non-accrual when they are past due 90 days or more, unless such loans are well secured and in the process of collection. All such loans have been reviewed by management, and where so determined are included in the non-accrual totals above.

SUMMARY OF LOAN LOSS EXPERIENCE

(IN THOUSANDS)	YEAR ENDED DECEMBER 31, 1998	1997	1996	1995	1994
Beginning balance of allowance for losses	$ 10,071	$ 8,511	$ 8,602	$ 7,946	$ 8,006
Provision charged to operating expense	2,940	2,134	2,345	1,502	1,150
Charge-offs:					
Commercial and industrial	2,452	825	2,059	907	850
Real estate (includes construction and real estate)	155	125	195		
Individuals for personal expenditures	37	156	298	44	172
Other					350
	2,644	1,106	2,552	951	1,372
Recoveries:					
Commercial and industrial	37	267	29	45	41
Real estate (includes construction and real estate)	1	12	31	36	32
Individuals for personal expenditures	4	47	17	24	89
Foreign		8			
Other	14	198	39		
	56	532	116	105	162
Charge-offs net of recoveries	2,588	574	2,436	846	1,210
Ending balance of allowance for losses	$ 10,423	$ 10,071	$ 8,511	$ 8,602	$ 7,946
Average gross loans outstanding	$ 720,603	$ 646,734	$ 571,159	$ 509,899	$ 435,684
Percent of net loan charge-offs to average loans	0.36%	0.09%	0.43%	0.17%	0.28%
Percent of allowance for losses to loans outstanding at end of period	1.37%	1.51%	1.43%	1.56%	1.70%

The provision for loan losses charged to operating expenses is based upon several factors which are evaluated by management including prior loss experience, current and anticipated economic conditions, regular examinations by supervisory authorities and continuing review of problem loans. For purposes of evaluating the adequacy of the reserve, management concentrates on the major components of the loan portfolio which are commercial loans, real estate loans and installment loans. Commercial and real estate-construction loans are reviewed and graded in one of several categories describing their quality, and problem loans are monitored by senior management. Real estate and installment loans which are considered past due are reported to management on a monthly basis.

The following is management's allocation of the allowance for loan losses:

YEAR ENDED DECEMBER 31	COMMERCIAL AND INDUSTRIAL	REAL ESTATE	INDIVIDUALS FOR PERSONAL EXPENDITURES	UNALLOCATED	TOTAL
1998					
Amount allocated	$ 3,767	$ 100	$ 300	$6,256	$10,423
Outstandings to total loans	67.82%	20.59%	6.14%		
1997					
Amount allocated	1,245	200	300	8,326	10,071
Outstandings to total loans	65.75%	21.33%	8.25%		
1996					
Amount allocated	1,919	100	300	6,192	8,511
Outstandings to total loans	65.33%	21.27%	9.55%		
1995					
Amount allocated	1,185	100	300	7,017	8,602
Outstandings to total loans	68.64%	21.12%	6.15%		
1994					
Amount allocated	1,619	100	300	5,927	7,946
Outstandings to total loans	65.28%	22.51%	5.84%		

SELECTED FINANCIAL DATA

	1998	1997	1996	1995	1994
BALANCE SHEET ITEMS (IN MILLIONS)					
Securities	$ 175	$ 179	$ 165	$ 158	$ 139
Loans	763	666	597	553	467
All other assets	88	90	138	90	67
Total assets	1,026	935	900	801	673
Total deposits	517	479	520	440	368
Short-term borrowed funds	211	246	206	198	156
Long-term debt	139	67	48	48	53
All other liabilities	12	10	8	9	5
Total liabilities	879	802	782	695	582
Stockholders' equity	147	133	118	106	91
INCOME AND EXPENSE ITEMS (IN THOUSANDS)					
Interest and fees on loans	73,090	66,110	57,992	54,952	41,046
All other interest income	12,535	12,890	11,404	10,417	9,179
Total interest income	85,625	79,000	69,396	65,369	50,225
Interest expense on deposits	16,393	16,281	14,980	12,950	8,490
Interest expense on short-term borrowed funds	15,275	15,069	11,908	11,680	8,933
Interest expense on long-term debt	6,355	3,941	3,261	3,638	1,015
Total interest expense	38,023	35,291	30,149	28,268	18,438
Net interest income	47,602	43,709	39,247	37,101	31,787
Provision for loan losses	2,940	2,134	2,345	1,502	1,150
Trust fees	4,641	4,801	4,605	4,839	4,683
State income tax refund		1,369			
Gains (losses) on sale of securities			133	(122)	(32)
All other income	4,601	5,220	5,344	4,460	5,290
All other expenses	28,049	28,265	26,189	26,053	26,284
Net earnings	15,664	14,964	12,686	11,454	8,946
BASIC EARNINGS PER SHARE					
Net earnings	1.77	1.68	1.42	1.28	1.01

SELECTED RATIOS

	YEAR ENDED DECEMBER 31, 1998	1997	1996
Net earnings to average assets	1.58%	1.63%	1.56%
Net earnings to average stockholders' equity	11.26	12.01	11.40
Average stockholders' equity to average total assets	14.00	13.61	13.71
Regulatory Capital Ratios:			
Tier 1 risk capital	16.39	16.61	15.97
Total risk capital	17.56	17.86	17.12
Leverage	14.27	14.15	13.11
(ratios calculated before unrealized gains or losses)			

SELECTED CONSOLIDATED QUARTERLY FINANCIAL DATA

(UNAUDITED) (IN THOUSANDS EXCEPT PER SHARE DATA)	1998 FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Interest income	$ 20,326	$ 21,084	$ 22,600	$ 21,615
Interest expense	8,875	9,127	9,959	10,062
Net interest income	11,451	11,957	12,641	11,553
Provision for loan losses	480	260	650	1,550
Other non-interest income	2,409	2,678	2,177	1,978
Non-interest expense	7,350	7,219	7,146	6,334
Income tax expense	2,379	2,836	2,759	2,217
Net earnings	3,651	4,320	4,263	3,430
Basic earnings per share**	0.41	0.49	0.48	0.39

(UNAUDITED) (IN THOUSANDS EXCEPT PER SHARE DATA)	1997 FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Interest income	$ 18,407	$ 19,508	$ 20,563	$ 20,522
Interest expense	8,028	8,776	9,320	9,167
Net interest income	10,379	10,732	11,243	11,355
Provision for loan losses	790	567	502	275
Other non-interest income	2,980	2,480	3,489	2,441
Non-interest expense	7,126	6,900	7,149	7,090
Income tax expense	2,150	2,274	2,770	2,542
Net earnings	3,293	3,471	4,311	3,889
Basic earnings per share**	0.37	0.38	0.49	0.44

	1998 LOW	1998 HIGH	1997 LOW	1997 HIGH
Stock Price Range**				
First quarter	$23 3/8	$29 1/2	$16 5/8	$20 7/8
Second quarter	30	35 1/4	18	21 3/4
Third quarter	24	34 1/2	19 3/8	26 1/4
Fourth quarter	23 1/2	28	24 1/8	27 3/8
December 31 (Closing Price)	$26 1/4		$27	

**Adjusted for stock dividends

DIRECTORS

<TABLE>

NATIONAL CITY BANCORPORATION

<S>	<C>	<C>	<C>
David C. Malmberg Chairman of the Board National City Bancorporation	Michael J. Boris* Private investor and Consultant	James B. Goetz , Sr. President and Chief Executive Officer Goetz Companies	Walter E. Meadley, Jr. Retired Vice Chairman of the Board National City Bank
Wendell R. Anderson* Of Counsel Larkin, Hoffman, Daly & Lindgren Ltd	Marvin Borman* Partner Maslon, Edelman, Borman & Brand	Esperanza Guerrero-Anderson* President and Chief Executive Officer Milestone Growth Fund, Inc.	Robert L. Olson President and Chief Executive Officer Diversified Business Credit, Inc.
David L. Andreas President and Chief Executive Officer National City Bancorporation President and Chief Executive Officer National City Bank	Sharon N. Bredeson President and Chief Executive Officer STAFF-PLUS, Inc.	Thomas E. Holloran* Professor, Graduate Programs in Management University of St. Thomas	Roger H. Scherer* Chairman of the Board Scherer Bros Lumber Company
	Kenneth H. Dahlberg Chairman of the Board Dahlberg, Inc.	C. Bernard Jacobs Retired President and Chief Executive Officer National City Bancorporation Retired Chairman of the Board National City Bank	
Terry L. Andreas Chairman of the Board School for Field Studies Beverly, Massachusetts	John H. Daniels, Jr.* Partner Willeke & Daniels		*Members of the Audit Committee

</TABLE>

PRINCIPAL OFFICERS

<TABLE>

NATIONAL CITY BANCORPORATION

<S>	<C>	<C>	<C>
David L. Andreas President and Chief Executive Officer	Thomas J. Freed Secretary and Chief Financial Officer		

NATIONAL CITY BANK OF MINNEAPOLIS

David L. Andreas President and Chief Executive Officer	Ann H. Hengel Senior Vice President	BANK OPERATIONS DIVISION Donald W. Kjonaas Senior Vice President and Security Officer	FINANCIAL MANAGEMENT DIVISION Thomas J. Freed Senior Vice President and Chief Financial Officer
	Timothy M. Murphy Vice President		
CLIENT SERVICES DIVISION William J. Klein Executive Vice President	David M. Nash Senior Vice President	Laura J. Carlson Vice President	Robert A. Duncan Vice President
Brad Byers Vice President	Margrette A. Newhouse Vice President	DeWayne A. Hoium Vice President	Michael G. Jensen Vice President
Donna M. DeMatteo Vice President	Scott D. Thorson Vice President	Sherri L. Kelly Vice President	Robert A. Kramer Vice President and Controller
Karen A. Dunifon Vice President		James R. Kitchen Vice President	Robert A. Steuck Vice President and Auditor
Linda M. Fifield Vice President		Susan E. Martenson Vice President	COMPLIANCE COUNSEL Connie G. Weinman
		Lisa A. Ruhl Vice President	

DIVERSIFIED BUSINESS CREDIT, INC.

Robert L. Olson President and Chief Executive Officer	William D. Farrar Vice President	Bridget A. Manahan Vice President	Kevin D. Schrader Vice President
Janet L. Pomeroy Senior Vice President	Jeffrey S. Holland Vice President	Allen J. Olson Vice President	Mark W. Schwieters Vice President

	Robert L. Johnson	Christopher J. Schaaf	Walter D. Tomaszek
Anthony R. Bassett	Vice President and Treasurer	Vice President	Vice President
Vice President			

</TABLE>

Exhibit 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8, No. 33-84638) pertaining to the National City Bancorporation Incentive Savings Plan of our report dated January 15, 1999, with respect to the consolidated financial statements of National City Bancorporation incorporated by reference in its Annual Report (Form 10-K) for the year ended December 31, 1998.

/S/ ERNST & YOUNG LLP

Minneapolis, Minnesota
March 26, 1999

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