SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
SEC Accession No. 0001047469-99-011513

(HTML Version on secdatabase.com)

FILER

NATIONAL CITY BANCSHARES INC

CIK:**764241**| IRS No.: **351632155** | State of Incorp.:**IN** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **000-13585** | Film No.: **99573395**
SIC: **6022** State commercial banks

Mailing Address
227 MAIN ST
PO BOX 868
EVANSVILLE IN 47705-0868

Business Address
227 MAIN ST P O BOX 868
EVANSVILLE IN 47705-0868
8124649677

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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

OR

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

Commission file number 0-13585

NATIONAL CITY BANCSHARES, INC.
(Exact name of registrant as specified in its charter)

Indiana	35-1632155
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
227 Main Street, P.O. Box 868, Evansville, Indiana	47705-0868
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 812-464-9677

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

NONE

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

COMMON STOCK, $1.00 STATED VALUE
(Title of Class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ( )

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

Based on the closing sales price of February 26, 1999, the aggregate market value of the voting stock held by non-affiliates of the registrant was $452,894,500.

The number of shares outstanding of the registrant's common stock was 16,842,456 at February 26, 1999.

DOCUMENTS INCORPORATED BY REFERENCE

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(1) Portions of the registrant's Annual Report to Shareholders for the year ended December 31, 1998. (Part I, Part II and Part IV).

(2) Portions of the registrant's Proxy Statement for the 1999 Annual Meeting of Shareholders. (Part III)

NATIONAL CITY BANCSHARES, INC.
1998 FORM 10-K ANNUAL REPORT

Table of contents

<TABLE>
<CAPTION>

</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

FORM 10-K
NATIONAL CITY BANCSHARES, INC.
December 31, 1998

PART I

ITEM 1. BUSINESS

National City Bancshares, Inc. (the "Corporation"), was organized in 1985 as an Indiana corporation to engage in the business of a bank holding company. Based in Evansville, Indiana, as of December 31,1998, the Corporation owned 100% of six national banks, seven state chartered banks, and two federal savings bank (each, a "Bank" and, collectively, the "Banks") operating from a total of sixty-eight banking centers; a leasing company; and a property management company. The Corporation also has a controlling interest in NCBE Capital Trust I, a trust securities affiliate.

The Banks provide a wide range of financial services to the communities they serve in Indiana, Kentucky, Illinois and Southwestern Ohio. These services include various types of deposit accounts; safe deposit boxes; safekeeping of securities; automated teller machines; consumer, mortgage, and commercial loans; mortgage loan sales and servicing; letters of credit; accounts receivable management (financing, accounting, billing and collecting); and complete personal and corporate trust services. All deposits are insured by the Federal Deposit Insurance Corporation ("FDIC").

NCBE Leasing Corp., operates as a full service equipment and real property leasing company offering its services to all commercial clients of the Banks.

Twenty-One Southeast Third Corporation ("TSTC") is the Corporation's real estate property management subsidiary. TSTC is the entity through which the Corporation constructed a nine story addition to the main office of The National City Bank of Evansville ("NCB"). NCB and the Corporation occupy three and one half floors of the building with the remaining floors sold as condominiums. TSTC serves in a property management capacity for this facility.

At December 31, 1998, the Corporation and its subsidiaries had 751 full-time equivalent employees. The subsidiaries provide a wide range of employee benefits and management considers employee relations to be excellent.

COMPETITION

The Corporation has active competition in all areas in which it presently engages in business. Each Bank competes for commercial and individual deposits and loans with commercial banks, thrift institutions, credit unions connected with local businesses, and other non-banking institutions. The Corporation's leasing company competes with bank and nonbank leasing companies as well as finance subsidiaries of major equipment vendors.

FOREIGN OPERATIONS

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The Corporation and its subsidiaries have no foreign branches or significant business with foreign obligors or depositors.

REGULATION AND SUPERVISION
General

The Corporation is a registered bank holding company under the Bank Holding Company Act of 1956, as amended ("BHCA"), and as such is subject to regulation by the Board of Governors of the Federal Reserve Board ("FRB"). The Corporation files periodic reports with the FRB regarding the business operations of the Corporation and its subsidiaries, and is subject to examination by the FRB.

The Corporation's national bank subsidiaries are supervised and regulated primarily by the Comptroller of the Currency ("OCC"). They are also members of the Federal Reserve System and subject to the applicable provisions of the Federal Reserve Act. The Corporation's federal thrift subsidiaries are supervised and regulated by the Office of Thrift Supervision ("OTS"). The Corporation's remaining depository institution subsidiaries are supervised and regulated primarily by their state banking supervisor and the FDIC or, in the case of state member banks, the FRB. All of the Banks' deposits are federally insured; accordingly, the Banks are subject to the provisions of the Federal Deposit Insurance Act.

The federal banking agencies have broad enforcement powers, including the power to terminate deposit insurance, impose substantial fines and other civil and criminal penalties, and appoint a conservator or receiver. Failure to comply with applicable laws, regulations, and supervisory agreements could subject the Corporation, the Banks, as well as their officers, directors, and other institution-affiliated parties, to administrative sanctions and potentially substantial civil money penalties. In addition to the measures discussed under "Deposit Insurance", the appropriate federal banking agency may appoint the FDIC as conservator or receiver for a banking institution (or the FDIC may appoint itself, under certain circumstances) if any one or more of a number of circumstances exist, including, without limitation, the fact that the banking institution is undercapitalized and has no reasonable prospect of becoming adequately capitalized, it fails to become adequately capitalized when required to do so, it fails to submit a timely and acceptable capital restoration plan, or it materially fails to implement an accepted capital restoration plan.

Supervision and regulation of bank holding companies and their subsidiaries is intended primarily for the protection of depositors, the deposit insurance funds of the FDIC, and the banking system as a whole, not for the protection of bank holding company shareholders or creditors.

Acquisitions and Changes in Control

Under the BHCA, without the prior approval of the FRB, the Corporation may not acquire direct or indirect control of more than 5% of the voting stock or substantially all of the assets of any company, including a bank, and may not merge or consolidate with another bank holding company. In addition, the BHCA generally prohibits the Corporation from engaging in any nonbanking business unless such business is determined by the FRB to be so closely related to banking as to be a proper incident thereto. Under the BHCA, the FRB has the authority to require a bank holding company to terminate any activity or relinquish control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) upon the FRB's determination that such activity or control constitutes a serious risk to the financial soundness and stability of any bank subsidiary of the bank holding company.

Federal and state laws and regulations limit geographic expansion by the Corporation and the Banks. Under the Riegle-Neal Interstate Banking and

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Branching Efficiency Act of 1994, subject to certain conditions, (i) bank holding companies may acquire banks located in states outside their home state, (ii) the interstate merger of banks is allowed, subject to the right of individual states to "opt out" of this authority, and (iii) banks may establish new branches on an interstate basis, provided that such action is specifically authorized by the law of the host state.

The Change in Bank Control Act (the "CBCA") prohibits a person or group of persons from acquiring "control" of a bank holding company unless the FRB has been notified and has not objected to the transaction. Under a rebuttable presumption established by the FRB, the acquisition of 10% or more of a class of voting stock of a bank holding company with a class of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended, such as the Corporation, would, under the circumstances set forth in the presumption, constitute acquisition of control of the Corporation. In addition, any company is required to obtain the approval of the FRB under the BHCA before acquiring 25% (5% in the case of an acquiror that is a bank holding company) or more of the outstanding common stock of the Corporation, or otherwise obtaining control or a "controlling influence" over the Corporation.

Dividends and Other Relationships with Affiliates

The Corporation is a legal entity separate and distinct from its subsidiaries. The source of the Corporation's cash flow, including cash flow to pay dividends on the Corporation's Common Stock, is the payment of dividends to the Corporation by the Banks. Generally, such dividends are limited to the lesser of (i) undivided profits (less bad debts in excess of the allowance for credit losses) and (ii) absent regulatory approval, the net profits for the current year combined with retained net profits for the preceding two years. Further, a depository institution may not pay a dividend if (i) it would thereafter be "undercapitalized" as determined by federal banking regulatory agencies or (ii) if, in the opinion of the appropriate banking regulator, the payment of dividends would constitute an unsafe or unsound practice.

The Banks are subject to additional restrictions on their transactions with affiliates, including the Corporation. State and federal statutes limit credit transactions with affiliates, prescribing forms and conditions deemed consistent with sound banking practices, and imposing limits on permitted collateral for credit extended.

Under FRB policy, the Corporation is expected to serve as a source of financial and managerial strength to the Banks. The FRB requires the Corporation to stand ready to use its resources to provide adequate capital funds during periods of financial stress or adversity. This support may be required by the FRB at times when the Corporation may not have the resources to provide it or, for other reasons, would not be inclined to provide it. Additionally, under the Federal Deposit Insurance Corporation Improvements Act of 1991 ("FDICIA"), the Corporation may be required to provide limited guarantee of compliance of any insured depository institution subsidiary that may become "undercapitalized" (as defined in the statute) with the terms of any capital restoration plan filed by such subsidiary with its appropriate federal banking agency.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") imposes additional "cross guarantee" obligations. FIRREA provides generally that, upon the default of any bank of a multi-unit holding company, the FDIC may assess an affiliated insured depository institution for the estimated losses incurred by the FDIC, even if this renders the affiliate insolvent. Any obligation of a subsidiary to its holding company is subordinate to cross-guarantee liabilities and the rights of depositors.

Regulatory Capital Requirements

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The Corporation and the Banks are subject to risk-based and leverage capital requirements imposed by the appropriate primary bank regulator. All complied with applicable minimums as of December 31, 1998, and each Bank qualified as well capitalized under the regulatory framework for prompt corrective action. See footnote 14 to the consolidated financial statements.

Failure to meet capital requirements could result in a variety of enforcement remedies, including the termination of deposit insurance or measures by banking regulators to correct the deficiency in the manner least costly to the deposit insurance fund.

Deposit Insurance

The Banks are subject to federal deposit insurance assessments for the Bank Insurance Fund ("BIF") and the Savings Association Insurance Fund ("SAIF"). The assessment rate is based on classification of a depository institution into a risk assessment category. Such classification is based upon the institution's capital level and certain supervisory evaluations of the institution by its primary regulator. Each of the Banks is currently assessed at the lowest premium rate charged.

The FDIC may terminate the deposit insurance of any insured depository institution if the FDIC determines, after a hearing, that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, order, or any condition imposed in writing by, or written agreement with, the FDIC. The FDIC may also suspend deposit insurance temporarily during the hearing process for a permanent termination of insurance if the institution has no tangible capital. Management of the Corporation is not aware of any activity or condition that could result in termination of the deposit insurance of any of the Banks.

Community Reinvestment Act

The Community Reinvestment Act of 1977 ("CRA") requires financial institutions to meet the credit needs of their entire communities, including low-income and moderate-income areas. CRA regulations impose a performance-based evaluation system, which bases the CRA rating on an institution's actual lending, service, and investment performance. Federal banking agencies may take CRA compliance into account when regulating a bank or bank holding company's activities; for example, CRA performance may be considered in approving proposed bank acquisitions.

Additional Regulation, Government Policies, and Legislation

In addition to the restrictions discussed above, the activities and operations of the Corporation and the Banks are subject to a number of additional detailed, complex, and sometimes overlapping laws and regulations. These include state usury and consumer credit laws, state laws relating to fiduciaries, the Federal Truth-in-Lending Act, the Federal Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Savings Act, anti-redlining legislation, and antitrust laws.

The actions and policies of banking regulatory authorities have had a significant effect on the operating results of the Corporation and the Banks in the past and are expected to do so in the future.

Legislation to modernize the bank regulatory system, expand the powers

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

of banking institutions and bank holding companies and limit the investments that a depository institution may make with insured funds, is introduced from time to time in Congress. Such legislation may change banking statutes and the operating environment for the Corporation and the Banks in substantial and unpredictable ways. The Corporation cannot determine the ultimate effect that potential legislation, if enacted, or implementing regulations would have upon the financial condition or results of operations of the Corporation or its subsidiaries.

Finally, the earnings of the Banks are strongly affected by the attempts of the FRB to regulate aggregate national credit and the money supply through such means as open market dealings in securities, establishment of the discount rate on member bank borrowings, and changes in reserve requirements against member bank deposits. The FRB's policies may be influenced by many factors, including inflation, unemployment, short-term and long-term changes in the international trade balance and fiscal policies of the United States government. The effects of various FRB actions on future performance cannot be predicted.

STATISTICAL DISCLOSURE

The statistical disclosure on the Corporation and the Banks, on a consolidated basis, included in response to Item 7 of this report is hereby incorporated by reference herein.

EXECUTIVE OFFICERS OF THE CORPORATION

Certain information concerning the Executive Officers of the Corporation as of March 1, 1999, is set forth in the following table.
<TABLE>
<CAPTION>

NAME	AGE	OFFICE AND BUSINESS EXPERIENCE
<S>	<C>	<C>
Robert D. Vance	58	Chairman of the Board and Chief Executive Officer of the Corporation (February 1999 to Present); Director of the Corporation (September 1998 to Present); Senior Vice President,(September 1998 to February 1999); Chairman, Community First Financial, Inc. (1987 to August 1998); Chairman, Community First Bank, N.A. (1987 to Present); and Chairman, Community First Bank of Kentucky (1989 to Present)
Robert A. Keil	55	President and Director of the Corporation since 1993. Executive Vice President of the Corporation from 1991 to 1993. Assistant Secretary and Assistant Treasurer of the Corporation from 1985 to 1993. Executive Vice President of NCB from 1991 to 1993.
Curtis D. Ritterling	42	Executive Vice President since 1997. Chairman of the Board, President, and Chief Executive Officer of Boatman's Bank of South Central Illinois from 1995 to 1997. Chairman of the Board, President, and Chief Executive Officer of Boatmen's Bank of Marshall, Missouri, from 1990 to 1995.
Stephen C. Byelick, Jr.	50	Secretary-Treasurer of the Corporation since 1998; Senior Vice-President of the Corporation 1996 to 1997; Executive Vice-President and Chief Financial Officer of MidAmerica Bank, 1995 to 1996; Senior Vice-President and Chief Financial Officer of Rocky Mountain Bank, fsb, 1989 to 1994.

</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ITEM 2. PROPERTIES

The net investment of the Corporation and its subsidiaries in real estate and equipment at December 31, 1998, was $46,399,000. The Corporation's offices are located at 227 Main Street in downtown Evansville, Indiana, in a building owned in fee by NCB. The Banks, all branches, the leasing company, and the insurance company are located on premises either owned or leased. None of the property is subject to any major encumbrance.

A nine story addition to NCB's main office was completed in 1998 at a total cost of approximately $18,000,000. NCB and the Corporation occupy three and one half floors of the building with the other floors offered for sale as condominiums. Four of these other floors have been sold to third parties. The Corporation's share of the building cost is approximately $10,000,000. The Corporation, through its subsidiary, TSTC, funded the project, including financing for the purchasers of the condominiums, with the proceeds of a $15,000,000 term loan with the excess being funded internally. Payments from the purchasers will be used to repay the term loan. There are no other material commitments for capital expenditures.

ITEM 3. LEGAL PROCEEDINGS

The Corporation and its subsidiaries are involved in legal proceedings from time to time arising in the ordinary course of business. None of such legal proceedings are, in the opinion of management, expected to have a materially adverse effect on the Corporation's consolidated financial position or results of operations.

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

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Pages 1 and inside back cover of the Corporation's Annual Report to Shareholders for the fiscal year ended December 31, 1998, are incorporated by reference herein.

The Corporation pays quarterly cash dividends and annual stock dividends. The Corporation depends upon the dividends from the Banks to pay cash dividends to its shareholders. The ability of the Banks to pay such dividends is limited by banking laws and regulations.

As of February 26, 1999, there were approximately 2,600 holders of record of Common Stock.

The Corporation issued an aggregate of 307,276 shares of Common Stock to the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

former shareholders of Downstate Banking Co. and Commonwealth Commercial Corp. on October 31, 1998 in transactions that were exempt from registration under the Securities Act of 1933, as amended, in reliance upon the exemption provided by Section 4(2) thereof.

ITEM 6. SELECTED FINANCIAL DATA

Page 1 of the Corporation's Annual Report to Shareholders for the fiscal year ended December 31, 1998, is incorporated by reference herein.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Pages 1, 6 through 17, and inside back cover of the Corporation's Annual Report to Shareholders for the fiscal year ended December 31, 1998, are incorporated by reference herein.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Page 14 of the Corporation's Annual Report to Shareholders for the fiscal year ended December 31, 1998, are incorporated by reference herein.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Pages 18 through 38 of the Corporation's Annual Report to Shareholders for the fiscal year ended December 31, 1998, are incorporated by reference herein.

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

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information under the heading "Election of Directors and Information with Respect to Directors and Officers" and also the information under the heading "Section 16(a) Beneficial Ownership Reporting Compliance" in the Corporation's Proxy Statement for its 1999 Annual Meeting of Shareholders, is hereby incorporated by reference herein.

ITEM 11. EXECUTIVE COMPENSATION

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The information under the heading "Compensation of Executive Officers" in the Corporation's Proxy Statement for its 1999 Annual Meeting of Shareholders, is hereby incorporated by reference herein.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information under the heading "Voting Securities" in the Corporation's Proxy Statement for its 1999 Annual Meeting of Shareholders, is hereby incorporated by reference herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information under the heading "Transactions with Management" in the Corporation's Proxy Statement for its 1999 Annual Meeting of Shareholders, is hereby incorporated by reference herein.

PART IV

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

FINANCIAL STATEMENTS

The following consolidated financial statements of the Corporation and its subsidiaries, included on pages 18 through 38 of the Corporation's Annual Report to Shareholders for the fiscal year ended December 31, 1998, are hereby incorporated by reference:

- Independent Auditor's Report
- Consolidated Statements of Financial Position, at December 31, 1998 and 1997
- Consolidated Statements of Income, for years ended December 31, 1998, 1997 and 1996
- Consolidated Statements of Cash Flows, for years ended December 31, 1998, 1997 and 1996
- Consolidated Statements of Shareholders' Equity, for years ended December 31, 1998, 1997 and 1996
- Notes to Consolidated Financial Statements

FINANCIAL STATEMENT SCHEDULES

The following reports of accountants on financial statements of certain entities acquired by the Corporation are included as pages 23 through 26 of this report:

Report of Eskew & Gresham PSC dated February 25, 1998, on their audit of the consolidated balance sheets of Progressive Bancshares, Inc. as of December 31, 1997 and 1996 and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended.

Report of Sherman, Barber & Mullikin dated February 24, 1998, on their audit of the statements of financial condition of Hoosier Hills Financial Corporation and subsidiary, as of December 31, 1997 and 1996 and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended.

Report of Thurman Campbell & Co. dated October 24, 1997 on their audit of the statements of financial condition of Princeton Federal Bank, fsb as of

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

September 30, 1997 and 1996 and the related consolidated statements of income, stockholders' equity, and cash flows for the years ended September 30, 1997, 1996 and 1995.

Report of Gray Hunter Stenn LLP dated June 8, 1998, on their audit of the consolidated balance sheets of 1st Bancorp Vienna, Inc. and subsidiary as of December 31, 1997 and the related consolidated statements of income, stockholders' equity, and cash flows for the two years ended December 31, 1997 and 1996.

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

EXHIBITS

The exhibits listed on the Exhibit Index on pages 21 and 22 are incorporated by reference.

REPORTS ON FORM 8-K

A CURRENT REPORT dated October 9, 1998 reporting consummation of the acquisitions of Illinois One Bancorp, Inc., Trigg Bancorp, Inc. and Community First Financial, Inc. which were accounted for using the pooling of interest method and in aggregate represented a significant business combination. The Supplemental Consolidated Financial Statements restating the Registrant's historical financial statements to reflect the acquisitions were filed as exhibits under Item 7.

A CURRENT REPORT dated October 27, 1998 for events of October 21, 1998 and October 26, 1998 were filed under Item 5 reporting the declaration of a five percent (5%) stock dividend and a news release reporting earnings.

SIGNATURES

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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, on the dates indicated.

NATIONAL CITY BANCSHARES, INC.

By /S/ ROBERT D. VANCE	3/23/99
Robert D. Vance Interim Chairman of the Board and Interim Chief Executive Officer	Date
By /S/ ROBERT A. KEIL	3/23/99
Robert A. Keil President and Chief Financial Officer	Date
By /S/ STEPHEN C. BYELICK	3/23/99
Stephen C. Byelick, Jr. Secretary and Treasurer and Chief Accounting Officer	Date

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.

/S/ JANICE L. BEESLEY	3/23/99
Janice L. Beesley Director	Date
/S/ BEN L. CUNDIFF	3/23/99
Ben L. Cundiff Director	Date
/S/ SUSANNE R. EMGE	3/23/99
Susanne R. Emge Director	Date
/S/ DONALD G. HARRIS	3/23/99

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

------------------------	-------
Donald G. Harris	Date
Director	
/S/ H. RAY HOOPS	3/23/99
------------------------	-------
Dr. H. Ray Hoops	Date
Director	
/S/ ROBERT A. KEIL	3/23/99
------------------------	-------
Robert A. Keil	Date
Director	
/S/ JOHN D. LIPPERT	3/23/99
------------------------	-------
John D. Lippert	Date
Director	

/S/ GEORGE D. MARTIN	3/23/99
------------------------	-------
George D. Martin	Date
Director	
/S/ RONALD G. REHERMAN	3/23/99
------------------------	-------
Ronald G. Reherman	Date
Director	
/S/ LAURENCE R. STEENBERG	3/23/99
------------------------	-------
Laurence R. Steenberg	Date
Director	
/S/ ROBERT D. VANCE	3/23/99
------------------------	-------
Robert D. Vance	Date
Director	
/S/ RICHARD F. WELP	3/23/99
------------------------	-------

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Richard F. Welp Date
Director

EXHIBIT INDEX

<TABLE>
<CAPTION>

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
<S>	<C>
3(i)	Articles of Incorporation (incorporated by reference to Exhibit 3.1 to the Form 8-A/A dated June 12, 1998)
3(ii)	By-Laws (incorporated by reference to Exhibit 3 (ii) to the Annual Report on Form 10-K for the year ended December 31, 1997)
10(a)	Term Loan Agreement, dated as of June 26, 1996 between Twenty-One Southeast Third Corporation, National City Bancshares, Inc. and The Northern Trust Company (incorporated by reference to Exhibit 10 (a) to Quarterly Report on Form 10-Q for the period ending June 30, 1996)
10(b)*	Incentive Stock Option Plan (incorporated by reference to Exhibit 10 (b) to Quarterly Report on Form 10-Q for the period ending June 30, 1996)
10(c)*	Incentive Stock Option Plan, First Amendment, dated as of December 18, 1996 (incorporated by reference to Exhibit 10 (c) to Annual Report on Form 10-K for the year ended December 31, 1996)
10(d)*	Incentive Stock Option Plan, Second Amendment, dated as of March 19, 1997 (incorporated by reference to Exhibit 10 (d) to Annual Report on Form 10-K for the year ended December 31, 1996)
10(e)*	Supplemental Retirement Benefit Agreement between John D. Lippert and National City Bancshares, Inc. (incorporated by reference to Exhibit 10 (e) to Annual Report on Form 10-K for the year ended December 31, 1996)
10(f)	Term Loan Agreement, First Amendment, dated as of January 31, 1997 (incorporated by reference to Exhibit 10 (f) to Annual Report on Form 10-K for the year ended December 31, 1996)
10(g)	Credit Agreement dated December 22, 1997 between National City Bancshares, Inc. and NBD Bank (incorporated by reference to Exhibit 10 (g) to Annual Report on Form 10-K for the year ended December 31, 1997)
10(h)	Amendment to Credit Agreement dated January 22, 1998 (incorporated by reference to Exhibit 10 (h) to Annual Report on Form 10-K for the year ended December 31, 1997)

</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<TABLE>
<CAPTION>

<S>	<C>
10(i)*	Termination Benefits Agreements, dated as of September 16, 1998 between National City Bancshares, Inc. and Michael F. Elliott (incorporated by reference to Exhibit 10.1 to Quarterly Report on Form 10-Q for the period ending September 30, 1998)
10(j)*	Termination Benefits Agreement, dated as of September 16, 1998 between National City Bancshares, Inc. and Robert A. Keil (incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q for the period ending September 30, 1998)
10(k)*	Termination Benefits Agreement, dated as of September 16, 1998 between National City Bancshares, Inc. and Curtis D. Ritterling (incorporated by reference to Exhibit 10.3 to Quarterly Report on Form 10-Q for the period ending September 30, 1998)
10(l)*	Termination Benefits Agreement, dated as of September 16, 1998 between National City Bancshares, Inc. and Stephen C. Byelick, Jr. (incorporated by reference to Exhibit 10.4 to Quarterly Report on Form 10-Q for the period ending September 30, 1998)
10(m)*	Deferred Excess Benefit Agreement, dated as of January 8, 1999 between National City Bancshares, Inc. and Robert A. Keil
13	1998 Annual Report to Shareholders (except as expressly incorporated by reference herein, such report is furnished for the information of the Commission only)
21	Subsidiaries of the Registrant
23(a)	Consent of PricewaterhouseCoopers, LLP
23(b)	Consent of Crowe, Chizek & Company, LLP
23(c)	Consent of Sherman, Barber, & Mullikin
23(d)	Consent of Thurman, Campbell & Co.
23(e)	Consent of Gray Hunter Stenn LLP
27	Financial Data Schedule (Electronic Filing Only)
27.1	FDS 1996 Restated
27.2	FDS 1997 Restated
27.3	FDS 1998
27.4	FDS 1997 Quarters Restated
27.5	FDS 1998 Quarters Restated

</TABLE>

* The indicated exhibit is a management contract, compensatory plan, or arrangement required to be filed by Item 601 of Regulation S-K.

INDEPENDENT AUDITORS' REPORT

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

To the Board of Directors
Progressive Bancshares, Inc.
Lexington, Kentucky

We have audited the consolidated balance sheets of Progressive Bancshares, Inc. as of December 31, 1997 and 1996, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Progressive Bancshares, Inc. at December 31, 1997 and 1996, and the results of its operations and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

/S/ ESKEW & GRESHAM PSC

Lexington, Kentucky
February 25, 1998

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Hoosier Hills Financial Corporation
Osgood, Indiana

We have audited the accompanying Consolidated Statements of Financial Condition of Hoosier Hills Financial Corporation and its subsidiary, The Ripley County Bank, as of December 31, 1997 and December 31, 1996 and the related Consolidated Statements of Income, Changes in Equity and Cash Flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Hoosier Hills Financial Corporation and subsidiary at December 31, 1997 and December 31, 1996 and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

/S/ SHERMAN, BARBER & MULLIKIN

Certified Public Accountants
February 24, 1998

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Princeton Federal Bank
and Subsidiary

We have audited the accompanying consolidated statements of financial condition of Princeton Federal Bank and Subsidiary as of September 30, 1997 and 1996, and the related statements of income, changes in stockholders' equity, and cash flows for each of the three years in the three year period ended September 30, 1997. These consolidated financial statements are the responsibility of Princeton Federal Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Princeton Federal Bank and Subsidiary as of September 30, 1997 and 1996, and the consolidated results of their operations and their cash flows for each of the three years in the three-year period ended September 30, 1997, in conformity with generally accepted accounting principles.

/S/ THURMAN, CAMPBELL & CO.

Princeton, Kentucky
October 24, 1997

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
1st Bancorp Vienna, Inc.
Vienna, Illinois

We have audited the accompanying consolidated balance sheet of 1st Bancorp Vienna, Inc. and Subsidiary as of December 31, 1997 and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the two years ended December 31, 1997 and 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 1st Bancorp Vienna, Inc. and Subsidiary at December 31, 1997, and the results of their operations and their cash flows for the two years ended December 31, 1997 and 1996 in conformity with generally accepted accounting principles.

/S/ GRAY HUNTER STENN LLP

Marion, Illinois
June 8, 1998

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 10(m)

DEFERRED EXCESS BENEFIT
AGREEMENT BETWEEN NATIONAL CITY
BANCSHARES, INC. AND ROBERT A. KEIL

This Deferred Excess Benefit Agreement ("Agreement") is entered into by and between National City Bancshares, Inc. ("Company") and Robert A. Keil ("Keil"), effective as of the date of its execution by both parties.

BACKGROUND

Keil is a valuable management employee of the Company. In recognition of his substantial contributions to the Company, the Company believes it is necessary and appropriate upon his termination of employment with the Company to restore benefits that were not available to Keil under the Pension Plan because of certain legal limits imposed by the Code and the termination of the Pension Plan.

AGREEMENT

In consideration of the premises and the covenants and conditions contained in this Agreement, the Company and Keil agree as follows:

1. DEFINITIONS. For purposes of this Agreement, the terms listed below shall have the meaning stated.

(a) AGE 60. "Age 60" means the first day of the calendar month on or immediately after Keil's 60th birthday.

(b) BENEFICIARY. "Beneficiary" means the person or persons, including a trustee, designated by Keil in a writing to the Company to receive the payment of benefits provided under this Agreement following Keil's death. In the absence of such a designation, the Beneficiary shall be Keil's spouse, if she survives him, or if she does not survive him, Keil's estate.

(c) COMPANY. "Company" means National City Bancshares, Inc. and any successor corporation.

(d) CODE. "Code" means the Internal Revenue Code of 1986, as amended from time to time, and interpretive rulings and regulations.

(e) PENSION PLAN. "Pension Plan" means the Plan for Pensions of National City Bancshares, Inc., as amended (which was terminated effective October

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

1, 1998, subject to Internal Revenue Service approval).

(f) RESTORED BENEFIT. "Restored Benefit" means the lump sum equivalent of the benefit that would have been paid to Keil under the Pension Plan if Keil's benefit were determined without regard to the Pension Plan's termination and the limitations imposed under Code section 415, reduced by the amount of the lump sum benefit actually received by Keil upon termination of the Pension Plan; provided, however, the Restored Benefit, as determined under this subparagraph, may not exceed the amount that would have been payable to Keil under this Agreement upon Termination of Employment at Age 60.

(g) TERMINATION OF EMPLOYMENT. "Termination of Employment" means the voluntary or involuntary cessation of the relationship of employer and employee between the Company and all of its related employers (within the meaning of Code section 414) and Keil by reason of death, disability, resignation, retirement, or discharge.

2. BENEFIT. Upon Keil's Termination of Employment, he shall be entitled to his Restored Benefit.

3. PAYMENT OF RESTORED BENEFIT. Keil's Restored Benefit shall be paid in four substantially equal annual installments. The first annual installment shall be paid as soon as administratively feasible after Keil's Termination of Employment. Subsequent installments shall be paid as of each succeeding anniversary date of the first installment.

4. BENEFICIARY'S BENEFIT. Upon Keil's death, his Restored Benefit (or the remainder of his Restored Benefit if Keil has received one or more annual installments pursuant to Section 3 prior to his death) shall be paid to his Beneficiary in a single lump sum cash payment as soon as administratively feasible after Keil's death.

5. FUNDING POLICY. The Restored Benefit provided under this Agreement shall be totally unfunded and shall be paid out of the Company's general assets.

6. RELATIONSHIP. Notwithstanding any other provision of this Agreement, this Agreement and any action taken pursuant to it shall not be deemed or construed to establish a trust or fiduciary relationship of any kind between or among the Company, Keil, his Beneficiary, or any other persons. The right of Keil and his Beneficiary to receive payment of the Restored Benefit is strictly a contractual right to payment, and this Agreement does not grant nor shall it be deemed to grant Keil, his Beneficiary, or any other person any interest in or right to any of the funds, property, or assets of the Company other than as a general creditor of the Company.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

7. OTHER BENEFITS AND PLANS. Nothing in this Agreement shall be deemed to prevent Keil from receiving, in addition to the Restored Benefit provided under this Agreement, any funds that may be distributable to him at any time under any other present or future retirement, termination, or incentive plan of the Company.

8. ANTICIPATION OF BENEFITS. Neither Keil nor his Beneficiary shall have the power to transfer, assign, anticipate, pledge, alienate, or otherwise encumber in advance any of the payments that may become due under this Agreement, and any attempt to do so shall be void. Any payments that become due under this Agreement shall not be subject to attachment, garnishment, or execution or be transferrable by operation of law in the event of bankruptcy, insolvency, or otherwise.

9. MISCELLANEOUS. This Agreement shall be binding upon and inure to the benefit of the Company and its successors and assigns, and Keil and his heirs and legal representatives. This Agreement shall be construed in accordance with the internal laws of the State of Indiana to the extent that those laws are not preempted by federal law.

10. AMENDMENT. This Agreement may be amended only by a written agreement signed by both the Company and Keil.

IN WITNESS WHEREOF, the Company has caused this Agreement to be signed by its duly authorized officer, and Keil has signed the same.

NATIONAL CITY BANCSHARES, INC.

Date: JANUARY 8, 1999 By: /S/ MICHAEL F. ELLIOTT

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

----

Signature

MICHAEL F. ELLIOTT

Printed

CHAIRMAN AND CEO

Title

ATTEST: /S/ SHARON K. BARNHILL

Signature

SHARON K. BARNHILL

Printed

Date: JANUARY 8, 1999

/S/ ROBERT A. KEIL

Robert A. Keil

DESIGNATION OF BENEFICIARY

I, Robert A. Keil, and National City Bancshares, Inc. have entered into a Deferred Excess Benefit Agreement dated January 8, 1999. Pursuant to Section 1(b) of the Agreement, I hereby designate the following Beneficiary(ies):

Primary Beneficiar(ies)

If more than one Primary Beneficiary is named, those surviving me shall receive equal shares unless otherwise noted.

NAME	ADDRESS	SSN

Contingent Beneficiary(ies)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

If more than one Contingent Beneficiary is named, those surviving me and the Primary Beneficiary(ies) designated above shall receive equal shares unless otherwise noted. This designation shall apply if no Primary Beneficiary is living at the time of my death.

NAME	ADDRESS	SSN

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 13

1998 ANNUAL REPORT

[GRAPHIC - PHOTOS IN THE SHAPE OF NATIONAL CITY BANCSHARES, INC. LOGO]

A YEAR OF GROWING

[NATIONAL CITY BANCSHARES, INC. LOGO]

NATIONAL CITY BANCSHARES, INC.

BUILDING ON A SOLID FOUNDATION

CORPORATE PROFILE
National City Bancshares, Inc. (Nasdaq: NCBE) is a multi-bank holding company headquartered in Evansville, Indiana. As of December 31, 1998, National City Bancshares, Inc. had assets of approximately $2.2 billion and owned fifteen full-service financial institutions serving fifty-four communities from sixty-eight locations throughout Indiana, Kentucky, Illinois, and Southwestern Ohio.

CONTENTS

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

[GRAPHIC - PHOTO OF TREE IN THE SHAPE OF NATIONAL CITY BANCSHARES, INC. LOGO]

A YEAR OF GROWING

FINANCIAL REVIEW

(Dollar Amounts Other Than Share Data Thousands)	1998	1997	1996	1995	1994
	AS OF AND FOR THE YEAR ENDED DECEMBER 31,				
FOR THE YEAR					
Net interest income	$ 87,897	$ 81,338	$ 75,618	$ 69,203	$ 62,480
Provision for loan losses	7,143	2,703	3,705	780	669
Noninterest income	16,621	14,102	12,437	10,472	7,984
Noninterest expense	67,289	53,498	48,096	45,953	44,892
Income before income taxes	30,086	39,239	36,254	32,942	24,903
Income taxes	7,970	11,071	11,541	11,047	8,123
Net income	22,116	28,168	24,713	21,895	16,780
Proforma C Corp. provision for income taxes	8,632	11,765	11,541	11,047	8,123
Proforma net income	$ 21,454	$ 27,474	$ 24,713	$ 21,895	$ 16,780
PER COMMON SHARE*					
Proforma net income per share					
Basic	$ 1.28	$ 1.65	$ 1.48	$ 1.29	$ 1.00
Diluted	1.27	1.64	1.48	1.29	0.99
Book value	12.96	12.62	11.56	11.34	9.34
Cash dividends declared by National City Bancshares, Inc.	0.74	0.61	0.52	0.38	0.38
TOTALS AT YEAR-END					
Total assets	$2,195,224	$1,985,178	$1,816,935	$1,689,120	$1,548,905
Securities	346,514	409,069	413,604	402,215	414,990
Loans, net	1,629,853	1,387,105	1,242,152	1,128,056	980,728
Deposits	1,734,585	1,532,804	1,455,356	1,375,318	1,321,752
Shareholders' equity	218,280	211,237	188,003	183,885	158,992
SELECTED FINANCIAL RATIOS					
Proforma net income to average assets	0.99%	1.44%	1.42%	1.36%	1.11%
Proforma net income to average equity	9.86	13.95	13.11	12.43	10.73
Cash dividends payout	59.72	36.67	34.35	27.48	27.29
Average equity to average assets	10.08	10.30	10.82	10.94	10.33
OTHER DATA					
Weighted average shares--basic*	16,757,078	16,612,837	16,712,994	16,913,711	16,856,878
Weighted average shares--diluted*	16,874,287	16,757,121	16,730,839	16,927,776	16,870,944
Shares outstanding at year-end*	16,842,456	16,736,361	16,257,428	16,219,321	17,021,534
Average assets	$2,158,314	$1,911,525	$1,741,476	$1,611,084	$1,513,850
Average equity	217,524	196,909	188,490	176,179	156,330
Dividends	12,813	10,074	8,488	6,017	4,579

*RESTATED TO REFLECT ALL STOCK DIVIDENDS AND THE TWO-FOR-ONE STOCK SPLIT ISSUED IN 1996.

TOTAL ASSETS	LOANS	DEPOSITS
[GRAPH OF TOTAL ASSETS]	[GRAPH OF NET LOANS]	[GRAPH OF DEPOSITS]

FORGING A FIRM FUTURE

TO OUR SHAREHOLDERS

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

[PHOTO OF ROBERT A. KEIL (PRESIDENT),
ROBERT D. VANCE (CHAIRMAN AND CEO),
AND CURTIS D. RITTERLING (EXECUTIVE VICE PRESIDENT)

"AS ALWAYS, OUR EFFORTS ARE GUIDED BY OUR COMMITMENT TO PRODUCE SUPERIOR SHAREHOLDER VALUE OVER THE LONG TERM."

MARCH 24, 1999

National City Bancshares, Inc. focused on long-term goals during 1998 by growing your company to a size which will enable it to better compete in the rapidly changing financial industry. In addition, the Corporation began consolidating certain operational functions to increase efficiency and provide improved customer service.

The assets of your company increased, before restatement for pooling transactions, 69 percent from $1.3 billion on December 31, 1997, to $2.2 billion on December 31, 1998. The assets added by acquisition were as follows: a branch in Mayfield, Kentucky ($66 million) was purchased in a cash transaction January 8, 1998, and transferred to First Kentucky Bank (Sturgis, Kentucky); Bank of Illinois in Mt. Vernon ($179 million - Mt. Vernon, Illinois) was purchased in a cash transaction March 6, 1998; Illinois One Bank, N.A. ($86 million - Shawneetown, Illinois) was acquired May 31, 1998, in a stock transaction; Trigg County Farmers Bank ($95 million - Cadiz, Kentucky), Community First Bank, N.A. ($75 million - Maysville, Kentucky), and Community First Bank of Kentucky ($58 million - Warsaw, Kentucky) were acquired in stock transactions on August 31, 1998; Ripley County Bank ($117 million - Osgood, Indiana) and The First State Bank of Vienna ($38 million - Vienna, Illinois) were acquired in stock transactions on October 1, 1998; Bank of Crittenden ($25 million - Crittenden, Kentucky) and Downstate National Bank ($22 million -Brookport, Illinois) were acquired in stock transactions on October 31, 1998; Princeton Federal Bank, fsb, ($32 million - Princeton, Kentucky) was acquired in a stock transaction on November 30, 1998; and The Progressive Bank, National Association, ($145 million - Lexington, Kentucky) was acquired in a stock transaction on December 1, 1998.

[PHOTO OF ROBERT
D. VANCE
(CHAIRMAN AND
CHIEF EXECUTIVE
OFFICER

FOCUSED ON GROWTH

This growth was not without additional cost. In 1998 merger and acquisition expenses plus operational consolidation after-tax expenses were $4.8 million. Even though the expenses related to our rapid growth and consolidation negatively impacted 1998 earnings, we are much better positioned now for sustained long-term earnings growth. By the end of July 1999, our data processing operations and certain other back-office operational functions will be combined into our Evansville location. By the third quarter of 1999, we should realize the efficiencies of our consolidation.

We will be less aggressive in acquiring banks during 1999. We will be seeking banks which will benefit by joining our company and add to our shareholder value.

During 1998 we merged The Peoples National Bank of Grayville (Grayville, Illinois), Lincolnland Bank (Dale, Indiana), Alliance Bank (Vincennes, Indiana), and Pike County Bank (Petersburg, Indiana) into The National City Bank of Evansville (Evansville, Indiana). We also merged The First State Bank of Vienna and Downstate National Bank into Illinois One Bank, National Association. Bank of Crittenden was merged into Community First Bank of Kentucky, and The First National Bank of Wayne City (Wayne City, Illinois) merged with Bank of Illinois in Mt. Vernon as Bank of Illinois, National Association. During the first half of 1999, we plan to merge Princeton Federal Bank, fsb, and First Federal Savings Bank of Leitchfield (Leitchfield, Kentucky) into First Kentucky Bank and to merge Community First Bank of Kentucky into Community First Bank, National

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Association.

We increased our year-end allowance for loan losses by $4.5 million during 1998, increasing our allowance from 1.00 percent of gross loans to 1.12 percent.

Michael F. Elliott resigned February 16, 1999. Your Board of Directors appointed me to serve as interim Chairman and Chief Executive Officer until a new CEO is named. Your Board of Directors has contracted with a leading executive search firm to find the best qualified individual to lead your company.

We are confident that our accomplishments in 1998 will provide a foundation for continuing growth in the future. We remain focused on maximizing returns on our acquisitions, controlling costs, and positioning our company for continued success. At the same time, we will continue to pursue creative strategies to enhance our ability to exceed customer expectations and achieve profitable growth. As always, our efforts are guided by our commitment to produce superior shareholder value over the long term.

We thank our employees, customers, and shareholders for their continued confidence and support.

Respectfully,

/S/ Robert D. Vance

Robert D. Vance
Chairman and Chief Executive Officer

WE REMAIN FOCUSED ON MAXIMIZING
RETURNS ON OUR ACQUISITIONS,
CONTROLLING COSTS, AND POSITIONING OUR
COMPANY FOR CONTINUED SUCCESS.

[PHOTO OF CURTIS D.
RITTERLING,
EXECUTIVE VICE
PRESIDENT]

[PHOTO OF
ROBERT A. KEIL,
PRESIDENT]

1998 REVIEW (ALL NUMBERS ARE PRESENTED AS ORIGINALLY STATED.)

JANUARY 8
NCBE's subsidiary, First Kentucky Bank, purchased the former Mayfield, Kentucky, Branch Office of Republic Bank & Trust Company. The purchase increased First Kentucky Bank's assets by approximately $66 million.

FEBRUARY 12
NCBE announced that a definitive agreement has been executed with Trigg Bancorp, Inc. Trigg Bancorp, Inc. is a one-bank holding company for Trigg County Farmers Bank with three offices in Cadiz, Kentucky.

MARCH 6
NCBE completed the acquisition of Vernois Bancshares, Inc., a one-bank holding company for Bank of Illinois in Mt. Vernon adding approximately $179 million in assets.

MARCH 10
NCBE announced its plans to expand into Northern Kentucky and Southwestern Ohio with the execution of a definitive agreement with Community First Financial, Inc. of Maysville, Kentucky. Community First Financial, Inc. is a two-bank holding company for Community First Bank, National Association, and Community First Bank of Kentucky. Together, the two banks operate eight banking offices.

MARCH 31
NCBE subsidiaries The Peoples National Bank of Grayville and The National City Bank of Evansville announced plans to merge. Peoples National Bank will merge its one office in Grayville, Illinois, into National City Bank.

APRIL 20
Record first quarter diluted earnings of $0.47 per share was reported by NCBE. Net income for the first quarter was $5.11 million, a 9.4% improvement over the previous year.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

APRIL 21
NCBE announced that a definitive agreement has been executed with Hoosier Hills Financial Corporation, a one-bank holding company for Ripley County Bank. Ripley County Bank has three offices in Osgood, Versailles, and Milan, Indiana.

MAY 20
NCBE declared a quarterly cash dividend of $0.18 per share.

MAY 20
Bank of Illinois in Mt. Vernon and First National Bank of Wayne City announced the agreement to merge to form Bank of Illinois, National Association. Both institutions are subsidiaries of NCBE.

MAY 22
NCBE announced the execution of a definitive agreement with Princeton Federal Bank, fsb. Princeton Federal has one office in Caldwell County, Kentucky.

MAY 22
NCBE and 1st Bancorp Vienna, Inc., a one-bank holding company for The First State Bank of Vienna, have reached an agreement to merge. It is expected that The First State Bank of Vienna will be combined with Illinois One Bank, National Association, upon completion of the merger.

May 31
NCBE completes the acquisition of Illinois One Bank, National Association, which has three offices in Shawneetown, Elizabethtown, and Golconda, Illinois.

JULY 1
NCBE announced the execution of a definitive agreement with Commonwealth Commercial Corp., a one-bank holding company for Bank of Crittenden in Crittenden, Kentucky. It is expected that Bank of Crittenden will be combined with Community First Bank of Kentucky upon completion of the merger.

JULY 10
Downstate Banking Co., a one-bank holding company for Downstate National Bank in Brookport, Illinois, has agreed to join NCBE. Upon completion of the merger, Downstate National Bank will be combined with NCBE subsidiary, Illinois One Bank, National Association.

JULY 14
Expansion into the Lexington, Kentucky market was announced by NCBE with the execution of a definitive agreement with Progressive Bancshares, Inc., a one-bank holding company for The Progressive Bank, National Association. The Progressive Bank has four offices in Lexington, Lawrenceburg, and Owingsville, Kentucky.

JULY 15
It was announced that Alliance Bank, Pike County Bank, and Lincolnland Bank, three subsidiaries of NCBE, would be combined with The National City Bank of Evansville. The consolidation would increase National City Bank's assets from approximately $514 million to $854 million.

JULY 29
NCBE reported net income for the first six months of 1998 of $10.24 million, or $0.89 per share on a diluted basis, up from $10.05 million, or $0.89 per share on a diluted basis in 1997.

AUGUST 6
NCBE announced the implementation of back office restructuring and product standardization plans with an estimated annual pretax earnings improvement of approximately $5.1 million when completed.

AUGUST 10
It was announced that the merger between The Peoples National Bank of Grayville and The National City Bank of Evansville has been completed.

AUGUST 19
A quarterly cash dividend of $0.18 per share was declared by NCBE.

AUGUST 22
The merger between Bank of Illinois in Mt. Vernon and First National Bank of Wayne City to form Bank of Illinois, N.A. has been completed.

AUGUST 31
NCBE completed its mergers with Community First Financial, Inc. and Trigg Bancorp, Inc. adding approximately $230 million in assets.

OCTOBER 1
NCBE announced the completion of its mergers with Hoosier Hills Financial Corporation and 1st Bancorp Vienna, Inc. adding approximately $155 million in

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

assets.

OCTOBER 17
The merger of Lincolnland Bank into The National City Bank of Evansville was completed.

OCTOBER 21
NCBE declared a five percent stock dividend and a quarterly cash dividend of $0.20 per share.

OCTOBER 26
Net income, after merger-related and consolidation costs, was reported at $16.89 million, or $1.27 per share on a diluted basis, for the first three quarters of 1998. Third quarter net income was $4.39 million, or $0.32 per share on a diluted basis.

OCTOBER 31
NCBE completed its mergers with Commonwealth Commercial Corp. and Downstate Banking Co. adding approximately $44 million in assets.

NOVEMBER 7
The merger of Pike County Bank into The National City Bank of Evansville was completed.

NOVEMBER 14
The merger of Alliance Bank into The National City Bank of Evansville was completed.

NOVEMBER 30
NCBE completed its merger with Princeton Federal Bank, fsb, adding approximately $32 million in assets.

DECEMBER 1
NCBE completed its merger with Progressive Bancshares, Inc. adding approximately $145 million in assets.

DECEMBER 14
Community First Bank of Kentucky announced it has completed its merger with Bank of Crittenden. Both institutions are subsidiaries of NCBE.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
(Dollar Amounts Other Than Share Data in Thousands)

INTRODUCTION

The discussion and analysis which follows is presented to assist in the understanding and evaluation of the financial condition and results of operations of National City Bancshares, Inc. and its subsidiaries as presented in the following consolidated financial statements and related notes. The text of this review is supplemented with various financial data and statistics. All information has been restated to include bank acquisitions accounted for using the pooling of interests method and to give effect to all stock dividends and the two-for-one stock split issued in 1996.

BUSINESS DESCRIPTION

National City Bancshares, Inc. (Corporation) is an Indiana corporation based in Evansville, Indiana, which was established in 1985 to engage in the business of a bank holding company. As of December 31, 1998, the Corporation had fifteen wholly-owned banking subsidiaries, including six national banks, seven state chartered banks, and two federal savings banks with a total of sixty-eight banking centers serving fifty-four communities. The Corporation also has a leasing corporation, a property management company, and a trust securities affiliate. Each bank subsidiary, its location, number of offices, year founded, date of affiliation with the Corporation, and size in assets and equity is shown below. During 1998, The Peoples National Bank of Grayville, Lincolnland Bank, Alliance Bank, and Pike County Bank were merged into The National City Bank of Evansville;

BANKING SUBSIDIARIES

<TABLE>
<CAPTION>

Home Office and Other Cities	Number of Offices	Year Founded	Date of Affiliation with the Corporation	12/31/98 (million) Assets	Equity
<S>	<C>	<C>	<C>	<C>	<C>
THE NATIONAL CITY BANK OF EVANSVILLE	23	1850	May 6, 1985	$853	$75
EVANSVILLE, NEWBURGH, FT. BRANCH, PRINCETON,					

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

MT. VERNON, DALE, CHRISNEY, GRANDVIEW, ROCKPORT, HATFIELD, PETERSBURG, SPURGEON, ARTHUR, VINCENNES, WASHINGTON, AND ODON, IN AND GRAYVILLE, IL					
FIRST KENTUCKY BANK	6	1916	November 30, 1990	151	15
STURGIS, MORGANFIELD, POOLE, MAYFIELD, AND UNIONTOWN, KY					
THE BANK OF MITCHELL	4	1882	December 17, 1993	72	8
MITCHELL, BEDFORD, AND PAOLI, IN					
WHITE COUNTY BANK	1	1904	June 30, 1995	58	6
CARMI, IL					
BANK OF ILLINOIS, NATIONAL ASSOCIATION	4	1902	August 31, 1996	193	36
MT. VERNON AND WAYNE CITY, IL					
FIRST FEDERAL SAVINGS BANK OF LEITCHFIELD	2	1961	March 1, 1997	48	7
LEITCHFIELD AND HARDINSBURG, KY					
FIRST NATIONAL BANK OF BRIDGEPORT	1	1906	August 1, 1997	43	12
BRIDGEPORT, IL					
FIRST BANK OF HUNTINGBURG	3	1907	December 31, 1997	107	10
HUNTINGBURG AND FERDINAND, IN					
ILLINOIS ONE BANK, NATIONAL ASSOCIATION	5	1934	May 31, 1998	136	13
SHAWNEETOWN, ELIZABETHTOWN, GOLCONDA, VIENNA, AND BROOKPORT, IL					
TRIGG COUNTY FARMERS BANK	3	1890	August 31, 1998	95	9
CADIZ, KY					
COMMUNITY FIRST BANK, NATIONAL ASSOCIATION	5	1847	August 31, 1998	77	7
MAYSVILLE, MAYS LICK, AND MT. OLIVET, KY, AND RIPLEY AND ABERDEEN, OH					
COMMUNITY FIRST BANK OF KENTUCKY	3	1922	August 31, 1998	83	8
WARSAW, DRY RIDGE, AND CRITTENDEN, KY					
RIPLEY COUNTY BANK	3	1887	October 1, 1998	111	10
OSGOOD, VERSAILLES, AND MILAN, IN					
PRINCETON FEDERAL BANK, fsb	1	1922	November 30, 1998	31	4
PRINCETON, KY					
THE PROGRESSIVE BANK, NATIONAL ASSOCIATION	4	1866	December 1, 1998	143	12
LEXINGTON, LAWRENCEBURG, AND OWINGSVILLE, KY					

</TABLE>

The First State Bank of Vienna and Downstate National Bank were merged into Illinois One Bank, National Association; First National Bank of Wayne City was merged with Bank of Illinois in Mt. Vernon to form Bank of Illinois, National Association; and Bank of Crittenden was merged into Community First Bank of Kentucky. During 1997, The Farmers and Merchants Bank was merged into The National City Bank of Evansville; and United Federal Savings Bank was merged into The State Bank of Washington with the name changed to Alliance Bank.

The Corporation's subsidiary banks provide a wide range of financial services to the communities they serve in Indiana, Kentucky, Illinois, and Southwestern Ohio. These services include various types of deposit accounts; safe deposit boxes; safekeeping of securities; automated teller machines; consumer, mortgage, and commercial loans; mortgage loan sales and servicing; letters of credit; accounts receivable management (financing, accounting, billing, and collecting); and complete personal and corporate trust services. All deposits are insured by the Federal Deposit Insurance Corporation.

The Corporation has grown rapidly by acquiring community banks. The financial results of the acquisitions can best be assessed from the Corporation's financial statements on a quarterly, as-reported basis. After each acquisition accounted for as a pooling of interests, the Corporation's financial statements are restated to include the results of the acquiree. From the beginning of 1996 through December 31, 1998, the Corporation acquired assets of $800,977 (measured at the time of each acquisition) in 10 transactions accounted for as poolings of interests.

Since the beginning of 1996, the Corporation has also acquired $382,177 (measured at the time of each acquisition) in assets through transactions accounted for as purchases. Financial statements are not restated following a transaction accounted for as a purchase; instead, the Corporation's financial statements include the results of each acquiree following acquisition. Transactions accounted for as purchases typically result in the Corporation's recording intangible assets, including goodwill, which the Corporation amortizes on a straight-line basis. The Corporation has recorded $38,861 (measured at the time of each acquisition) in intangible assets as the direct result of purchases consummated between the beginning of 1996 and the end of 1998.

Management evaluates acquisition opportunities as they arise. However, management anticipates the pace of acquisition activity to decline significantly in 1999. The Corporation plans to devote significant resources to integrating recently acquired institutions and completing consolidation of back office operations.

The following table summarizes acquisitions made by the Corporation during 1998,

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(Dollar Amounts Other Than Share Data in Thousands)

1997, and 1996. Assets acquired are measured as of the date of each acquisition. Note 2 to the consolidated financial statements includes additional information about each transaction.

Institution	Date Acquired	Accounting Method	Assets Acquired	Resulting Intangible Assets
The First National Bank of Wayne City	August 31, 1996	Purchase	55,000	$ 5,605
First Federal Savings Bank of Leitchfield	March 1, 1997	Purchase	43,000	2,807
Bridgeport Bancorp, Inc.	August 1, 1997	Purchase	39,382	9,377
Fourth First Bancorp, Inc.	December 31, 1997	Pooling	108,077	-
Mayfield Branch of Republic Bank and Trust	January 8, 1998	Purchase	65,639	4,521
Vernois Bancshares, Inc.	March 6, 1998	Purchase	179,156	16,551
Illinois One Bancorp, Inc.	May 31, 1998	Pooling	86,100	--
Community First Financial, Inc.	August 31, 1998	Pooling	134,800	--
Trigg Bancorp, Inc.	August 31, 1998	Pooling	95,000	--
1st Bancorp Vienna, Inc.	October 1, 1998	Pooling	38,200	--
Hoosier Hills Financial Corporation	October 1, 1998	Pooling	117,100	--
Commonwealth Commercial Corporation	October 31, 1998	Pooling	23,000	--
Downstate Banking Co.	October 31, 1998	Pooling	21,600	--
Princeton Federal Savings Bank, fsb	November 30, 1998	Pooling	32,300	--
Progressive Bancshares, Inc.	December 1, 1998	Pooling	144,800	--

FINANCIAL CONDITION

Total assets at December 31, 1998, were $2,195,224, compared to $1,985,178 at December 31, 1997. Deposits increased $201,781 from $1,532,804 at December 31, 1997 to $1,734,585 at December 31 , 1998. Shareholders' equity increased from $211,237 at December 31, 1997, to $218,280 at December 31, 1998. During 1998, book value per share increased by $0.34 to $12.96 and resulted in a ratio of average equity capital to average assets of 10.08%.

Average earning assets increased $216,270, or 12.1%, and

FINANCIAL CONDITION, CONTINUED

$152,503, or 9.3%, in 1998 and 1997, respectively. Growth in average assets in 1998 was $246,789, or 12.9%, compared to $170,049, or 9.8%, in 1997. During 1998, average interest bearing deposits in banks decreased $14, or 0.3%, and average federal funds sold increased $5,163, or 26.7%; average securities decreased $6,861, or 1.6%; taxable total securities decreased $22,874, or 9.3%; and tax-exempt securities increased $10,431, or 5.7%. The average unrealized gain on securities available for sale increased from $1,496 to $7,078 in 1998. Average loans increased $217,982, or 16.3% during 1998. All types of loans increased during the year. Average loans as a percentage of earning assets increased from 74.7% in 1997 to 77.5% in 1998. The growth in the loan portfolio was due to purchase acquisitions in which average loans increased by $84,873 and due to a strong loan demand in the Corporation's market area.

Average certificate of deposit and other time deposit balances increased by $86,937, or 10.2%, in 1998. During 1998, average balances of money market accounts decreased $5,373, or 4.6%; savings and interest bearing checking accounts increased $56,641, or 15.7%; and average federal funds purchased and securities sold under agreements to repurchase decreased $8,206, or 12.5%. Also during 1998, average other borrowings increased $48,649, or 45.9%, due to issuance of $34,500 in Trust Preferred Securities and increased use of Federal Home Loan Bank lines, and average noninterest-bearing deposits increased $43,180, or 23.4%.

SECURITIES PORTFOLIO

Total securities comprised 21.1% of the 1998 average earning assets compared to 24.0% and 24.7% in 1997 and 1996, respectively. They represent the second largest earning asset component after loans. The Corporation holds various types of securities, including mortgage-backed securities. Inherent in mortgage-backed securities is prepayment risk, which occurs when borrowers prepay their obligations due to market fluctuations and rates. In an effort to reduce this risk, management monitors the

SECURITIES PORTFOLIO

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<TABLE>
<CAPTION>

	Carrying Value at December 31			
	1998	1997	1996	
	AVAILABLE FOR SALE	Available For Sale	Held to Maturity	Available For Sale
<S>	<C>	<C>	<C>	<C>
Debt Securities:				
U.S. Treasury securities	$ 15,200	$ 27,991	$ 1,000	$ 22,401
U.S. Government agencies	53,167	67,977	31,449	79,228
Taxable municipals	3,158	3,727	2,775	-
Tax-exempt municipals	196,322	203,183	128,445	27,788
Corporate securities	8,871	10,569	11,161	6,704
Mortgage-backed securities	65,737	93,449	12,546	87,755
Total debt securities	342,455	406,896	187,376	223,876
Equity securities	4,059	2,173	305	2,047
Total securities	$346,514	$409,069	$187,681	$225,923

</TABLE>

MATURITY ANALYSIS
DECEMBER 31, 1998

<TABLE>
<CAPTION>

	Within 1 Year		After 1 Year but Within 5 Years		After 5 Years but Within 10 Years		After 10 Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SECURITIES CLASSIFIED AS AVAILABLE FOR SALE:										
U.S. Treasury securities	$ 9,077	6.21%	$ 6,012	6.23%	$ 111	7.12%	$ --	--	$ 15,200	6.22%
U.S. Government agencies	36,350	5.78%	12,624	6.07%	4,192	5.91%	--	--	53,166	5.86%
Taxable municipals	924	6.36%	1,971	7.33%	93	7.75%	170	8.25%	3,158	7.11%
Tax-exempt municipals	13,714	7.83%	63,583	7.58%	47,792	7.61%	71,234	8.31%	196,323	7.87%
Corporate securities	1,827	6.20%	5,956	6.11%	1,039	9.02%	49	3.07%	8,871	6.45%
Total maturing securities	$61,892	6.32%	$90,146	7.18%	$53,227	7.50%	$71,453	8.31%	276,718	7.34%
Mortgage-backed securities									65,737	5.76%
Equity securities									4,059	3.12%
Total securities									$346,514	6.99%

</TABLE>

amount of mortgage-backed securities contained in the portfolio. The Corporation has no securities of any single issuer, with the exception of the U. S. Government, exceeding 10% of shareholders' equity. The Corporation manages the quality and risk of securities through its Asset/Liability Committee, which recommends and monitors the composition of the overall securities portfolio as approved by the Corporation's Board of Directors. Among other things, the investment policy establishes guidelines for the level, type, quality, and mix of securities appropriate for the portfolio. The securities portfolio at December 31, 1998, included $2,179 in structured notes. These securities have risk characteristics which are well within the constraints of the non-structured securities held in the securities portfolio. All securities are classified as available for sale and are carried at fair value. The available-for-sale securities included unrealized gains of approximately $9,606 and unrealized losses of $2,410 at December 31, 1998. At December 31, 1998, available-for-sale securities included $65,737 in mortgage-backed securities, or 19.0% of the available-for-sale portfolio. The weighted average maturity of the available-for-sale portfolio at December 31, 1998, was 5.4 years. The weighted average yields on municipal securities that are tax-exempt have been computed on a federal-tax-equivalent basis using a 35.0% tax rate.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(Dollar Amounts Other Than Share Data in Thousands)

LOANS

Each subsidiary bank follows loan policies approved by its board of directors. These policies are compatible with the Corporation's loan policy approved by its Board of Directors. The lending policies address risks associated with each type of lending, collateralization, loan-to-value ratios, loan concentrations, insider lending, and other pertinent matters. These functions are monitored by subsidiary and corporate loan review personnel and by the loan committees of the subsidiaries' boards of directors for compliance and loan quality. Management believes that careful loan administration and high credit standards minimize credit risk. Speculative loans are prohibited and the loan portfolio contains no foreign loans.

The Corporation's loan portfolio is diversified by type of loan and industry, and, within its market area, by geographic location, which minimizes economic risk. The loan portfolio contained 27.5% commercial loans, 58.5% real estate loans (primarily residential), and 14.0% consumer loans at December 31, 1998.

The Corporation's subsidiary banks lend to customers in various industries including manufacturing, agricultural, health and other services, transportation, mining, wholesale, and retail.

Commercial and industrial loans increased $51,852, of which approximately 28% was due to acquisitions accounted for under the purchase method. The remaining increase was due to a general increase in business among the communities the Corporation's banks serve. Growth in consumer lending was primarily due to acquisitions accounted for under the purchase method.

Real estate loans increased $162,882, of which approximately 32% was due to purchase acquisitions. The remaining increase was a result of strong loan demand in the markets served by the Corporation's banks supported by a favorable interest rate environment. Approximately 59.6% consists of 1-4 family housing. The Corporation's guidelines for residential mortgage

LOAN PORTFOLIO AT YEAR END, FIVE-YEAR SUMMARY
<TABLE>
<CAPTION>

	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Real estate loans	$ 964,493	$ 801,611	$ 710,250	$ 686,513	$ 562,705
Commercial, industrial, and agricultural loans	415,579	363,727	325,691	254,206	265,511
Economic development loans and other obligations of state and political subdivisions	19,780	15,492	12,260	10,618	13,733
Consumer loans	223,377	198,615	192,475	180,921	149,514
Direct lease financing	12,988	13,146	12,336	6,975	527
Leveraged leases	5,102	4,661	--	--	--
All other loans	7,606	5,017	3,154	1,625	1,346
Total loans - gross	1,648,925	1,402,269	1,256,166	1,140,858	993,336
Less: unearned income	629	1,310	1,475	1,865	2,204
Total loans - net of unearned income	1,648,296	1,400,959	1,254,691	1,138,993	991,132
Less: allowance for loan losses	18,443	13,854	12,539	10,937	10,404
Total loans - net	$1,629,853	$1,387,105	$1,242,152	$1,128,056	$ 980,728

</TABLE>

LOANS, CONTINUED

lending were followed and advances normally did not exceed 80% of appraised value.

At December 31, 1998, there was no concentration of credit risk from borrowers engaged in the same or similar industries exceeding 10% of total loans. Geographic diversification is provided by the Corporation's policy to extend credit to customers in its geographic market areas in and around the subsidiary

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

banks' banking offices in Indiana, Illinois, Kentucky, and Southwestern Ohio.

LOAN MATURITIES AND RATE SENSITIVITIES AT DECEMBER 31, 1998 ON AGRICULTURAL, COMMERCIAL, AND TAX-EXEMPT LOANS

Rate sensitivities:	Within 1 Year	After 1 Year But Within 5 Years	Over 5 Years	Total
Fixed rate loans	$ 63,730	$ 95,398	$ 41,995	$201,123
Variable rate loans	223,832	8,167	397	232,396
Subtotal	$287,562	$103,565	$ 42,392	433,519
Percent of subtotal	66.33%	23.89%	9.78%	
Nonaccrual loans				1,840
Total loans net of unearned income				$435,359

UNDERPERFORMING ASSETS

Underperforming assets consist of nonaccrual securities and loans, restructured loans, loans past due 90 days or more, and other real estate held. Nonaccrual securities are those which have defaulted on interest payments. Nonaccrual loans are loans on which interest recognition has been suspended because of doubts as to the borrower's ability to repay principal or interest. Loans are generally placed on nonaccrual status after becoming 90 days past due if the ultimate collectibility of the loan is in question. Loans which are current, but as to which serious doubt exists about repayment ability, may also be placed on nonaccrual status. Restructured loans are loans where the terms have been changed to provide a reduction or deferral of principal or interest because of the borrower's financial position. Past-due loans are loans that are continuing to accrue interest but are contractually past due ninety days or more as to interest or principal payments. Other real estate owned represents properties obtained for debts previously contracted. Management is not aware of any loans which have not been disclosed as underperforming assets that represent or result from unfavorable trends or uncertainties which management reasonably believes will materially adversely affect future operating results, liquidity, or capital resources, or represent material credits as to which management has serious doubt as to the ability of such borrower to comply with loan repayment terms.

Past due 90 days or more, nonaccrual, and restructured loans were 0.7% and 0.6% of total loans at the end of 1998 and 1997, respectively. Additional interest income that would have been recorded, if nonaccrual and restructured loans had been current in accordance with their original terms, was $646, $390, and $261 in 1998, 1997, and 1996, respectively. The interest recognized on nonaccrual loans was approximately $130, $83, and $44 in 1998, 1997, and 1996, respectively.

In addition to those loans classified as underperforming, management was monitoring loans of approximately $56,309 and $41,360 as of the end of 1998 and 1997, respectively, for the borrowers' abilities to comply with present loan repayment terms. All impaired loans discussed in Note 6 to the financial statements

UNDERPERFORMING ASSETS AT YEAR END, FIVE-YEAR SUMMARY

	1998	1997	1996	1995	1994
Underperforming loans:					
Nonaccrual	$ 9,782	$ 6,184	$ 3,717	$ 2,520	$ 2,609
Restructured	374	293	481	220	302
90 days past due	1,610	2,011	2,264	2,125	2,153
Total underperforming loans	11,766	8,488	6,462	4,865	5,064
Nonaccrual municipal securities	--	61	31	--	--
Other real estate owned	715	180	215	597	686
Total	$12,481	$ 8,729	$ 6,708	$ 5,462	$ 5,750

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

</TABLE>

in this report are included in underperforming or closely monitored loans.

The Corporation monitors credit quality through a periodic review and analysis of each subsidiary bank's loan portfolio. On a quarterly basis, each subsidiary bank performs an evaluation of the adequacy of its allowance for loan losses. The evaluation includes an analysis of past due loans, loans criticized during regulatory examinations, internally classified loans, delinquency trends, and other relevant factors. The results of these evaluations are used by the Corporation to determine the adequacy of the consolidated allowance for loan losses.

RISK MANAGEMENT

As of December 31, 1998, management considered the allowance for loan losses adequate to provide for potential losses in the loan portfolio. Management reviews delinquent and problem loans weekly. Loans which are judged uncollectible are charged off on a timely basis. The allowance for loan losses is reviewed quarterly in order to evaluate and maintain its adequacy based on an analysis of the entire loan portfolio. Some of the factors used in this review include current economic conditions and forecasts, risk by type of loan, previous loan loss experience, and evaluation of specific borrowers and collateral. The Corporation and its banks monitor loan portfolios using models designed in part by regulatory agencies.

Total loans charged off during 1998 increased $1,872, or 59.6%, and recoveries increased $136, or 11.0%, from 1997. The provision for loan losses for 1998 was increased based on the increase in net charge-offs, underperforming loans, the increase in loan volume, and the Corporation's periodic analysis of the subsidiary banks' loan portfolios. In the fourth quarter of 1998, the Corporation made additional provisions for loan losses due to

SUMMARY OF LOAN LOSS EXPERIENCE (ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES)
<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>	1995 <C>	1994 <C>
Allowance for loan losses, January 1	$ 13,854	$ 12,539	$ 10,937	$ 10,404	$ 9,744
Allowance associated with purchase acquisitions	1,086	516	379	140	259
Loans charged off:					
Commercial	875	763	1,129	619	448
Real estate mortgage	687	505	634	136	406
Consumer	3,411	1,867	1,536	723	632
Direct lease financing	42	8	74	11	--
Total	5,015	3,143	3,373	1,489	1,486
Recoveries on charged-off loans:					
Commercial	307	367	172	549	332
Real estate mortgage	541	424	302	249	270
Consumer	516	448	412	304	616
Direct lease financing	11	--	5	--	--
Total	1,375	1,239	891	1,102	1,218
Net charge-offs	3,640	1,904	2,482	387	268
Provision for loan losses	7,143	2,703	3,705	780	669
Allowance for loan losses, December 31	$ 18,443	$ 13,854	$ 12,539	$ 10,937	$ 10,404
Total loans at year end	$1,648,296	$1,400,959	$1,254,691	$1,138,993	$ 991,132
Average loans	1,556,113	1,338,131	1,207,403	1,071,206	942,877
As a percent of year-end loans:					
Net charge-offs	0.22%	0.14%	0.20%	0.03%	0.03%
Provision for loan losses	0.43	0.19	0.30	0.07	0.07
Year-end allowance balance	1.12	0.99	1.00	0.96	1.05
As a percent of average loans:					
Net charge-offs	0.23%	0.14%	0.21%	0.04%	0.03%
Provision for loan losses	0.46	0.20	0.31	0.07	0.07
Year-end allowance balance	1.19	1.04	1.04	1.02	1.10
Allowance for loan losses as a percent of underperforming loans	156.75%	163.22%	194.04%	224.81%	205.45%

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(Dollar Amounts Other Than Share Data in Thousands)

Total underperforming loans	$ 11,766	$ 8,488	$ 6,462	$ 4,865	$ 5,064

</TABLE>

RISK MANAGEMENT, CONTINUED

increased charge-offs and non-performing loans at one subsidiary. The provision for loan losses for 1997 was decreased as a result of the decrease in net charge-offs. In 1996, the provision for loan losses was increased due to increased net charge-offs and non-performing loans.

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES AT DECEMBER 31

<TABLE>
<CAPTION>

	Allowance Applicable to					Percent of Loans to Total Gross Loans				
Loan Type	1998	1997	1996	1995	1994	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial	$ 6,134	$ 4,882	$ 4,137	$ 4,044	$ 3,724	28%	29%	28%	24%	28%
Real estate mortgage	3,656	3,689	3,632	3,300	3,088	58%	57%	57%	60%	57%
Consumer	5,461	2,842	2,321	1,792	1,336	14%	14%	15%	16%	15%
Allocated	15,251	11,413	10,090	9,136	8,148	100%	100%	100%	100%	100%
Unallocated	3,192	2,441	2,449	1,801	2,256					
Total	$18,443	$13,854	$12539	$10,937	$10,404					

</TABLE>

DEPOSITS

The Corporation's Asset/Liability Committee manages the deposits of its banks to achieve a balance between deposit growth and the cost of funds. Average deposits increased $181,385, or 12.0%, during 1998, compared to $99,388, or 7.0%, in 1997. Of the increase in 1998, $136,628, or 75.3%, was due to purchase acquisitions. Average time deposits of $100,000 or more increased $23,851, or 11.9%, compared to $29,016, or 16.9%, in 1997. The Corporation had $198 in brokered deposits as of December 31, 1998 and no brokered deposits in 1997. Time deposits of $100,000 or more are not considered to present an undue risk.

AVERAGE DEPOSITS

<TABLE>
<CAPTION>

	1998		1997		1996	
	AMOUNT	RATE	Amount	Rate	Amount	Rate
<S>	<C>		<C>		<C>	
Noninterest-bearing demand	$ 227,391	--	$ 184,211	--	$ 173,118	--
Money market accounts	112,385	3.91%	117,758	3.46%	117,142	3.42%
Interest-bearing demand	252,201	2.31%	216,365	2.26%	209,920	2.37%
Savings	165,016	2.83%	144,211	2.62%	147,291	2.72%
Time deposits of $100,000 or more	224,598	5.58%	200,747	5.28%	171,731	5.26%
Other time deposits	716,307	5.37%	653,221	5.39%	597,923	5.32%
Total	$1,697,898		$1,516,513		$1,417,125	

</TABLE>

TIME DEPOSITS OF $100,000 OR MORE AT DECEMBER 31, 1998

<TABLE>
<CAPTION>

<S>	<C>
Maturing:	
3 months or less	$107,059
Over 3 to 6 months	56,120
Over 6 to 12 months	41,020
Over 12 months	32,939

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Total	$237,138

</TABLE>

CAPITAL RESOURCES

At the end of 1998, shareholders' equity totaled $218,280, an increase of $7,043, or 3.3%, from 1997. The average equity to average asset ratio was 10.1% and 10.3% for 1998 and 1997, respectively. The dividend payout ratio for 1998 was 59.7%, compared to 36.7% in 1997.

As of December 31, 1998, there were no material commitments for capital expenditures.

Guidelines for minimum capital levels have been established for the Corporation by the Federal Reserve Board. Tier 1 (core) capital consists of shareholders' equity less goodwill, other identifiable intangible assets, and unrealized losses on marketable equity securities. Total capital consists of Tier 1 capital plus allowance for

loan losses. Minimum capital levels are 4% for the leverage ratio which is defined as Tier 1 capital as a percentage of total assets less goodwill and other identifiable intangible assets; 4% for Tier 1 capital to risk-weighted assets; and 8% for total capital to risk-weighted assets. The Corporation has exceeded each of these levels. Its leverage ratio was 10.08% and 9.69%; Tier 1 capital to risk-weighted assets was 13.47% and 13.72%; and total capital to risk-weighted assets was 14.14% and 14.78% at the end of 1998 and 1997, respectively. In addition, each subsidiary bank exceeded minimum regulatory capital guidelines during 1998 and 1997.

SHORT-TERM BORROWINGS

Federal funds purchased are borrowings from other financial institutions maturing daily. Securities sold under agreements to repurchase are secured transactions with customers. Securities sold under agreements to repurchase generally mature within six months. Notes payable U.S. Treasury are demand notes created by treasury tax and loan account funds transfers. Short-term borrowings decreased $48,657, or 59.3%, during 1998. At December 31, 1998, the Corporation had no federal funds purchased, compared to $56,000 at December 31, 1997. Securities sold under agreements to repurchase and notes payable U.S. Treasury increased during 1998 by $7,343, or 28.2%, and increased by $10,592, or 68.6%, in 1997. The decrease in consolidated short-term borrowing during 1998 was due to increased use of Federal Home Loan Bank advance lines, the purchase of a branch office, and the issuance of Trust Preferred Securities.

SHORT-TERM BORROWINGS AT DECEMBER 31
<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Federal funds purchased	$ --	$56,000	$54,500
Securities sold under agreements to repurchase	33,382	20,123	13,726
Notes payable U.S. Treasury	--	5,916	1,721
Total	$33,382	$82,039	$69,947

</TABLE>

<TABLE>
<CAPTION>

<S>	Federal Funds Purchased <C>	Securities Sold Under Agreements to Repurchase <C>	Notes Payable U.S. Treasury <C>
1998			
AVERAGE AMOUNT OUTSTANDING	$20,853	$36,770	$1,397

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(Dollar Amounts Other Than Share Data in Thousands)

MAXIMUM AMOUNT AT ANY MONTH END	50,950	52,615	5,360
WEIGHTED AVERAGE INTEREST RATE:			
DURING YEAR	4.65%	4.47%	4.94%
END OF YEAR	--	3.31%	--
1997			
Average amount outstanding	$44,576	$19,322	$2,064
Maximum amount at any month end	75,035	31,103	5,916
Weighted average interest rate:			
During year	5.57%	4.18%	5.36%
End of year	6.77%	4.79%	5.25%
1996			
Average amount outstanding	$29,181	$20,077	$1,378
Maximum amount at any month end	63,355	31,985	3,270
Weighted average interest rate:			
During year	5.08%	4.35%	5.17%
End of year	6.65%	4.20%	5.15%

</TABLE>

LIQUIDITY

Liquidity of a banking institution reflects the ability to provide funds to meet loan requests, to accommodate possible outflows in deposits, and to take advantage of interest rate market opportunities. Funding loan requests, providing for liability outflows, and managing interest rate fluctuations require continuous analysis in order to match maturities of specific categories of short-term and long-term loans and investments with specific types of deposits and borrowings. Bank liquidity is thus normally considered in terms of the nature of mix of the banking institution's sources and uses of funds.

For the Corporation, the primary sources of short-term liquidity have been federal funds sold, interest-bearing deposits in banks, and U.S. Government and agency securities available for sale. In addition to these sources, short-term liquidity is provided by maturing loans and securities. The balance between these sources and needs to fund loan demand and deposit withdrawals is monitored under the Corporation's asset/liability management program and by each subsidiary bank providing liquidity without penalizing earnings. When these sources are not adequate, the Corporation may use federal funds purchased, brokered deposits, and its lines with Federal Home Loan Banks as alternative sources of liquidity. The increased loan demand throughout the year was funded by an increase in deposits and other borrowings. Additionally, the Corporation's underwriting standards for its mortgage loan portfolio comply with standards established by government housing agencies; as a result, a portion of the mortgage loan portfolio could be sold to provide additional liquidity. At December 31, 1998 and 1997, respectively, federal funds sold were $10,431 and $21,014, interest-bearing deposits in banks were $142 and $3,693 and U.S. Government and agency securities available for sale were $68,367 and $95,968.

These sources and other liquid assets also satisfy long-term

LIQUIDITY, CONTINUED

liquidity needs. Long-term liquidity is managed in the same way, only with longer maturities, to provide for future needs while maintaining interest margins. In 1998 and 1997, the Corporation increased its use of its Federal Home Loan Bank lines to reduce its dependence on short-term federal funds borrowings. At December 31, 1998, the Corporation had $203,225 in unused Federal Funds and Federal Home Loan Bank lines. The Corporation (parent company) issued $34,500 in Trust Preferred Securities in 1998, primarily, to fund the purchase of a subsidiary bank and a branch.

The ability of the Corporation to pay cash dividends to its shareholders is dependent on the receipt of dividends from its subsidiary banks. Banking regulations impose restrictions on the ability of subsidiaries to pay dividends to the Corporation. The amount of dividends that could be paid is further restricted by management to maintain prudent capital levels.

INTEREST RATE SENSITIVITY

The Corporation's exposure to market risk is reviewed on a regular basis by the Asset/Liability Committee. Interest rate risk is the most significant market

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

risk affecting the Corporation. Other types of market risk do not arise in the normal course of the Corporation's business activities. Interest rate risk is the potential economic loss due to future interest rate changes. This economic loss can be reflected as a loss of future net interest income and/or a loss of current fair market values.

The Corporation's net income is dependent, to a significant degree, on its net interest income. Net interest income is susceptible to interest rate risk to the degree that interest-bearing liabilities reprice or mature on a different basis than interest-earning assets. When interest-bearing liabilities reprice or mature more quickly than interest-earning assets, an increase in market rates could adversely affect net interest income. Similarly, if interest-earning assets reprice or mature more quickly than interest-bearing liabilities, a decrease in market rates could adversely affect net interest income. Changes in market rates can also cause losses in the current fair values of financial instruments.

In order to manage its exposure to changes in interest rates, the Corporation monitors interest rate risk through analysis of standard gap reports and interest rate shock simulation reports on the effect of changes in interest rates on net interest income and on the economic value of equity (the present value of expected cash flows from existing assets minus the present value of expected cash flows from existing liabilities). The following tables set forth, at December 31, 1998, an analysis of the Corporation's interest rate risk as measured by the estimated change in economic value of equity (EVE) and net interest income (NII) following parallel shifts in the yield curve.

Certain assumptions were employed in preparing data in the following tables. These assumptions relate to interest rates, loan prepayment rates, deposit decay rates, and the market values of certain assets under the various interest rate scenarios.

Change in Interest Rates (Basis Points)	Estimated EVE Amount	Estimated Increase (Decrease) in EVE Amount	Percent
+200	$226,607	$(20,799)	(8.41)%
--	247,406	--	--
-200	264,758	17,348	7.01%

Change in Interest Rates (Basis Points)	Estimated NII Amount	Estimated Increase (Decrease) in NII Amount	Percent
+200	$107,865	$5,212	4.78%
--	102,947	--	--
-200	97,706	(5,537)	(5.09)%

Even if interest rates change in the designated amounts, there can be no assurance that the Corporation's assets and liabilities would perform as set forth. In addition, a change in U.S. Treasury rates in the designated amounts accompanied by a change in the shape of the Treasury yield curve would cause significantly different changes to the EVE or NII than indicated above.

Derivative financial instruments include futures, forwards, interest rate swaps, option contracts, and other financial instruments with similar characteristics. The Corporation does not enter into futures, forwards, swaps, or options. In the normal course of business, however, the Corporation is a party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contractual or notional amounts of those instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments. Financial instruments with off-balance-sheet risk at December 31, 1998 are discussed more throughly in Note 18 of the consolidated financial statements.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

RESULTS OF OPERATIONS

Net income for 1998 was $21,454, reflecting a $6,020, or 21.9, decrease from 1997. Net income for 1997 increased $2,761, or 11.2%, over 1996. Basic earnings per share in 1998 were $1.28, compared to $1.65 in 1997 and $1.48 in 1996. Increases in volumes of earning assets resulted in growth of net interest income of $6,559, or 8.1%, in 1998 and $5,720, or 7.6%, in 1997. Noninterest income, excluding securities gains, increased $2,162, or 16.3% in 1998, compared to $883, or 7.1%, in 1997. Noninterest expenses increased $13,791, or 25.8%, in 1998 and $5,402, or 11.2% in 1997. Increases in noninterest expenses in 1998 were primarily due to expenses associated with consolidation of the Corporation's back office operations and acquisition activity. The provision for loan losses increased $4,440, or 164.3%, in 1998 and decreased $1,002, or 27.0%, in 1997.

Changes in net interest income for the last two years are presented in the following schedule with dollar changes allocated to rate and volume variances. The combined rate-volume variances are included in the total volume variances. In addition to this schedule, at the end of Management's Discussion is a three-year balance sheet analysis on an average basis and an analysis of net interest income.

The following discussion of results of operations is on a federal-tax-equivalent basis. Average loans increased $217,982, or 16.3%, during 1998 compared to an increase of $130,728, or 10.8%, during 1997. Approximately 37.7% of the growth in average loans in 1998 and 33.6% in 1997 was attributable to acquisitions accounted for as purchases. Loan income increased 15.7% in 1998 and 11.2% in 1997, principally due to increased loan volumes. The average yield on loans was 9.16% in 1998 and 9.21% in 1997.

Average securities before market value adjustments decreased by $12,443 in 1998 and increased by $16,338 in 1997. Securities income decreased $834, or 2.7%, in 1998 and increased $2,600, or 9.3%, in 1997. The yield on securities increased from 7.17% in 1997 to 7.18% in 1998. During 1998, volumes decreased on securities. This decrease was the result of the use of proceeds from securities maturities and sales to fund loan growth. In 1997, both rates and volumes on securities increased as the Corporation increased volumes of securities and shifted the portfolio mix toward higher yielding tax-exempt securities. Average earning assets increased $216,270, or 12.1%, in 1998 and $152,503, or 9.3%, in 1997. Purchase acquisitions accounted for 46.9% of the increase in 1998 and 34.2% in 1997 The average yield on total earning assets for 1998 was 8.65%, compared to 8.66% in 1997.

Average total interest-bearing deposits increased 10.4% during 1998 and 7.1% during 1997. Purchase acquisitions accounted for all of the growth in interest bearing deposits in 1998 and 28.9% in 1997. The average cost of interest bearing deposits was 4.48% in 1998 and 4.39% in 1997. Increases in interest expense on deposits in 1998 and 1997 were primarily due to volume increases. Interest expense on federal funds purchased and other borrowings increased $2,809 in 1998 and $2,944 in 1997. The increases were principally due to increases in volumes. The Corporation uses federal funds purchased and Federal Home Loan Bank advances, selectively, as alternative funding sources to meet short and intermediate-term funding needs.

In 1998 and 1997, net interest income increased $8,246 and $7,411, respectively. Increases in volumes accounted for substantially all of the increase in 1998 and 74.7% in 1997.

<TABLE>
<CAPTION>

CHANGES IN NET INTEREST INCOME (INTEREST ON A FEDERAL-TAX-EQUIVALENT BASIS)	1998 Compared to 1997				1997 Compared to 1996			
	CHANGE DUE TO A CHANGE IN				Change Due to a Change in			
	VOLUME	RATE	RATE/ VOLUME	TOTAL CHANGE	Volume	Rate	Rate/ Volume	Total Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest income increase (decrease)								
Loans	$20,071	$ (650)	$(105)	$19,316	$11,996	$ 379	$ 41	$12,416
Securities	(891)	60	(3)	(834)	1,114	1,429	57	2,600
Other	232	(182)	(32)	18	(132)	51	(5)	(86)
Total interest income	19,412	(772)	(140)	18,500	12,978	1,859	93	14,930
Interest expense increase (decrease)								
Deposits	6,063	1,252	130	7,445	3,823	702	50	4,575
Borrowings	2,397	333	79	2,809	3,621	(451)	(226)	2,944
Total interest expense	8,460	1,585	209	10,254	7,444	251	(176)	7,519
Net interest income increase (decrease)	$10,952	$(2,357)	$(349)	$ 8,246	$5,534	$ 1,608	$ 269	$7,411

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

----
</TABLE>

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS
(Dollar Amounts Other Than Share Data in Thousands)

NONINTEREST INCOME

Noninterest income increased $2,519, or 17.9%, during 1998 and $1,665, or 13.4%, during 1997. Service charges on deposit accounts increased $1,526, or 23.8%, during 1998 and $404, or 6.7%, during 1997. Other service charges and fees increased $1,018, or 35.8%, in 1998 and $213, or 8.1%, in 1997. Trust income which fluctuates with changes in the number of accounts managed and with changes in market value of assets under management increased $253, or 12.9%, in 1998 and $138, or 7.6%, in 1997. Other types of noninterest income decreased $635, or 30.5%, in 1998 and increased $128, or 6.6%, in 1997.

NONINTEREST EXPENSE

Noninterest expense increased $13,791, or 25.8%, during 1998 and $5,402, or 11.2%, in 1997. Expenses associated with acquisitions and consolidation of the Corporation's back office operations accounted for $6,649, or 48.2%, of the increase in 1998. Expenses associated with acquisitions and consolidation in 1998 consisted of $1,605 in severance and merger-related employment expenses, $200 in equipment write-downs, $631 in data processing contract termination costs, $1,566 in consulting fees related to consolidation, and $2,647 in acquisition-related professional fees. Salaries and other employee benefits increased $1,491, or 4.9%, during 1998 and $3,433, or 12.7%, in 1997. Occupancy expense of bank premises decreased $274 during 1998 and increased $120 in 1997. Furniture and equipment expense increased $1,645, or 55.0%, during 1998 and $198, or 7.1%, in 1997. Other noninterest expense increased $4,624, or 29.3%, during 1998 compared to $1,307, or 9.0%, during 1997.

YEAR 2000 COMPLIANCE

The year 2000 has posed a unique set of challenges to those industries reliant on information technology. As a result of methods employed by early programmers, many software applications and operational programs may be unable to distinguish the year 2000 from the year 1900. If not effectively addressed, this problem could result in the production of inaccurate data, or, in the worst cases, the inability of the systems to continue to function altogether. Financial institutions are particularly vulnerable due to the industry's dependence on electronic data processing systems.

To address the potential adverse year 2000-related consequences, the banking regulatory authorities, working cooperatively through the Federal Financial Institutions Examination Council (FFIEC), have issued a number of specific guidelines designed to guide financial institutions in their year 2000 compliance efforts. The Corporation has developed a year 2000 compliance program that it believes is consistent with these guidelines.

The Corporation and its banking subsidiaries are subject to examination with respect to their year 2000 compliance by various state and federal agencies, including the Federal Reserve Board, the Comptroller of the Currency, the Office of Thrift Supervision, the Federal Deposit Insurance Corporation, and state banking agencies. If a regulatory agency issues a rating of less than satisfactory with respect to an organization's year 2000 compliance efforts, the organization's ability to obtain regulatory approval of certain actions, such as proposed acquisitions, may be adversely affected.

The Corporation has established a year 2000 team to monitor progress with achieving year 2000 compliance. The team reports its progress to the Corporation's Board of Directors on a monthly basis. In addition, the Corporation is utilizing an external consulting firm to assist with its year 2000 compliance.

The Corporation's year 2000 project involves five phases: 1. Awareness; 2. Assessment; 3. Renovation; 4. Validation; and 5. Implementation. The Corporation has completed the awareness, assessment, and validation phases. Major aspects of the renovation phase have been completed and the Corporation expects to complete the remainder of this phase by March 31, 1999. The implementation phase is expected to be substantially complete by June 30, 1999.

The Corporation prepared its contingency and business resumption plans following FFIEC guidelines. The Corporation completed contingency planning before the FFIEC deadline of December 31, 1998.

Management expects total additional out-of-pocket expenditures incurred in year

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

2000 compliance to be approximately $500. This includes fees to outside consulting firms, costs to upgrade equipment specifically for the purpose of year 2000 compliance, and certain administrative expenditures. Some amounts are being expensed as incurred and are not expected to be material to the Corporation's financial condition or results of operations.

Management believes that the organization has an effective corporate year 2000 compliance program in place and that additional expenditures required to bring its systems into compliance will not have a materially adverse effect on the Corporation's operations, cash flow, or financial condition. However, the year 2000 problem is pervasive and complex and can potentially affect any computer process. The Corporation is dependent upon certain key suppliers to achieve year 2000 compliance. Accordingly, no assurance can be given that year 2000 compliance can be achieved without additional unanticipated expenditures and uncertainties that might affect future financial results.

AVERAGE BALANCE SHEET AND ANALYSIS OF NET INTEREST INCOME
<TABLE>
<CAPTION>

	1998			1997		
	AVERAGE BALANCES	INTEREST & FEES	YIELD/ COST	Average Balances	Interest & Fees	Yield/ Cost
<S>	<C>	<C>	<C>	<C>	<C>	<C>
EARNING ASSETS:						
Interest-bearing deposits in banks	$ 4,745	$ 304	6.41%	$ 4,759	$ 231	4.85%
Federal funds sold	24,466	1,037	4.24%	19,303	1,092	5.66%
Securities:						
Taxable	222,716	13,619	6.11%	245,590	15,838	6.45%
Tax-exempt	193,027	16,241	8.41%	182,596	14,856	8.14%
Securities before market value adjustment	415,743	29,860	7.18%	428,186	30,694	7.17%
Market value adjustment on securities available for sale	7,078			1,496		
Total securities	422,821			429,682		
Loans	1,556,113	142,529	9.16%	1,338,131	123,213	9.21%
Total earning assets	2,008,145	$173,730	8.65%	1,791,875	$ 155,230	8.66%
Non-earning assets	150,169			119,650		
TOTAL ASSETS	$2,158,314			$ 1,911,525		
INTEREST-BEARING LIABILITIES:						
Savings and interest-bearing demand	$ 417,217	$ 10,495	2.52%	$ 360,576	$ 8,639	2.40%
Money market accounts	112,385	4,391	3.91%	117,758	4,074	3.46%
Certificates of deposit and other time	940,905	51,003	5.42%	853,968	45,731	5.36%
Total interest-bearing deposits	1,470,507	65,889	4.48%	1,332,302	58,444	4.39%
Federal funds purchased and securities sold under agreements to repurchase	57,623	2,613	4.53%	65,829	3,370	5.12%
Other borrowings	154,605	10,378	6.71%	105,956	6,812	6.43%
Total interest-bearing liabilities	1,682,735	$ 78,880	4.69%	1,504,087	$ 68,626	4.56%
Noninterest-bearing liabilities and shareholders' equity	475,579			407,438		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$2,158,314			$ 1,911,525		
Interest income/earning assets		$ 173,730	8.65%		$ 155,230	8.66%
Interest expense/earning assets		78,880	3.93%		68,626	3.83%
Net interest income/earning assets		$ 94,850	4.72%		$ 86,604	4.83%

<CAPTION>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	1996		
	Average Balances	Interest & Fees	Yield/ Cost
EARNING ASSETS:			
Interest-bearing deposits in banks	$ 6,950	$ 394	5.67%
Federal funds sold	19,608	1,015	5.18%
Securities:			
Taxable	294,132	18,280	6.21%
Tax-exempt	117,716	9,814	8.34%
Securities before market value adjustment	411,848	28,094	6.82%
Market value adjustment on securities available for sale	(6,437)		
Total securities	405,411		
Loans	1,207,403	110,797	9.18%
Total earning assets	1,639,372	$140,300	8.56%
Non-earning assets	102,104		
TOTAL ASSETS	$ 1,741,476		
INTEREST-BEARING LIABILITIES:			
Savings and interest-bearing demand	$ 357,211	$ 8,971	2.51%
Money market accounts	117,142	4,002	3.42%
Certificates of deposit and other time	769,654	40,896	5.31%
Total interest-bearing deposits	1,244,007	53,869	4.33%
Federal funds purchased and securities sold under agreements to repurchase	51,601	2,459	4.77%
Other borrowings	62,898	4,779	7.60%
Total interest-bearing liabilities	1,358,506	$ 61,107	4.50%
Noninterest-bearing liabilities and shareholders' equity	382,970		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 1,741,476		
Interest income/earning assets		$140,300	8.56%
Interest expense/earning assets		61,107	3.73%
Net interest income/earning assets		$ 79,193	4.83%

</TABLE>

Note: Income is on a federal-tax-equivalent basis using a 35% tax rate. Average volume includes nonaccrual loans.

CERTAIN STATEMENTS MADE IN THIS REPORT MAY CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM THE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. SUCH FACTORS INCLUDE, AMONG OTHERS, THE FOLLOWING: MANAGEMENT'S ABILITY TO IMPROVE THE PROFITABILITY OF ACQUIRED INSTITUTIONS AND TO REALIZE EXPECTED OPERATIONAL SYNERGIES FROM ACQUISITIONS; GENERAL, REGIONAL AND LOCAL ECONOMIC CONDITIONS WHICH MAY AFFECT INTEREST RATES AND NET INTEREST INCOME; CREDIT RISKS AND RISKS FROM CONCENTRATIONS (GEOGRAPHIC AND BY INDUSTRY) WITHIN THE LOAN PORTFOLIO; CHANGES IN REGULATIONS AFFECTING FINANCIAL INSTITUTIONS; COMPETITION; AND RISKS CREATED BY THE "YEAR 2000 PROBLEM".

REPORT OF INDEPENDENT ACCOUNTANTS

PRICEWATERHOUSECOOPERS LLP

To the Board of Directors and
Shareholders of National City Bancshares, Inc.

In our opinion, based upon our audits and the report of other auditors, the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

accompanying consolidated statements of financial position and the related consolidated statements of income and comprehensive income, cash flows, and changes in shareholders' equity present fairly, in all material respects, the financial position of National City Bancshares, Inc. and its subsidiaries at December 31, 1998 and 1997, and the 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. 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 did not audit the 1997 and 1996 financial statements of 1st Bancorp Vienna, Inc., Hoosier Hills Financial Corporation, Princeton Federal Bank, fsb, and Progressive Bancshares, Inc. which statements reflect total assets of $323,489 at December 31, 1997 and net income of $3,333 and $3,010 for the years ended December 31, 1997 and 1996 respectfully. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for 1st Bancorp Vienna, Inc., Hoosier Hills Financial Corporation, Princeton Federal Bank, fsb, and Progressive Bancshares, Inc., is based solely on the report of the other auditors. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for the opinion expressed above.

Lexington, Kentucky
February 26, 1999

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<TABLE>
<CAPTION>

(DOLLAR AMOUNTS OTHER THAN SHARE DATA IN THOUSANDS)	DECEMBER 31, 1998	1997
<S> <C> <C>	<C>	<C>
ASSETS		
Cash and cash equivalents	$ 67,389	$ 57,195
Time deposits in banks	142	3,693
Federal funds sold	10,431	21,014
Securities available for sale	346,514	409,069
Nonmarketable equity securities	19,327	15,894
Loans - net	1,629,853	1,387,105
Premises and equipment	46,399	40,334
Intangible assets	40,185	22,235
Other assets	34,984	28,639
TOTAL ASSETS	$ 2,195,224	$ 1,985,178
LIABILITIES		
Deposits:		
Noninterest-bearing demand	$ 231,623	$ 203,049
Interest-bearing:		
Savings, daily interest checking, and money market accounts	567,112	485,818
Time deposits of $100,000 or more	237,138	190,373
Other time	698,712	653,564
Total deposits	1,734,585	1,532,804
Short-term borrowings	33,382	82,039
Other borrowings	139,545	133,927
Guaranteed preferred beneficial interests in the Corporation's subordinated debenture	34,500	--
Dividends payable	3,368	2,025
Deferred income taxes	3,898	4,812
Other liabilities	17,623	13,995
Total liabilities	1,966,901	1,769,602

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

COMMON STOCK OWNED BY ESOP (SUBJECT TO PUT OPTION)			10,043	4,339
SHAREHOLDERS' EQUITY				
Preferred Stock - 1,000,000 shares authorized				
None outstanding				
Common Stock - $1.00 stated value:				
	1998	1997		
Shares authorized	29,000,000	20,000,000		
Shares outstanding	16,842,456	15,994,826	16,842	15,995
Capital surplus			123,561	92,432
Retained earnings			83,536	103,101
Accumulated other comprehensive income			4,436	4,535
Unearned employee stock ownership plan shares			(52)	(487)
Common stock owned by ESOP (subject to put option)			(10,043)	(4,339)
Total shareholders' equity			218,280	211,237
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY			$ 2,195,224	$ 1,985,178

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

<TABLE>
<CAPTION>

(DOLLAR AMOUNTS OTHER THAN SHARE DATA IN THOUSANDS)	YEAR ENDED DECEMBER 31, 1998	1997	1996
<S>	<C>	<C>	<C>
INTEREST INCOME			
Interest and fees on loans:			
Taxable	$ 139,832	$ 121,774	$ 109,690
Tax-exempt	1,895	990	749
Interest and dividends on securities:			
Taxable	13,619	15,838	18,280
Tax-exempt	10,090	10,039	6,597
Interest on federal funds sold	1,037	1,092	1,015
Interest on other investments	304	231	394
Total interest income	166,777	149,964	136,725
INTEREST EXPENSE			
Interest on deposits	65,889	58,444	53,869
Interest on short-term borrowings	2,613	3,370	2,459
Interest on other borrowings	10,378	6,812	4,779
Total interest expense	78,880	68,626	61,107
NET INTEREST INCOME	87,897	81,338	75,618
Provision for loan losses	7,143	2,703	3,705
Net interest income after provision for loan losses	80,754	78,635	71,913
NONINTEREST INCOME			
Trust income	2,209	1,956	1,818
Service charges on deposit accounts	7,946	6,420	6,016
Other service charges and fees	3,859	2,841	2,628
Securities gains	1,160	803	21
Other	1,447	2,082	1,954
Total noninterest income	16,621	14,102	12,437
NONINTEREST EXPENSE			
Salaries, wages, and other employee benefits	31,862	30,371	26,938
Occupancy expense	3,723	3,997	3,877
Furniture and equipment expense	4,637	2,992	2,794
Acquisition and consolidation expense	6,649	344	--
Other	20,418	15,794	14,487

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Total noninterest expense	67,289	53,498	48,096
Income before income taxes	30,086	39,239	36,254
Income taxes	7,970	11,071	11,541
NET INCOME	$ 22,116	$ 28,168	$ 24,713
Proforma C Corporation provision for income taxes	8,632	11,765	11,541
PROFORMA NET INCOME	$ 21,454	$ 27,474	$ 24,713
Other comprehensive income, net of income taxes:			
Unrealized gain (loss) arising in period	$ 597	$ 4,824	$ (927)
Reclassification of realized amounts	(696)	(493)	7
Net unrealized gain (loss), recognized in other comprehensive income	(99)	4,331	(920)
Proforma comprehensive income	$ 21,355	$ 31,805	$ 23,793
PROFORMA EARNINGS PER SHARE - BASIC	$ 1.28	$ 1.65	$ 1.48
PROFORMA EARNINGS PER SHARE - DILUTED	$ 1.27	$ 1.64	$ 1.48
Weighted average shares outstanding:			
Basic	16,757,078	16,612,837	16,712,994
Diluted	16,874,287	16,757,121	16,730,839

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

(DOLLAR AMOUNTS OTHER THAN SHARE DATA IN THOUSANDS)	YEAR ENDED DECEMBER 31, 1998	1997	1996
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 22,116	$ 28,168	$ 24,713
Adjustments to reconcile net income to net cash provided by operating activities:			
Federal Home Loan Bank stock dividends	(122)	(82)	(20)
Amortization	3,496	948	733
Depreciation	3,763	3,213	2,962
Employee benefit expenses	2,017	744	551
Provision for loan losses	7,143	2,703	3,685
Write-down of other real estate owned	51	99	61
Securities gains	(1,160)	(803)	(21)
Originations of loans held for sale	(81,687)	(31,691)	(26,346)
Proceeds from sales of loans held for sale	82,429	32,139	26,580
Gain on sale of loans held for sale	(742)	(448)	(234)
(Gain) loss on sale of premises and equipment	(54)	29	(10)
(Gain) loss on sale of other real estate owned	34	(14)	31
Increase in deferred taxes	1,003	1,172	418
Changes in assets and liabilities:			
(Increase) decrease in other assets	(788)	991	(1,572)
Increase (decrease) in other liabilities	(640)	218	(415)
Net cash flows provided by operating activities	36,859	37,386	31,116
CASH FLOWS FROM INVESTING ACTIVITIES			
Net decrease in interest-bearing deposits in banks	3,551	1,090	5,263
Proceeds from maturities of securities held to maturity	--	12,092	19,192
Proceeds from maturities of securities available for sale	139,001	88,926	91,473
Proceeds from sales of securities held to maturity	--	3,509	3,635
Proceeds from sales of securities available for sale	41,253	42,733	25,408
Proceeds from sales of nonmarketable equity securities	145	804	--
Purchases of securities held to maturity	--	(34,985)	(63,640)
Purchases of securities available for sale	(79,191)	(84,543)	(65,465)
Purchases of nonmarketable securities	(1,865)	(6,348)	(2,211)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(Increase) decrease in federal funds sold	18,663	(6,104)	5,972
Increase in loans made to customers	(143,355)	(88,822)	(93,664)
(Increase) decrease in cash surrender value of life insurance	245	(102)	(43)
Increase in other investments	(2,340)	(1,443)	--
Capital expenditures	(7,140)	(11,855)	(9,519)
Proceeds from sale of premises and equipment	222	2,112	(84)
Proceeds from sale of other real estate owned	400	338	300
Purchase of subsidiaries, net of cash and due from banks acquired	36,952	(5,191)	(10,808)
Net cash flows provided by (used in) investing activities	6,541	(87,789)	(94,191)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase in deposits	8,395	10,067	37,750
Net proceeds (payments) on short-term borrowings	(59,167)	12,141	2,779
Proceeds from other borrowings	103,295	175,970	42,890
Payments on other borrowings	(108,777)	(131,228)	(3,502)
Trust preferred securities, net of executory costs	32,992	--	--
Dividends paid	(11,470)	(9,840)	(8,062)
Repurchase of common stock	(1,385)	(16,673)	(12,951)
Sale of common stock	1,185	1,705	1,664
Proceeds from exercise of stock options	1,726	685	213
Net cash flows provided by (used in) financing activities	(33,206)	42,827	60,781
Net increase (decrease) in cash and cash equivalents	10,194	(7,576)	(2,294)
Cash and cash equivalents at beginning of year	57,195	64,771	67,065
Cash and cash equivalents at end of year	$ 67,389	$ 57,195	$ 64,771

</TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS ARE CONTINUED ON THE FOLLOWING PAGE.

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31, 1998	1997	1996
<S>	<C>	<C>	<C>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Cash paid during the year for:			
Interest	$ 78,667	$ 67,553	$ 59,683
Income taxes	7,971	10,180	11,887
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS			
Change in allowance for unrealized gain (loss) on securities available for sale	$ (148)	$ 978	$ (1,378)
Change in deferred taxes attributable to securities available for sale	49	(2,647)	458
Transfer of securities held to maturity to available for sale	--	193,480	--
Other real estate acquired in settlement of loans	792	425	35
Transfer from premises and equipment to other real estate owned	--	1	--
Purchase of subsidiaries:			
Purchase price	$ (32,354)	$ 6,797	$ 12,038
Assets acquired:			
Cash and cash equivalents	$ 4,598	$ 1,606	$ 1,230
Interest-bearing deposits in banks	--	1,394	1,488
Securities	39,223	16,066	22,187
Federal funds sold	8,080	3,100	100
Loans	106,536	59,300	24,214
Premises and equipment	2,856	930	364
Deferred taxes	--	81	--
Other assets	23,700	12,801	6,331
Liabilities assumed:			
Deposits	(193,386)	(67,411)	(43,279)
Short-term borrowings	(10,510)	(200)	--
Other borrowings	(11,100)	(4,127)	--
Deferred taxes payable	(71)	--	--
Other liabilities	(2,280)	(794)	(597)
Common stock issued	--	(15,949)	--
	$ (32,354)	$ 6,797	$ 12,038

</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

(DOLLAR AMOUNTS OTHER THAN SHARE DATA IN THOUSANDS)

For the Years Ended
December 31, 1998, 1997, and 1996

<S>	Common Shares <C>	Common Stock <C>	Capital Surplus <C>	Retained Earnings <C>	Accumulated Other Comprehensive Income <C>	Unearned ESOP Shares <C>	Common Stock Owned By ESOP <C>
Balances at December 31, 1995, as previously reported	12,905,215	$ 12,905	$ 59,457	$ 82,029	$ 697	$ --	$ --
Adjusted for pooling of interests	2,570,968	2,572	9,101	20,052	427	(1,282)	(2,073)
BALANCE AT DECEMBER 31, 1995	15,476,183	15,477	68,558	102,081	1,124	(1,282)	(2,073)
Net income	--	--	--	24,713	--	--	--
Cash dividends declared	--	--	--	(8,488)	--	--	--
Repurchase of outstanding shares	(484,739)	(485)	(12,461)	--	--	--	--
Shares issued in Dividend Reinvestment Program	60,404	60	1,606	--	--	--	--
Change in unrealized gain (loss) on securities	--	--	--	--	(920)	--	--
Issuance of common stock	1,603	2	4	--	--	--	--
Stock dividend	450,656	450	12,279	(12,729)	--	--	--
Payment for fractional shares for stock dividend	(450)	--	(13)	--	--	--	--
Exercise of stock options	12,236	12	202	--	--	--	--
Employee Stock Ownership Plan (ESOP)	--	--	160	--	--	391	(391)
Market value adjustment	--	--	--	--	--	--	(274)
BALANCE AT DECEMBER 31, 1996	15,515,893	15,516	70,335	105,577	204	(891)	(2,738)
Net income	--	--	--	28,168	--	--	--
Cash dividends declared	--	--	--	(10,074)	--	--	--
Repurchase of outstanding shares	(464,439)	(464)	(16,205)	--	--	--	--
Shares issued in Dividend Reinvestment Program	47,781	48	1,678	--	--	--	--
Change in unrealized gain (loss) on securities	--	--	--	--	4,331	--	--
Issuance of common stock related to acquisition of subsidiary	375,000	375	15,574	--	--	--	--
Payment for fractional shares for merger	(84)	--	(3)	--	--	--	--
Stock dividend	472,866	473	20,097	(20,570)	--	--	--
Payment of fractional shares for stock dividend	(458)	(1)	(21)	--	--	--	--
Exercise of stock options	48,267	48	637	--	--	--	--
Employee Stock Ownership Plan (ESOP)	--	--	340	--	--	404	(404)
Market value adjustment	--	--	--	--	--	--	(1,197)
BALANCE AT DECEMBER 31, 1997	15,994,826	15,995	92,432	103,101	4,535	(487)	(4,339)
Net income	--	--	--	22,116	--	--	--
Cash dividends declared	--	--	--	(12,813)	--	--	--
Repurchase of outstanding shares	(33,376)	(33)	(1,352)	--	--	--	--
Shares issued in Dividend Reinvestment Program	26,552	26	1,082	--	--	--	--
Change in unrealized gain (loss) on securities	--	--	--	--	(99)	--	--

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Stock dividend	741,400	741	28,204	(28,945)	--	--	--
Exercise of stock options	113,054	113	2,212	--	--	--	--
Employee Stock Ownership Plan (ESOP)	--	--	983	--	--	435	(435)
Market value adjustment	--	--	--	--	--	--	(5,269)
Add for change in fiscal year of pooling companies	--	--	--	77	--	--	--
BALANCE AT DECEMBER 31, 1998	16,842,456	$ 16,842	$ 123,561	$ 83,536	$ 4,436	$ (52)	$ (10,043)

</TABLE>

SEE ACCOMPANYING NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar Amounts Other Than Share Data in Thousands)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

DESCRIPTION OF BUSINESS

National City Bancshares, Inc. (Corporation) is a bank holding company whose subsidiaries provide a full range of banking services to individual and corporate customers through its wholly-owned bank subsidiaries located in Indiana, Illinois, Kentucky, and Southwestern Ohio. The subsidiary banks are subject to competition from other financial institutions and nonfinancial institutions providing financial products. Additionally, the Corporation and its subsidiaries are subject to the regulations of certain regulatory agencies and undergo periodic examinations by those regulatory agencies.

The consolidated financial statements of the Corporation have been prepared in conformity with generally accepted accounting principles and conform to predominate practice within the banking industry.

Following is a description of the more significant of these policies.

BASIS OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries: The National City Bank of Evansville, First Kentucky Bank, The Bank of Mitchell, White County Bank, First Federal Savings Bank of Leitchfield, First National Bank of Bridgeport, First Bank of Huntingburg, Illinois One Bank, National Association, Trigg County Farmers Bank, Community First Bank, N.A., Community First Bank of Kentucky, Bank of Illinois, National Association, Princeton Federal Bank, fsb, The Progressive Bank, National Association, Ripley County Bank, NCBE Capital Trust I, NCBE Leasing Corp., and Twenty-One Southeast Third Corporation. All significant intercompany transactions and balances have been eliminated.

The Corporation and its subsidiaries utilize the accrual basis of accounting for major items.

In preparing the consolidated financial statements, management is required to make estimates and assumptions which significantly affect the amounts reported in the consolidated financial statements. Significant estimates which are particularly susceptible to change in a short period of time include valuation of the securities portfolio, the determination of the allowance for loan losses and valuation of real estate and other properties acquired in connection with foreclosures or in satisfaction of amounts due from borrowers on loans. Actual results could differ from those estimates.

RESTATEMENT

The consolidated financial statements give retroactive effect to the pooling transactions described in Note 2. The consolidated statements of financial condition, income and comprehensive income, shareholders' equity, and cash flows are presented as if the combining companies had been consolidated for all periods presented. As required by generally accepted accounting principles, the consolidated statements of shareholders' equity reflect the accounts of the Corporation as if the appropriate amount of common stock issued in the acquisitions were outstanding effective January 1, 1996, the earliest date reported upon in the consolidated financial statements.

CASH FLOWS

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, amounts due from banks, and short-term money market investments.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Interest-bearing deposits in banks, regardless of maturity, are considered short-term investments.

TRUST ASSETS

Property held for customers in fiduciary or agency capacities, other than trust cash on deposit at the banks, is not included in the accompanying consolidated financial statements since such items are not assets of the Corporation or its subsidiaries.

SECURITIES

Securities classified as held to maturity are those securities the Corporation has both the intent and ability to hold to maturity regardless of changes in market conditions, liquidity needs, or changes in general economic conditions. These securities are carried at cost adjusted for amortization of premium and accretion of discount, computed by the interest method over their contractual lives.

Securities classified as available for sale are those debt securities that the Corporation intends to hold for an indefinite period of time, but not necessarily to maturity, and marketable equity securities. Any decision to sell a security classified as available for sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Securities available for sale are carried at fair value. Unrealized gains or losses are reported as increases or decreases in shareholders' equity, net of the related deferred tax effect. Realized gains or losses, determined on the basis of the cost of specific securities sold, are included as a component of net income.

Nonmarketable equity securities are primarily the banks' investment in capital stock of the Federal Home Loan Bank. The carrying value is estimated to be fair value since, if a bank withdraws membership in the Federal Home Loan Bank, the stock must be redeemed for face value. As a member of the Federal Home Loan Bank System, a bank is required to maintain an investment in FHLB capital stock in an amount equal to at least 1% of outstanding residential mortgages or 5% of outstanding FHLB advances, whichever is greater.

LOANS

Loans are stated at the principal amount outstanding, less unearned interest income and an allowance for loan losses. Unearned income on installment loans is recognized as income

based on the sum-of-the-months digits method which approximates the interest method. Interest income on substantially all other loans is credited to income based on the principal balances of loans outstanding.

The Corporation's policy is to discontinue the accrual of interest income on any loan when, in the opinion of management, there is reasonable doubt as to the timely collectibility of interest or principal. Upon discontinuance of interest accrual, unpaid accrued interest is reversed. Interest income on these loans is recognized to the extent interest payments are received and the principal is considered fully collectible. Nonaccrual loans are returned to accrual status when, in the opinion of management, the financial position of the borrower indicates there is no longer any reasonable doubt as to the timely collectibility of interest and principal.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is maintained at a level believed adequate by management to provide for known and inherent risks in the loan portfolio. The allowance is based upon a continuing evaluation of the risk characteristics of the loan portfolios, past loan loss experience, and current economic conditions. The continuing review considers such factors as the financial condition of the borrower, fair market value of the collateral, and other considerations which, in management's opinion, deserve current recognition in estimating loan losses. Loans which are deemed to be uncollectible are charged to the allowance. The provision for loan losses and recoveries are credited to the allowance.

Loans are considered impaired when, based on current information and events, it is probable the Corporation will not be able to collect all amounts due. The portion of the allowance for loan losses applicable to impaired loans has been computed based on the present value of the estimated future cash flows of interest and principal discounted at the loan's effective interest rate or on the fair value of the collateral for collateral dependent loans. The entire change in present value of expected cash flows of impaired loans or of collateral value is reported as bad debt expense in the same manner in which impairment initially was recognized or as a reduction in the amount of bad debt expense that otherwise would be reported.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PREMISES AND EQUIPMENT

Premises and equipment are carried at cost less accumulated depreciation. Provisions for depreciation are charged to operating expense over the useful lives of the assets, computed principally by the straight-line method.

INTANGIBLE ASSETS

Costs in excess of fair value of net assets acquired consist primarily of goodwill and core deposit intangibles. Goodwill is amortized to expense over varying periods up to 15 years using the straight-line method. Core deposit intangibles are amortized over 7 years using the straight-line method. Amortization for the years ended December 31, 1998, 1997, and 1996, was $3,073, $1,106, and $584, respectively. Intangible assets are reviewed for possible impairment when events or changed circumstances may affect the underlying basis of the assets.

INCOME TAXES

The Corporation and its subsidiaries file a consolidated Federal income tax return with each organization computing its taxes on a separate company basis. The provision for income taxes is based on income as reported in the financial statements. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future. The deferred tax assets and liabilities are computed based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to an amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

REPORTING COMPREHENSIVE INCOME

Statement of Financial Accounting Standard (SFAS) No. 130, "Reporting Comprehensive Income", was issued in June 1997 by the Financial Accounting Standards Board (FASB). SFAS 130 establishes reporting of comprehensive income for general purpose financial statements. Comprehensive income is defined as the change in equity of a business enterprise during a period and all other events and circumstances from nonowner sources. The Corporation adopted SFAS 130 by disclosing changes in other comprehensive income for the years ended December 31, 1998, 1997, and 1996, respectively.

DISCLOSURES ABOUT SEGMENTS OF AN ENTERPRISE AND RELATED INFORMATION

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." The provisions of this statement require disclosure of financial and descriptive information about an enterprise's operation segments in annual and interim financial reports issued to shareholders. The statement defines an operating segment as a component of an enterprise that engages in business activities that generate revenue and incur expense, whose operating results are reviewed by the chief operating decision maker in the determination of resource allocation and performance, and for which discrete financial information is available. The Corporation adopted the provisions of this statement for 1998 annual reporting. These disclosure requirements had no impact on financial position or results of operations.

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

On June 15, 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 established a new model for accounting for derivatives and hedging activities and supersedes and amends a number of existing standards. SFAS 133 is effective for fiscal years beginning after June 15, 1999, but earlier application is permitted as of the

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

beginning of any fiscal quarters subsequent to June 15, 1998. Upon the statement's initial application, all derivatives are required to be recognized in the statement of financial position as either assets or liabilities and measured at fair value. In addition, all hedging relationships must be designated, reassessed, and documented pursuant to the provisions of SFAS 133. Adoption of SFAS 133 is not expected to have a material financial statement impact on the Corporation's financial position or operating results.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ACCOUNTING FOR MORTGAGE BACKED SECURITIES RETAINED AFTER THE SECURIZATION OF MORTGAGE LOANS HELD FOR SALE BY A BANKING ENTERPRISE

In October, 1998, the FASB issued SFAS No. 134, "Accounting for Mortgage Backed Securities Retained After the Securization of Mortgage Loans Held For Sale By a Banking Enterprise." SFAS 134 amends SFAS 65 and SFAS 115. SFAS 134 is effective for the first fiscal quarter beginning after December 15, 1998. Adoption of SFAS 133 is not expected to have a material financial statement impact on the Corporation's financial position or operating results.

RECLASSIFICATIONS

Certain reclassifications have been made to the balances as of and for the years ended December 31, 1997 and 1996, to be consistent with classifications adopted for 1998.

NOTE 2. BUSINESS COMBINATIONS

On March 1, 1997, the Corporation acquired First Federal Savings Bank of Leitchfield, a $43,000 savings bank located in Leitchfield, Kentucky. This acquisition was accounted for as a purchase, and results of operations of First Federal Savings Bank of Leitchfield since the acquisition have been included in the financial statements. The excess of the acquisition cost over the fair value of net assets acquired in the amount of $2,807 is being amortized over 15 years using the straight-line method.

On August 1, 1997, the Corporation acquired Bridgeport Bancorp, Inc., the parent company of First National Bank of Bridgeport, with total assets of $39,382 located in Bridgeport, Illinois. This acquisition was accounted for as a purchase, and the results of operations since the acquisition have been included in the financial statements. The excess of the acquisition cost over fair value of net assets acquired in the amount of $9,377 is being amortized over 15 years using the straight-line method.

The Corporation's subsidiary, First Kentucky Bank, purchased the former Mayfield, Kentucky, Branch Office of Republic Bank & Trust Company on January 8, 1998. First Kentucky assumed $65,639 in deposit liabilities in consideration of a deposit premium of $4,521. First Kentucky also purchased the office facility and certain loans of the branch.

On March 6, 1998, the Corporation purchased 100% of the common stock of Vernois Bancshares, Inc. in a cash transaction. As of March 6, 1998, Vernois Bancshares, Inc.'s wholly-owned subsidiary, Bank of Illinois in Mt. Vernon, had assets of $179,156 and equity of $27,782. The transaction was accounted for as a purchase, and the excess of cost over the fair value of net assets acquired totaling $16,551 is being amortized over 15 years using the straight-line method.

The table below presents pro forma combined results of operations for the Corporation, First Federal Savings Bank of Leitchfield, First National Bank of Bridgeport, and the Bank of Illinois in Mt. Vernon for the years ended December 31:

<TABLE>
<CAPTION>

	1998	1997
<S>	<C>	<C>
Net interest income	$88,813	$88,567
Proforma net income	20,934	29,680
Proforma earnings per share - Basic	1.25	1.79
Proforma earnings per share - Diluted	1.24	1.77

</TABLE>

On December 31, 1997, the Corporation issued 794,994 shares of common stock for all of the common stock of First Fourth Bancorp, the parent company of First Bank of Huntingburg, Huntingburg, Indiana. As of December 31, 1997, First Bank of Huntingburg had total assets of $108,077 and total equity of $12,917. The combination was accounted for as a pooling of interests. Accordingly, the Corporation's financial statements have been retroactively restated to include the accounts and operations of First Fourth Bancorp for all periods presented. Certain reclassifications have been made to First Fourth Bancorp's historical financial statements to conform to the Corporation's presentation.

On May 31, 1998, the Corporation issued 572,737 shares of common stock for all of the common stock of Illinois One Bancorp, Inc., the parent company of Illinois One Bank, National Association, Shawneetown, Illinois. As of May 31, 1998, Illinois One Bank had assets of $86,117 and equity of $11,111. The combination was accounted for as a pooling of interests. Accordingly, the Corporation's financial statements have been retroactively restated to include the accounts and operations of Illinois One Bancorp for all periods presented. Certain reclassifications have been made to Illinois One Bancorp's historical financial statements to conform to the Corporation's presentation.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

On August 31, 1998, the Corporation issued 736,278 shares of common stock for all of the common stock of Trigg Bancorp, Inc. the parent company of Trigg County Farmers Bank, Cadiz, Kentucky. As of December 31, 1998, Trigg County Farmers Bank had assets of $96,665 and equity of $8,751. The combination was accounted for as a pooling of interests. Accordingly, the Corporation's financial statements have been retroactively restated to include the accounts and operations of Trigg Bancorp for all periods presented. Certain reclassifications have been made to Trigg Bancorp's historical financial statements to conform to the Corporation's presentation.

On August 31, 1998, the Corporation issued 1,432,202 shares of common stock for all of the common stock of Community First Financial, Inc., the parent company of Community First Bank, N.A., Maysville, Kentucky and Community First Bank of Kentucky, Warsaw, Kentucky. As of December 31, 1998, the two banks had assets of $163,544 and equity of $14,872. The combination was accounted for as a pooling of interests. Accordingly, the Corporation's financial statements have been retroactively restated to include the accounts and operations of Community First Financial. Certain reclassifications have been made to Community First Financial's historical financial statements to conform to the Corporation's presentation.

On October 1, 1998, the Corporation issued 289,134 shares of common stock for all of the outstanding shares of 1st Bancorp Vienna, Inc., the parent of First State Bank of Vienna, Vienna, Illinois. First State Bank of Vienna, with total assets of $38,160 and equity of $5,071 as of September 30, 1998, was merged into the Corporation's subsidiary Illinois One Bank, National Association, on October 1, 1998. The combination was accounted for as a pooling of interests. Accordingly, the Corporation's financial statements have been retroactively restated to include the accounts and operations of 1st Bancorp Vienna for all periods presented. Certain reclassifications have been made to 1st Bancorp Vienna's historical financial statements to conform to the Corporation's presentation.

On October 1, 1998, the Corporation issued 729,936 shares of common stock for all the outstanding shares of Hoosier Hills Financial Corporation, the parent of Ripley County Bank, Osgood, Indiana. As of December 31, 1998, Ripley County Bank had total assets of $114,666 and equity of $10,301. The combination was accounted for as a pooling of interests. Accordingly, the Corporation's financial statements have been retroactively restated to include the accounts and operations of Hoosier Hills Financial Corporation for all periods presented. Certain reclassifications have been made to Hoosier Hills Financial Corporation's historical financial statements to conform to the Corporation's presentation.

On October 31, 1998, the Corporation issued 190,000 shares of common stock for all of the outstanding shares of Commonwealth Commercial Corporation, the parent of Bank of Crittenden, Crittenden, Kentucky. Bank of Crittenden, with total assets of $26,523 and equity of $2,648 as of November 30, 1998, was merged into the Corporation's subsidiary Community First Bank of Kentucky on December 10, 1998. The combination was accounted for as a pooling of interests. Accordingly, the Corporation's financial statements have been retroactively restated to include the accounts and operations of Commonwealth Commercial Corporation for all periods presented. Certain reclassifications have been made to Commonwealth Commercial Corporation's historical financial statements to conform to the Corporation's presentation.

On October 31, 1998, the Corporation issued 102,648 shares of common stock for all of the outstanding shares of Downstate Banking Co., the parent of the Downstate National Bank, Brookport, Illinois. Downstate National Bank, with total assets of $21,230 and equity of $2,014 as of October 31, 1998, was merged into the Corporation's subsidiary Illinois One Bank, National Association, on October 31, 1998. The combination was accounted for a pooling of interests. Accordingly, the Corporation's financial statements have been retroactively restated to include the accounts and operations of Downstate Banking Co. for all periods presented. Certain reclassifications have been made to Downstate Banking Co.'s historical financial statements to conform to the Corporation's presentation.

On November 30, 1998, the Corporation issued 223,211 shares of common stock for all of the outstanding shares of Princeton Federal Bank, fsb, Princeton, Kentucky. As of December 31, 1998, Princeton Federal had total assets of $31,839 and equity of $4,433. The combination was accounted for a pooling of interests. Accordingly, the Corporation's financial statements have been retroactively restated to include the accounts and operations of Princeton Federal Bank, fsb, for all periods presented. Certain reclassifications have been made to Princeton Federal Bank's, fsb, historical financial statements to conform to the Corporation's presentation.

On December 1, 1998, the Corporation issued 1,025,572 shares of common stock for all of the outstanding shares of Progressive Bancshares, Inc., the parent of The Progressive Bank, National Association, Lawrenceburg, Kentucky. As of December 31, 1998, the Progressive Bank had total assets of $145,906 and equity of

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(Dollar Amounts Other Than Share Data in Thousands)

$11,711. The combination was accounted for as a pooling of interests. Accordingly, the Corporation's financial statements have been retroactively restated to include the accounts and operations of Progressive Bancshares, Inc. for all periods presented. Certain reclassifications have been made to Progressive Bancshares, Inc.'s historical financial statements to conform to the Corporation's presentation.

Assets, loans, deposits, interest income, net interest income, and net income of the Corporation (NCBE), First Fourth Bancorp (FFB), Illinois One Bancorp, Inc. (IOB), Trigg Bancorp, Inc. (Trigg), Community First Financial, Inc. (CFF), 1st Bancorp Vienna, Inc. (1stBV), Commonwealth Commercial Corporation (CCC), Downstate Banking Company (DBC), Hoosier Hills Financial Corporation (HHFC), and Progressive Bancshares, Inc. (PBI) for the periods prior to the acquisition are shown in the table below. Due to elimination of intercompany transactions, the historical data may not aggregate to the consolidated amounts.

NOTE 2. BUSINESS COMBINATIONS, CONTINUED

<TABLE>
<CAPTION>

	NCBE	FFB	IOB	Trigg	CCF	1st BV	CCC
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
December 31, 1997:							
Loans, net of unearned interest	$ 832,701	$ 83,655	$ 48,907	$ 52,960	$ 103,172	$ 20,937	$ 19,546
Deposits	870,825	93,485	76,388	72,452	113,237	33,377	21,159
Assets	1,193,697	108,109	88,069	96,379	130,708	38,670	25,291
Year ended December 31, 1997:							
Interest income	$ 87,253	$ 8,392	$ 6,045	$ 7,593	$ 11,133	$ 2,922	$ 2,248
Interest expense	39,977	3,673	2,617	3,807	4,259	1,369	965
Net interest income	47,276	4,719	3,428	3,786	6,874	1,553	1,283
Provision for loan losses	1,711	180	180	112	2	42	15
Net income	17,119	1,232	951	1,395	2,886	541	307
Earnings per share-Basic	1.65	1.48	1.58	1.80	1.92	1.78	1.54
Earnings per share-Diluted	1.63	1.48	1.58	1.80	1.90	1.78	1.54
Year ended December 31, 1996:							
Interest income	$ 78,640	$ 7,909	$ 5,728	$ 7,517	$ 10,361	$ 2,753	$ 2,070
Interest expense	34,499	3,444	2,499	3,641	4,156	1,251	911
Net interest income	44,141	4,465	3,229	3,876	6,205	1,502	1,159
Provision for loan losses	2,491	213	148	231	151	84	10
Net income	15,246	1,250	1,099	1,260	2,374	517	243
Earnings per share-Basic	1.51	1.50	1.83	1.63	1.58	1.56	1.22
Earnings per share-Diluted	1.51	1.50	1.83	1.63	1.57	1.56	1.22

<CAPTION>

	DBC	HHFC	PFB	PBI	NCBE Consolidated
<S>	<C>	<C>	<C>	<C>	<C>
December 31, 1997:					
Loans, net of unearned interest	$ 13,121	$ 87,289	$ 23,307	$ 115,364	$1,400,959
Deposits	20,778	85,698	22,373	123,296	1,532,804
Assets	22,982	108,905	31,711	144,203	1,985,178
Year ended December 31, 1997:					
Interest income	$ 1,726	$ 8,492	$ 2,460	$ 11,717	$ 149,964
Interest expense	835	4,226	1,281	5,634	68,626
Net interest income	891	4,266	1,179	6,083	81,338
Provision for loan losses	--	150	21	290	2,703
Net income	251	770	267	1,755	27,474
Earnings per share-Basic	2.33	1.09	1.32	1.71	1.65
Earnings per share-Diluted	2.33	1.09	1.26	1.71	1.64
Year ended December 31, 1996:					
Interest income	$ 1,662	$ 7,893	$ 2,310	$ 9,882	$ 136,725
Interest expense	799	3,962	1,200	4,745	61,107
Net interest income	863	3,931	1,110	5,137	75,618
Provision for loan losses	--	150	11	216	3,705
Net income	231	895	84	1,514	24,713
Earnings per share-Basic	2.14	1.34	0.43	1.55	1.48
Earnings per share-Diluted	2.14	1.34	0.41	1.55	1.48

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

</TABLE>

NOTE 3. EARNINGS PER SHARE

In 1997, the FASB issued SFAS 128, "Earnings per Share." SFAS 128 replaced the calculation of primary and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants, and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts for all periods have been presented, and where appropriate, restated to conform to the SFAS 128 requirements.

Basic earnings per share is computed by dividing net income for the year by the weighted average number of shares outstanding.

Diluted earnings per share is determined by dividing net income for the year by the weighted average number of shares of common stock and common stock equivalents outstanding. Common stock equivalents assume exercise of stock options and use of proceeds to purchase treasury stock at the average market price for the period.

The following provides a reconciliation of basic and diluted earnings per share on a proforma basis.

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Proforma net income	$ 21,454	$ 27,474	$ 24,713
Weighted average shares outstanding			
Basic	16,757,078	16,612,837	16,712,994
Diluted	16,874,287	16,757,121	16,730,839
EARNINGS PER SHARE-BASIC	$ 1.28	$ 1.65	$ 1.48
Effect of stock options	(0.01)	(0.01)	--
EARNINGS PER SHARE-DILUTED	$ 1.27	$ 1.64	$ 1.48

</TABLE>

NOTE 4. CASH AND DUE FROM BANKS

Aggregate cash and due from bank balances of $17,015 and $11,032 as of December 31, 1998 and 1997, respectively, were maintained in satisfaction of statutory reserve requirements of the Federal Reserve Bank of St. Louis.

NOTE 5. SECURITIES

Amortized cost and fair value of securities classified as available for sale are as follows:

<TABLE>
<CAPTION>

As of December 31, 1998

<S>	AMORTIZED COST <C>	GROSS UNREALIZED GAINS <C>	GROSS UNREALIZED LOSSES <C>	FAIR VALUE <C>
U.S. GOVERNMENT AND AGENCY SECURITIES	$ 67,800	$ 602	$ 35	$ 68,367
TAXABLE MUNICIPALS	3,033	125	--	3,158
TAX-EXEMPT MUNICIPALS	188,463	8,004	145	196,322
CORPORATE SECURITIES	9,224	125	478	8,871
MORTGAGE-BACKED SECURITIES	65,672	548	483	65,737
SUBTOTAL	334,192	9,404	1,141	342,455
EQUITY SECURITIES	5,126	202	1,269	4,059
TOTAL	$339,318	$ 9,606	$ 2,410	$346,514

</TABLE>

<TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<CAPTION>

As of December 31, 1997	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<S>	<C>	<C>	<C>	<C>
U.S. Government and agency securities	$ 95,647	$ 427	$ 106	$ 95,968
Taxable municipals	3,663	65	1	3,727
Tax-exempt municipals	196,467	6,849	133	203,183
Corporate securities	10,498	88	17	10,569
Mortgage-backed securities	93,201	590	342	93,449
Subtotal	399,476	8,019	599	406,896
Equity Securities	2,249	71	147	2,173
Total	$401,725	$ 8,090	$ 746	$409,069

</TABLE>

The amortized cost and fair value of the securities as of December 31, 1998, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities in mortgage-backed securities, because certain mortgages may be called or prepaid without penalties. Therefore, these securities are not included in the maturity categories in the following maturity schedules:

Maturity schedule of debt securities available for sale:

<TABLE>
<CAPTION>

December 31, 1998	Amortized Cost	Fair Value
<S>	<C>	<C>
Less than 1 year	$ 62,039	$ 61,892
1 year to 5 years	87,748	90,146
5 years to 10 years	51,098	53,227
Over 10 years	67,635	71,453
Mortgage-backed securities	65,672	65,737
Total	$334,192	$342,455

</TABLE>

Securities gains and (losses) are summarized as follows:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Gross realized gains	$1,192	$ 871	$ 166
Gross realized losses	(32)	(68)	(145)
Total	$1,160	$ 803	$ 21

</TABLE>

As of December 31, 1998 and 1997, the carrying value of securities pledged as collateral for public deposits and for other purposes as required or permitted by law were $150,480 and $158,930, respectively.

On March 31, 1997, the Corporation transferred $193,480 of securities classified as held to maturity to the available for sale category and recorded, as a component of equity, an unrealized gain of $160, net of $98 of deferred taxes. In accordance with the requirements of SFAS 115, these securities are now accounted for at fair value, and any unrealized gain or loss net of deferred tax effect is reflected as a separate component of shareholders' equity.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

NOTE 6. LOANS

A summary of loans as of December 31 follows:

	1998	1997
Real estate loans	$ 964,493	$ 801,611
Commercial, industrial, and agricultural loans	415,579	363,727
Economic development loans and other obligations of state and political subdivisions	19,780	15,492
Consumer loans	223,377	198,615
Direct lease financing	12,988	13,146
Leveraged leases	5,102	4,661
All other loans	7,606	5,017
Total loans - gross	1,648,925	1,402,269
Unearned income on loans	(629)	(1,310)
Total loans - net of unearned income	1,648,296	1,400,959
Allowance for loan losses	(18,443)	(13,854)
Total loans - net	$ 1,629,853	$ 1,387,105

The following table presents data on impaired loans at December 31, 1998, 1997, and 1996.

	1998	1997	1996
Impaired loans for which there is a related allowance for loan losses	$3,696	$5,424	$5,907
Impaired loans for which there is no related allowance for loan losses	2,982	2,585	1,555
Total impaired loans	$6,678	$8,009	$7,462
Allowance for loan losses for impaired loans included in the allowance for loan losses	990	$1,358	$1,080
Average recorded investment in impaired loans	6,915	7,612	8,267
Interest income recognized from impaired loans	622	361	385
Cash basis interest income recognized from impaired loans	300	200	81

The amount of loans serviced by the Corporation for the benefit of others is not included in the accompanying Consolidated Statements of Financial Position. The amount of unpaid principal balances of these loans were $191,018 and $139,352 as of December 31, 1998 and 1997, respectively.

The Corporation has granted a blanket collateral agreement on qualified mortgage loans to secure advances from Federal Home Loan Banks.

In the normal course of business, the subsidiary banks make loans to their executive officers and directors, and to companies and individuals affiliated with officers and directors of the banks and the Corporation. The activity in these loans during 1998 is as follows:

	1998
Balance as of January 1,	$ 32,360

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(Dollar Amounts Other Than Share Data in Thousands)

New loans	46,026
Repayments	(29,724)
Balance as of December 31,	$ 48,662

</TABLE>

NOTE 7. LEASE FINANCING

The Corporation's leasing operations include both direct financing and leveraged leasing. The direct financing leasing activity involves the leasing of various types of office, data processing, and transportation equipment. These equipment leases have lives of three to seven years.

Under the direct financing method of accounting for leases, the total net rentals receivable under the lease contracts, initial direct costs (net of fees), and the estimated unguaranteed residual value of the leased equipment, net of unearned income, are recorded as a net investment in direct financing leases, and the unearned income on each lease is recognized each month at a constant periodic rate of return on the unrecovered investment.

NOTE 7. LEASE FINANCING, CONTINUED

The composition of the net investment in direct lease financing at December 31 is as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Minimum lease payments receivable	$ 15,010	$ 16,050
Less: allowance for uncollectable leases	97	--
Net minimum lease payments receivable	14,913	16,050
Add estimated residual values of leased equipment	3,006	2,800
Add initial direct costs	65	63
(Deduct) unearned lease income	(5,093)	(5,767)
Net investment in direct lease financing	$ 12,891	$ 13,146

</TABLE>

At December 31, 1998, the minimum future lease payments due under the direct financing leases are as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>
1998	$2,839
1999	2,447
2000	2,104
2001	1,768
2002	1,339
Thereafter	4,513
Total minimum future lease payments	$15,010

</TABLE>

In 1997, the Corporation's leasing subsidiary, entered into two leveraged leases with a regional air carrier for aircraft, which have an estimated economic life of 23 years, were leased for a term of 16.5 years. The equity investment in the aircraft represented 22% of the purchase price; the remaining 88% was furnished by third-party financing in the form of long-term debt with no recourse against the lessor and is secured by a first lien on the aircraft. At the end of the lease term, the aircraft will be turned back to the lessor. The residual value

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

at that time is estimated to be 32% of the cost. For federal income tax purposes, the lessor receives the benefit of tax deductions for depreciation on the entire leased asset and for the interest on the long-term debt. Since during the early years of the lease those deductions exceed the lease rental income, excess deductions are available to offset other taxable income. In the later years of the lease, rental income will exceed the deductions which will increase taxable income. Deferred taxes are provided to reflect this reversal of tax deductions. The net investment in leveraged leases at December 31 are composed of the following elements:

	1998	1997
Rentals receivable (net of principal and interest on nonrecourse debt)	$1,841	$1,841
Estimated residual value of leased assets	5,722	5,722
Less: unearned and deferred income	2,461	2,902
Investment in leveraged lease	5,102	4,661
Less: deferred taxes arising from leveraged leases	2,731	1,011
Net investment in leveraged leases	$2,371	$3,650

NOTE 8. ALLOWANCE FOR LOAN LOSSES

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

	1998	1997	1996
Balance at beginning of year	$ 13,854	$ 12,539	$ 10,937
Allowance associated with Acquisitions	1,086	516	379
Provision charged to operations	7,143	2,703	3,705
Recoveries credited to allowance	1,375	1,239	891
Loans charged to allowance	(5,015)	(3,143)	(3,373)
Balance at end of year	$ 18,443	$ 13,854	$ 12,539

NOTE 9. PREMISES AND EQUIPMENT

Premises and equipment as of December 31 consist of:

	1998	1997
Land, Buildings, and Lease Improvements	$50,806	$38,147
Equipment	26,712	23,684
Construction in progress	2,310	8,169
Total cost	79,828	70,000
Less accumulated depreciation	33,429	29,666
Net premises and equipment	$46,399	$40,334

Construction in progress included capitalized interest of $0 and $371 as of December 31, 1998 and 1997, respectively.

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

NOTE 10. DEPOSITS

As of December 31, 1998, the scheduled maturities of time deposits are as follows:

1999	$ 686,896
2000	159,951
2001	44,963
2002	16,925
2003 and thereafter	27,115
Total	$ 935,850

NOTE 11. INCOME TAXES

The components of income tax expense for the years ended December 31 follows:

	1998	1997	1996
Federal:			
Current	$ 7,903	$ 8,273	$ 9,430
Deferred	(1,286)	917	285
Total	6,617	9,190	9,715
State:			
Current	1,070	1,626	1,693
Deferred	283	255	133
Total	1,353	1,881	1,826
Total income taxes	$ 7,970	$11,071	$11,541
Proforma taxes for acquired Subchapter S Corporation	662	694	--
Proforma C Corporation provision for income taxes	$ 8,632	$11,765	$11,541

The portion of the tax provision relating to realized securities gains and losses amounted to $464, $321, and $7 for 1998, 1997, and 1996, respectively.

A reconciliation of income taxes in the statement of income, with the amount computed by applying the statutory rate of 35%, is as follows:

	1998	1997	1996
Federal income tax computed at the statutory rates	$ 10,530	$ 13,734	$ 12,689
Elimination of S Corporation earnings	(929)	(694)	--
Adjusted for effect of:			
Nontaxable municipal interest	(3,658)	(3,280)	(2,671)
Nondeductible expenses	68	446	565
State income taxes, net of federal tax benefit	880	1,191	1,152
Benefit of income taxed at lower rates	143	(143)	(136)

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Change in deferred tax asset valuation allowance	--	(80)	52
Other differences	936	(103)	(110)
Total income taxes	$ 7,970	$ 11,071	$ 11,541

</TABLE>

The net deferred tax asset (liability) in the accompanying balance sheet includes the following amounts of deferred tax assets and liabilities:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Deferred tax liability	$(11,187)	$ (8,524)
Deferred tax asset	7,737	4,160
Valuation allowance for deferred tax assets	(448)	(448)
Net deferred tax asset (liability)	$ (3,898)	$ (4,812)

</TABLE>

The tax effects of principal temporary differences are shown in the following table:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Allowance for loan losses	$ 6,095	$ 3,241
Direct financing and leveraged leases	1,194	364
Prepaid pension costs	(739)	(892)
Premises and equipment	(7,292)	(4,640)
Unrealized gain (loss) on securities available for sale	(2,759)	(2,670)
State net operating loss carryforwards	448	448
Other	(397)	(215)
Net temporary differences	(3,450)	(4,364)
Valuation allowance	(448)	(448)
Net deferred tax asset (liability)	$(3,898)	$(4,812)

</TABLE>

NOTE 12. SHORT-TERM BORROWINGS

Information concerning short-term borrowings as of the years ended December 31 were as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Federal funds purchased:		
Average amount outstanding	$20,853	$44,576
Maximum amount at any month end	50,950	75,035
Weighted average interest rate:		
During year	4.65%	5.65%
End of year	--	6.77%
Securities sold under agreements to repurchase:		
Average amount outstanding	$36,770	$19,322
Maximum amount at any month end	52,615	31,103
Weighted average interest rate:		
During year	4.47%	4.18%

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(Dollar Amounts Other Than Share Data in Thousands)

End of year	3.31%	4.79%
Notes payable U.S. Treasury:		
Average amount outstanding	$ 1,397	$ 2,064
Maximum amount at any month end	5,360	5,916
Weighted average interest rate:		
During year	4.94%	5.36%
End of year	--	5.25%

</TABLE>

NOTE 13. OTHER BORROWINGS

Other borrowings at December 31 consist of the following:

<TABLE>
<CAPTION>

	1998	1997
<S>	<C>	<C>
Federal Home Loan Bank advances:		
Due from January 2, 1997 through August 1, 2015 with interest rates varying from 5.16% to 8.45%	$116,269	$106,368
Notes payable:		
Northern Trust Co., monthly interest payments through May 1999, monthly principal payments of $83 plus interest beginning June 30, 1997 through April 30, 2003 with a final balloon payment of $9,083 due May 30, 2003, 8.10%	13,417	14,417
Norlease, Inc., interest and principal payments through June 30, 2003, interest rates varying from 6.29% to 8.61%, collateralized by equipment and an investment in a leveraged lease	9,800	11,302
Cole-Taylor Bank, quarterly principal payments of $63 through 2001, 8.50% and 8.25% at December 31, 1997 collateralized by bank stock	--	1,016
ESOP loan payable, quarterly interest payments at a rate of lender's prime plus .75%, full repayment scheduled for April 1, 2002	--	444
Other	59	380
	$139,545	$133,927

</TABLE>

The Federal Home Loan Bank advances are collateralized by a blanket collateral agreement on qualified mortgage loans.

The terms of the loan agreement with Northern Trust Company require the Corporation to maintain certain financial ratios and comply with certain restrictions. These include, maintenance of minimum consolidated capital levels, limits on debt and

NOTE 13. OTHER BORROWINGS, CONTINUED

guarantees of debt by the Corporation, restrictions on the ratio of consolidated non-performing assets to total loans and of the consolidated allowance for loan and lease losses to total non-performing loans, and certain other restrictions. Management believes the Corporation has complied with all of the covenants of this loan agreement.

Aggregate maturities required on other borrowings at December 31, 1998 are due in future years as follows:

<TABLE>

<S>	<C>
1999	$ 24,062
2000	31,988
2001	13,740
2002	19,181
2003	26,820

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Thereafter	23,754
Total minimum future lease payments	$139,545

</TABLE>

At December 31, 1998, the Corporation had $203,225 in unused federal funds and Federal Home Loan Bank lines.

NOTE 14. TRUST PREFERRED SECURITIES

On March 30, 1998, NCBE Capital Trust I ("the Trust"), a Delaware statutory business trust created by the Corporation, issued $34.5 million of 8.25% Cumulative Trust Preferred Securities ("Securities") which will mature on March 31, 2028, subject to extension or earlier redemption in certain events. The principal asset of the Trust is a $35.6 million subordinated debenture of the Corporation. The subordinated debenture bears interest at the rate of 8.25% and matures on March 31, 2028, subject to extension or earlier redemption in certain events. The Corporation owns all of the common securities of the Trust.

The Securities, the assets of the Trust, and the common securities issued by the Trust are redeemable in whole or in part on or after March 31, 2003, or at any time in whole, but not in part, from the date of issuance upon the occurrence of certain events. The Securities are included in Tier 1 capital for regulatory capital adequacy determination purposes, subject to certain limitations.

The obligations of the Corporation with respect to the issuance of the Securities constitute a full and unconditional guarantee by the Corporation of the Trust's obligation with respect to the Securities.

Subject to certain exceptions and limitations, the Corporation may, from time to time, defer subordinated debenture interest payments, which would result in a deferral of distribution payments on the related Securities and, with certain exceptions, prevent the Corporation from declaring or paying cash distributions on the Corporation's common stock or debt securities that rank pari passu or junior to the subordinated debenture.

NOTE 15. CAPITAL RATIOS

The Corporation and its subsidiary banks are subject to various regulatory capital requirements administered by federal and state banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a materially adverse effect on the CorporationOs financial condition. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, a bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and subsidiary banks to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 1998, that the Corporation and its subsidiary banks met all capital adequacy requirements to which they were subject.

As of December 31, 1998, the most recent notification from the federal and state regulatory agencies categorized each of the subsidiary banks as well capitalized under the regulatory framework for prompt corrective action. The banks must maintain the minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the categorization of any of the subsidiary banks.

The following table presents the actual capital amounts and ratios for the Corporation and its bank subsidiaries which have assets in excess of ten percent of consolidated assets:

<TABLE>
<CAPTION>

		NATIONAL CITY BANCSHARES, INC. MINIMUM RATIOS FOR CAPITAL ADEQUACY PURPOSES:	TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS:
1998	ACTUAL		

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
<S>	<C>	<C>	<C>	<C>	<C>	<C>
AS OF DECEMBER 31, 1998:						
TOTAL CAPITAL (TO RISK WEIGHTED ASSETS)						
CONSOLIDATED	$236,793	14.65%	$129,273	8.00%	$161,591	10.00%
NATIONAL CITY BANK (1)	78,113	10.40%	54,793	8.00%	68,491	10.00%
TIER 1 CAPITAL (TO RISK WEIGHTED ASSETS)						
CONSOLIDATED	$218,350	13.51%	$ 64,636	4.00%	$ 94,954	6.00%
NATIONAL CITY BANK (1)	70,935	10.36%	27,396	4.00%	41,095	6.00%
TIER 1 CAPITAL (TO AVERAGE ASSETS)						
CONSOLIDATED	$218,350	10.12%	$ 86,333	4.00%	$107,916	5.00%
NATIONAL CITY BANK (1)	70,935	8.27%	34,320	4.00%	42,900	5.00%

</TABLE>

(1) The Peoples National Bank of Grayville, Lincolnland Bank, Alliance Bank, and Pike County Bank were merged into National City Bank during 1998.

<TABLE>
<CAPTION>

1997	Actual		National City Bancshares, Inc. Minimum Ratios for Capital Adequacy Purposes:		To be Well Capitalized Under Prompt Corrective Action Provisions:	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
<S>	<C>	<C>	<C>	<C>	<C>	<C>
As of December 31, 1997:						
Total Capital (to Risk Weighted Assets)	$202,402	14.78%	$ 109,526	8.00%	$ 136,907	10.00%
Consolidated	41,916	11.28%	29,720	8.00%	37,150	10.00%
National City Bank						
Tier 1 Capital (to Risk Weighted Assets)	$188,800	13.72%	$ 54,763	4.00%	$ 81,145	6.00%
Consolidated	40,244	10.83%	14,860	4.00%	22,290	6.00%
National City Bank						
Tier 1 Capital (to Average Assets)	$188,800	9.69%	$ 77,190	4.00%	$ 96,718	5.00%
Consolidated	40,244	8.22%	19,590	4.00%	24,489	5.00%
National City Ban						

</TABLE>

NOTE 16. INCENTIVE STOCK OPTION PLAN

The Corporation's incentive stock option plan currently reserves 17,312 shares of common stock for issuance upon the exercise of options granted as incentive awards to key employees of the Corporation. Awards may be incentive stock options or non-qualified stock options. All options granted under the Plan are required to be exercised within ten years of the date granted. The exercise price of options granted under the Plan cannot be less than the fair market value of the common stock on the date of grant.

Grants under the Plan are accounted for following Accounting Principles Board Opinion No. 25 and related Interpretations. Had compensation cost for the Plan been determined based on the grant date fair values of awards (the method described in SFAS 123), reported net income and earnings per common share would have been reduced to the pro forma amounts shown below.

<TABLE>
<CAPTION>

	1998	1997	1996
Net income:			
<S>	<C>	<C>	<C>
As reported	$21,454	$27,474	$24,713
Pro forma	20,108	26,457	23,953
Earnings per share:			
Basic			
As reported	$ 1.28	$ 1.65	$ 1.48
Pro forma	1.20	1.59	1.43
Diluted			
As reported	$ 1.27	$ 1.64	$ 1.48
Pro forma	1.19	1.58	1.43

</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

A summary of the status of the Plan, adjusted for all stock dividends and the stock split in 1996, as of December 31, 1998, 1997, and 1996, and changes during the years ending on those dates is presented below:

	1998		1997		1996	
	SHARES	WEIGHTED AVERAGE EXERCISE PRICE	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of the year	517,987	$23.89	448,355	$18.48	360,257	$16.65
Options granted	173,458	35.62	124,199	39.43	100,334	24.40
Options exercised	113,054	16.64	48,267	13.15	12,236	16.46
Options forfeited	7,455	38.69	6,300	24.40	-	-
Options outstanding, end of year	570,936	$35.85	517,987	$23.89	448,355	$18.48
Options exercisable	390,223	$38.69	323,483	$19.05	202,968	$16.81
Weighted-average fair value of options granted during the year	$12.63		$14.02		$7.56	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED
(Dollar Amounts Other Than Share Data in Thousands)

NOTE 16. INCENTIVE STOCK OPTION PLAN, CONTINUED

The following table summarizes information about stock options outstanding at December 31, 1998.

	Options Outstanding		Options Exercisable
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable
$39.90	112,430	8.8	112,430
35.62	170,613	9.8	-
24.40	76,600	7.8	76,600
18.20	195,619	6.8	195,619
14.27	5,574	1.0	5,574
8.90	3,366	2.5	-
5.55	6,734	1.5	-
	570,936	8.1	390,223

Generally accepted accounting principles provide for the use of the Black-Scholes option pricing model to estimate the fair value of options which have no vesting restrictions. This model requires the use of subjective assumptions, including expected stock price volatility. As a result, management believes the Black-Scholes valuation model may not necessarily provide the best single measure of option value.

The fair value of the stock options granted under the Plan has been estimated using the Black-Scholes option pricing model with the following weighted average assumptions.

	1998	1997	1996

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Number of options granted	173,458	124,199	100,334
Risk-free interest rate	4.97%	5.86%	6.42%
Expected life, in years	10	10	10
Expected volatility Expected dividend yield	25.25%	21.50%	16.41%
Estimated fair value per option	2.14%	1.71%	2.10%
	$12.63	$14.02	$7.56

</TABLE>

NOTE 17. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table reflects a comparison of the carrying amounts and fair values of financial instruments of the Corporation and its subsidiary banks at December 31:

<TABLE>
<CAPTION>

	1998		1997	
	CARRYING AMOUNT	FAIR VALUE	Carrying Amount	Fair Value
<S>	<C>	<C>	<C>	<C>
Assets:				
Cash and short-term investments	$ 77,962	$ 77,962	$ 81,902	$ 81,902
Securities	346,514	346,514	409,069	409,069
Loans - net of allowance	1,611,763	1,649,185	1,369,298	1,374,441
Accrued interest receivable	21,258	21,258	19,967	19,967
Liabilities:				
Deposits	1,734,585	1,740,498	1,532,804	1,540,761
Short-term borrowings	33,382	33,382	82,039	82,039
Other borrowings	139,545	141,628	133,927	131,895
Accrued interest payable	9,342	9,342	8,235	8,235
Guaranteed preferred beneficial interests in the Corporation's subordinated debenture	34,500	32,602		

</TABLE>

The above fair value information was derived using the information described below for the groups of instruments listed. It should be noted the fair values disclosed in this table do not represent market values of all assets and liabilities of the Corporation and, thus, should not be interpreted to represent a market or liquidation value for the Corporation. In addition, the carrying value for loans above differs from that reported elsewhere due to the exclusion of leases receivable of $18,090 and $17,807 in 1998 and 1997, respectively.

CASH AND SHORT-TERM INVESTMENTS
Cash and short-term investments include cash and due from banks, short-term money market investments, interest-bearing deposits in banks, and federal funds sold. For cash and short-term investments, the carrying amount is a reasonable estimate of fair value.

SECURITIES
For securities, fair value equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities. Fair values for nonmarketable equity securities are equal to cost as there is no readily determinable fair value. Carrying amount of accrued interest receivable approximates fair value.

LOANS
For certain homogeneous categories of loans, such as some residential mortgages, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair value of other types of loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Carrying amount of accrued interest receivable approximates fair value.

DEPOSITS
The fair value of demand deposits, savings accounts, money market deposits, and variable rate certificates of deposit is the amount payable on demand at the reporting date. The fair value of other time deposits is estimated using the rates currently offered for deposits of similar remaining maturities. Carrying amount of accrued interest payable approximates fair value.

SHORT-TERM DEBT
Rates currently available to the Corporation for debt with similar terms and

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

remaining maturities are used to estimate fair value of existing debt. These instruments adjust on a periodic basis and thus the carrying amount represents fair value. Carrying amount of accrued interest payable approximates fair value.

LONG-TERM DEBT
Rates currently available for debt with similar terms and maturities are used to estimate fair value of existing debt. Carrying amount of accrued interest payable approximates fair value.

COMMITMENTS TO EXTEND CREDIT AND STANDBY LETTERS OF CREDIT
The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date. Because all commitments and standby letters of credit reflect current fees and interest rates, no unrealized gains or losses are reflected in the summary of fair values.

NOTE 18. COMMITMENTS, CONTINGENCIES, AND CREDIT RISK

Most of the business activity of the Corporation and its subsidiaries is conducted with customers located in the immediate geographical area of their offices. These areas are comprised of Indiana, Illinois, Kentucky, and Southwestern Ohio. The Corporation maintains a diversified loan portfolio which contains no concentration of credit risk from borrowers engaged in the same or similar industries exceeding 10% of total loans.

The Corporation and its subsidiaries evaluate each credit request of their customers in accordance with established lending policies. Based on these evaluations and the underlying policies, the amount of required collateral (if any) is established. Collateral held varies but may include negotiable instruments, accounts receivable, inventory, property, plant and equipment, income producing properties, residential real estate, and vehicles. The lenders' access to these collateral items is generally established through the maintenance of recorded liens or, in the case of negotiable instruments, possession.

The Corporation and its subsidiaries are parties to legal actions which arise in the normal course of their business activities. In the opinion of management, the ultimate resolution of these matters is not expected to have a materially adverse effect on the financial position or on the results of operations of the Corporation and its subsidiaries.

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contractual or notional amounts of those instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments.

The Corporation'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 notional amount of those instruments. The Corporation uses the same credit policies in making commitments and conditional obligations as it does for other on-balance sheet instruments. Financial instruments whose contract amounts represent credit risk at December 31, 1998, follows:

1998	VARIABLE RATE COMMITMENT	FIXED RATE COMMITMENT	TOTAL COMMITMENT	RANGE OF RATES ON FIXED RATE COMMITMENTS
COMMITMENTS TO EXTEND CREDIT	$175,969	$109,839	$285,808	5.23%-24.00%
STANDBY LETTERS OF CREDIT	-	-	18,011	-

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(Dollar Amounts Other Than Share Data in Thousands)

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit written are conditional commitments issued by the banks to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

The Corporation does not engage in the use of interest rate swaps, futures, forwards, or option contracts.

NOTE 19. EMPLOYEE RETIREMENT PLANS

The Corporation maintained a noncontributory pension plan in which substantially all full-time employees were eligible to participate upon the completion of one year of service. No contribution or funding by the Corporation was required in any of the years reported here. The assets of the pension plan primarily consist of corporate obligations and equity securities. The plan does not hold any equity securities of the Corporation. The plan was curtailed effective December 31, 1997.

In establishing the amounts reflected in the financial statements, the following significant assumption rates were used:

	1998	1997	1996
Discount rate	6.00%	7.50%	7.50%
Increase in compensation rate	5.00%	5.00%	5.00%
Expected long-term rate of return	7.00%	9.00%	9.00%

NOTE 19. EMPLOYEE RETIREMENT PLANS, CONTINUED

The following summary reflects the plan's funded status and the amounts reflected on the Corporation's financial statements. Actuarial present values of benefit obligations at December 31 are:

	1998	1997
Change in Fair Value of Plan Assets:		
Balance at beginning of measurement period	$13,550	$12,400
Actual return on plan assets	252	1,911
Benefits paid	(3,500)	(761)
Balance at end of measurement period	10,302	13,550
Change in Benefit Obligation:		
Balance at beginning of measurement period	11,350	8,652
Service cost	626	836
Interest costs	576	633
Actuarial (gains) losses	(1,376)	924
Curtailment	-	1,066
Benefits paid	(3,500)	(761)
Balance at end of measurement period	7,676	11,350
Funded status	2,626	2,200
Unrecognized net actuarial loss	(802)	-

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Prepaid benefit cost	$ 1,824	$ 2,200

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

	1998	1997	1996
Service cost - benefits earned during the period	$626	$ 836	$ 812
Interest cost on projected benefit obligation	576	633	590
Return on assets	(252)	(1,911)	(1,300)
Net amortization and deferral	(574)	574	(13)
Curtailment effect	--	1,066	--
Net periodic pension cost (credit)	$376	$ 1,198	$ 89

Effective January 1, 1998, the Corporation adopted a cash balance formula to replace the previous defined benefit plan covering substantially all full-time employees with one or more years of service. Service costs for the cash balance plan is included in the net periodic pension cost in the accompanying schedule.

The Corporation also maintains a savings and profit-sharing plan for substantially all full-time employees who have completed one year of service. Employees may voluntarily contribute to the plan. The Corporation's contribution to the plan, which is subject to the discretion of the Board of Directors, cannot exceed 7% of the net income before income taxes. Corporate contributions were $377, $1,675, and $1,531 during 1998, 1997, and 1996, respectively.

Certain of the Corporation's subsidiaries sponsor an employee stock ownership plan (ESOP) that covers their employees. The subsidiaries make annual contributions to the ESOP equal to the total debt service. The subsidiaries account for its ESOP in accordance with Statement of Position 93-6. Accordingly, the shares represented by outstanding debt are reported as unearned ESOP shares in the statement of financial condition. As shares are earned, the subsidiaries report compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings per share computations. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings; dividends on unallocated ESOP shares are recorded as a reduction of debt and accrued interest.

Contribution expense for the ESOP was $1,227, $744, and $551 for the years ended December 31, 1998, 1997, and 1996. The ESOP shares were as follows as of December 31:

	1998	1997	1996
Allocated shares	224,466	185,136	147,616
Shares released for allocation	39,279	39,330	37,520
Unearned shares	5,405	44,684	84,014
Total ESOP shares	269,150	269,150	269,150
Fair value of unearned shares at December 31	$201,688	$811,871	$1,132,352

In the case of a distribution of ESOP shares which are not readily tradeable on an established securities market, the plan provides the participant with a put option that complies with the requirements of Section 490(h) of the Internal Revenue Code. The Corporation has classified outside of permanent equity the fair value of earned and unearned ESOP shares (net of the debit balance representing unearned ESOP shares) subject to the put option in accordance with the Securities and Exchange Commission Accounting Series Release #268.

As the result of previous mergers and subsequent amendment of the Corporation's pension and profit-sharing plans to include employees of the

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

other subsidiaries, retirement plans previously maintained by those subsidiaries have been terminated or frozen.

The plans have been amended to comply with requirements of the Employee Retirement Income Security Act of 1974 and the Tax Reform Act of 1986.

NOTE 20. UNAUDITED INTERIM FINANCIAL DATA

The following table reflects summarized quarterly data for the periods described (unaudited):

	1998			
	DECEMBER 31	SEPTEMBER 30	JUNE 30	MARCH 31
INTEREST INCOME	$ 41,344	$ 43,143	$ 42,677	$ 39,613
INTEREST EXPENSE	19,872	20,481	20,369	18,158
NET INTEREST INCOME	21,472	22,662	22,308	21,455
PROVISION FOR LOAN LOSSES	4,144	853	1,744	402
NONINTEREST INCOME	3,820	4,098	5,037	3,666
NONINTEREST EXPENSE	17,639	18,804	16,214	14,632
INCOME BEFORE INCOME TAXES	3,509	7,103	9,387	10,087
PROVISION FOR INCOME TAXES	284	1,911	2,694	3,081
NET INCOME	$ 3,225	$ 5,192	$ 6,693	$ 7,006
PROFORMA C CORPORATION PROVISION FOR INCOME TAX	231	2,183	2,911	3,307
PROFORMA NET INCOME	$ 3,278	$ 4,920	$ 6,476	$ 6,780
EARNINGS PER SHARE - BASIC	$ 0.19	$ 0.29	$ 0.39	$ 0.41
EARNINGS PER SHARE - DILUTED	$ 0.19	$ 0.29	$ 0.39	$ 0.40
SHARES - BASIC	16,815,856	16,767,443	16,735,407	16,708,706
SHARES - DILUTED	16,925,674	16,871,162	16,862,430	16,841,892

	1997			
	December 31	September 30	June 30	March 31
Interest income	$ 38,816	$ 38,369	$ 37,276	$ 35,503
Interest expense	17,920	17,788	16,977	15,941
Net interest income	20,896	20,581	20,299	19,562
Provision for loan losses	787	887	396	633
Noninterest income	3,676	3,605	3,369	3,452
Noninterest expense	14,944	13,120	12,983	12,451
Income before income taxes	8,841	10,179	10,289	9,930
Provision for income taxes	2,056	2,960	2,956	3,099
Net income	$ 6,785	$ 7,219	$ 7,333	$ 6,831
Proforma C Corporation provision for income tax	2,299	3,168	3,164	3,134
Proforma net income	$ 6,542	$ 7,011	$ 7,125	$ 6,796
Earnings per share - Basic	$ 0.39	$ 0.42	$ 0.43	$ 0.41
Earnings per share - Diluted	$ 0.39	$ 0.42	$ 0.42	$ 0.41
Shares - Basic	16,628,439	16,618,121	16,607,506	16,597,281
Shares - Diluted	16,798,460	16,772,392	16,743,334	16,714,324

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Note 21.   SEGMENT INFORMATION

The Corporation has identified its reportable segments, including the basis of organization along geographic boundaries served by the Corporation. Banking services offered are similar in each geographic area served. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Corporation evaluates performance based on profit or loss from operations before income taxes not including nonrecurring gains and losses. Operating statistics for each reporting segment is as follows: A reconciliation of revenues, net income, and assets of the reported segments to the consolidated financial statements is as follows:

DECEMBER 31, 1998	SOUTHWEST INDIANA	WESTERN KENTUCKY	SOUTHERN ILLINOIS	NORTHERN KENTUCKY	TOTAL
INTEREST INCOME	$ 78,111	$ 25,091	$ 29,187	$ 35,214	$ 167,603
INTEREST EXPENSE	36,068	13,158	13,492	15,370	78,088
NET INTEREST INCOME	42,043	11,933	15,695	19,844	89,515
PROVISION FOR LOAN LOSSES	5,647	430	261	696	7,034
OTHER INCOME	9,806	1,699	2,502	2,711	16,718
OTHER EXPENSE	24,619	8,753	11,982	11,846	57,200
NET INCOME BEFORE TAX	21,583	4,449	5,954	10,013	41,999
INCOME TAX	6,875	1,214	1,890	2,018	11,997
NET INCOME	$ 14,708	$ 3,235	$ 4,064	$ 7,995	$ 30,002
OTHER SEGMENT INFORMATION:					
DEPRECIATION AND AMORTIZATION	$ 1,897	$ 1,152	$ 2,504	$ 764	$ 6,317
SEGMENT ASSETS	1,038,167	330,920	437,322	424,116	2,230,525
EXPENDITURES FOR SEGMENT ASSETS	5,659	249	317	507	6,732

December 31, 1997	Southwest Indiana	Western Kentucky	Southern Illinois	Northern Kentucky	Total
Interest income	$ 76,235	$ 20,065	$ 19,519	$ 33,663	$ 149,482
Interest expense	35,222	9,696	8,810	14,912	68,640
Net interest income	41,013	10,369	10,709	18,751	80,842
Provision for loan losses	1,959	155	108	457	2,679
Other income	8,329	1,422	1,452	2,505	13,708
Other expense	25,166	6,353	7,110	10,576	49,205
Net income before tax	22,217	5,283	4,943	10,223	42,666
Income tax	6,854	1,503	1,096	2,384	11,837
Net income	$ 15,363	$ 3,780	$ 3,847	$ 7,839	$ 30,829
Other segment information:					
Depreciation and amortization	$ 1,695	$ 377	$ 780	$ 712	$ 3,564
Segment assets	1,006,442	275,952	305,925	407,987	1,996,306
Expenditures for segment assets	11,273	419	365	1,070	13,127

December 31, 1996	Southwest Indiana	Western Kentucky	Southern Illinois	Northern Kentucky	Total
Interest income	$ 74,386	$ 17,044	$ 15,721	$ 30,206	$ 137,357
Interest expense	33,584	7,858	6,865	13,774	62,081
Net interest income	40,802	9,186	8,856	16,432	75,276
Provision for loan losses	2,705	242	232	527	3,706
Other income	7,399	1,252	1,063	2,459	12,173
Other expense	24,915	5,889	5,438	10,175	46,417
Net income before tax	20,581	4,307	4,249	8,189	37,326

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(Dollar Amounts Other Than Share Data in Thousands)

Income tax	6,857	1,252	1,162	2,386	11,657
Net income	$ 13,724	$ 3,055	$ 3,087	$ 5,803	$ 25,669
Other segment information:					
Depreciation and amortization	$ 1,705	$ 238	$ 465	$ 790	$ 3,198
Segment assets	982,733	213,257	258,793	381,953	1,836,736

</TABLE>

A reconciliation of revenues, net income, and assets of the reported segments to the consolidated financial statements is as follows:

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Net interest income			
Total net interest income for reportable segments	$ 89,515	$ 80,842	$ 75,276
Non-bank entities	(1,618)	498	342
Eliminations	-	(2)	--
Total consolidated net interest income	$ 87,897	$ 81,338	$ 75,618
Net income			
Total net income for reportable segments	30,002	30,829	25,669
Non-bank entities	(7,886)	(2,661)	(956)
Eliminations	-	-	--
Net income	$ 22,116	$ 28,168	$ 24,713
Assets			
Total assets for reportable segments	2,230,525	1,996,306	1,836,736
Non-bank entities	99,457	45,364	45,535
Eliminations	(134,758)	(56,492)	(65,315)
Consolidated total	$ 2,195,224	$ 1,985,178	$ 1,816,956

</TABLE>

NOTE 22. FINANCIAL INFORMATION OF PARENT COMPANY

The principal source of income for National City Bancshares, Inc. is dividends from its subsidiary banks. Banking regulations impose restrictions on the ability of subsidiaries to pay dividends to the Corporation. The amount of dividends that could be paid is further restricted by management to maintain prudent capital levels.

Condensed financial data for National City Bancshares, Inc. (parent company only) follows:

CONDENSED STATEMENTS OF FINANCIAL POSITION

<TABLE>
<CAPTION>

	1998	1997
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	$ 23,246	$ 6,153
Investment in subsidiaries	232,909	208,430
Securities available for sale	3,966	217
Nonmarketable equity securities	322	322
Property and equipment	1,447	1,043
Other assets	8,381	4,908
TOTAL ASSETS	$ 270,271	$ 221,073

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

LIABILITIES		
Other borrowings	$ 35,619	$ 1,366
Dividends payable	3,368	2,024
Deferred income taxes	468	859
Other liabilities	2,493	1,248
Total liabilities	41,948	5,497
Common stock owned by ESOP (subject to put option)	10,043	4,339
SHAREHOLDERS' EQUITY		
Common stock	16,842	15,995
Capital surplus	123,561	92,432
Retained earnings	83,536	103,101
Accumulated other comprehensive income	4,436	4,535
Unearned employee stock ownership plan shares	(52)	(487)
Common stock owned by ESOP (subject to put option)	(10,043)	(4,339)
Total shareholders' equity	218,280	211,237
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 270,271	$ 221,073

</TABLE>

CONDENSED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

<S>	1998	1997	1996
Dividends from subsidiaries	$ 39,744	$ 24,503	$ 35,376
Other income	5,854	5,554	3,648
Total income	45,598	30,057	39,024
Interest expense	2,433	174	236
Other expenses	15,286	8,197	4,851
Total expenses	17,719	8,371	5,087
Income before income taxes and equity in undistributed earnings of subsidiaries	27,879	21,686	33,937
Income tax benefit	(4,008)	(709)	(385)
Income before equity in undistributed earnings of subsidiaries	31,887	22,395	34,322
Equity in undistributed earnings of subsidiaries	(9,771)	5,773	(9,609)
NET INCOME	22,116	28,168	24,713
Proforma C Corporation provision for income taxes	662	694	11,541
PROFORMA NET INCOME	$ 21,454	$ 27,474	$ 24,713
Other comprehensive income, net of income taxes:			
Unrealized gain (loss) arising in period	$ 597	$ 4,824	$ (927)
Reclassification of realized amounts	(696)	(493)	7
Net unrealized gain (loss), recognized in other comprehensive income	(99)	4,331	(920)
Proforma comprehensive income	$ 21,355	$ 31,805	$ 23,793

</TABLE>

CONDENSED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	1998	1997	1996

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$ 22,116	$ 28,168	$ 24,713
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	702	546	509
Employee benefit expenses	2,017	744	551
Undistributed earnings of subsidiaries	9,771	(5,773)	9,609
Securities losses (gains)	(103)	(479)	1
Gain on sale of premises and equipment	(16)	--	--
Increase (decrease) in deferred taxes	(391)	847	(38)
Changes in assets and liabilities:			
Increase in other assets	(2,502)	(1,768)	--
Increase in other liabilities	1,246	467	99
Net cash flows provided by operating activities	32,840	22,752	35,444
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from maturities of securities available for sale	--	--	434
Proceeds from sales of securities available for sale	848	940	--
Proceeds from sales of nonmarketable equity securities	--	804	--
Purchase of securities available for sale	(5,484)	(650)	(17)
Purchase of nonmarketable equity securities	--	(185)	(11)
Payments on notes receivable	243	57	381
Capital expenditures	(866)	(459)	(555)
Proceeds from sale of premises and equipment	70	17	--
Investment in subsidiaries	(33,359)	(6,654)	(13,241)
Decrease in securities purchased under agreements to resell	--	--	10,000
Net cash flows used in investing activities	(38,548)	(6,130)	(3,009)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid	(11,470)	(9,840)	(8,062)
Proceeds from other borrowings	68,067	1,000	344
Payments on other borrowings	(35,322)	(1,155)	(669
Repurchase of common stock	(1,385)	(16,673)	(12,951)
Sale of common stock	1,185	1,705	1,664
Proceeds from exercise of stock options	1,726	685	213
Net cash flows provided by (used in) financing activities	22,801	(24,278)	(19,461)
Net increase (decrease) in cash and cash equivalents	17,093	(7,656)	12,974
Cash and cash equivalents at beginning of year	6,153	13,809	835
Cash and cash equivalents at end of year	$ 23,246	$ 6,153	$ 13,809
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES			
Change in unrealized gain (loss) on securities available for sale, net	$ (990)	$ 4,122	$ (687)
Common stock issued in acquisition of subsidiary	--	15,949	--

THE CORNERSTONES OF OUR CORPORATION

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

BANK OF ILLINOIS,
NATIONAL ASSOCIATION
MT. VERNON, ILLINOIS
Noel E. Edmison
Gino P. Federici
David D. Flota
Rodney L. Legg
Kenneth Martin, Jr.
Sam F. Mateer
Caroline G. Quinn

THE BANK OF MITCHELL
MITCHELL, INDIANA
Christopher W. Burton, Esq.
Dana J. Dunbar
E. Brooks Galloway
F. Wendell Gooch
James F. King, DDS
David L. Nolan
Randall L. Young

COMMUNITY FIRST BANK,
NATIONAL ASSOCIATION
MAYSVILLE, KENTUCKY
Holton Cartmell
David W. Clarke
Tom Fulton
Oney Gifford, Jr.
William E. Kinder
Norma J. Linville
James L. Pyles
James R. Trapp
Robert D. Vance
Thomas E. White

COMMUNITY FIRST BANK
OF KENTUCKY
WARSAW, KENTUCKY
Bruce C. Cotton
William G. Diuguid
Oscar Dixon
H. Rowe Hoffman
Larry H. Spears
C. A. Pete Turner
Robert D. Vance
Robert B. Weldon
Dean R. Wilson

FIRST BANK OF HUNTINGBURG
HUNTINGBURG, INDIANA
Ronald H. Cox
Randall N. Klem
Norbert E. Olinger
Glen L. Sakel
Richard F. Welp

FIRST FEDERAL SAVINGS BANK
OF LEITCHFIELD
LEITCHFIELD, KENTUCKY
Howard T. Allgood
Ellis Wendell Arms
Garland Certain
Thomas C. Glasscock
Frank Wallace

FIRST KENTUCKY BANK
STURGIS, KENTUCKY
Garland Certain
Charles Hamilton Floyd
Charles L. Pryor
Joseph W. Sprague
J. Slaton Sprague
William R. Sprague
B. Joe Woodring

FIRST NATIONAL BANK
OF BRIDGEPORT
BRIDGEPORT, ILLINOIS
Terrence A. Andrews
Clifford C. Gray
James M. Lannan
Daniel T. Wolfe
Jeffrey R. Wolfe

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

John R. Wolfe
R. Tony Wolfe

ILLINOIS ONE BANK,
NATIONAL ASSOCIATION
SHAWNEETOWN, ILLINOIS
Robert P. Downen
Patrick E. Felker
Steve J. Gait
Phillip P. Goines
Ralph Harmon
Gary W. Hise
James O. Hodges
Alan L. Robbs
Stephen J. Scates
Curtis E. Taylor

THE NATIONAL CITY BANK
OF EVANSVILLE
EVANSVILLE, INDIANA
Thomas L. Austerman
Eric K. Ayer
Roger M. Duncan
Max D. Elliott
Michael D. Gallagher
Eugene A. Hahn
Harvey J. Hirsch
Edward E. Peyronnin
Peter L. Stevenson, M.D.
Richard M. Stivers
Joseph J. Vezzoso, Jr.
Robert B. Wright

PRINCETON FEDERAL BANK, FSB
PRINCETON, KENTUCKY
Henry B. Asher
Robert L. Brown
Garland Certain
Larry R. Mansfield
Mary M. Parker
William E. Travis
William D. Wadlington

THE PROGRESSIVE BANK,
NATIONAL ASSOCIATION
LEXINGTON, KENTUCKY
Samuel T. Adams
Douglas J. Beck
Walter R. Byrne, Jr.
Ellis L. Hefner
George D. Martin
Thomas W. Miller
James M. Stevens

RIPLEY COUNTY BANK
OSGOOD, INDIANA
Larry Armbrecht
Fred R. Crum
Charles W. Gloyd
John H. McKittrick
Edgar L. Swinney
Douglas S. Thayer
W. Max Underwood
Dean C. Veatch

TRIGG COUNTY FARMERS BANK
CADIZ, KENTUCKY
Smith D. Broadbent III
Jimmie J. Carr
Ben L. Cundiff
Ted L. Hudson
David R. Kyler
William C. McAtee
John W. Randolph
John L. Street, Jr.

WHITE COUNTY BANK
CARMI, ILLINOIS
Dr. Frank Barbre
Donald D. Drone
Paul D. Hayse
R. Keith Hoskins
George H. Schanzle

TWENTY-ONE SOUTHEAST

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

THIRD CORPORATION
EVANSVILLE, INDIANA
Thomas L. Austerman
Stephen C. Byelick, Jr.
Roger M. Duncan
Robert A. Keil
Curtis D. Ritterling

NCBE LEASING CORP.
EVANSVILLE, INDIANA
Thomas L. Austerman
Michael D. Gallagher
Dr. H. Ray Hoops
Charles J. Kelly, Jr.
Richard M. Stivers

OFFICIAL ORGANIZATION, NATIONAL CITY BANCSHARES, INC.

BOARD OF DIRECTORS

Janice L. Beesley
REGIONAL PRESIDENT,
THE NATIONAL CITY BANK OF EVANSVILLE

Ben L. Cundiff
CHAIRMAN,
TRIGG COUNTY FARMERS BANK

Susanne R. Emge
EXECUTIVE DIRECTOR,
ST. MARY'S MEDICAL CENTER FOUNDATION

Donald G. Harris
PRESIDENT AND TREASURER,
THE HARRIS DEVELOPMENT CORP.;
RETIRED PRESIDENT, MEAD JOHNSON
WORLDWIDE NUTRITIONAL GROUP

Dr. H. Ray Hoops
PRESIDENT,
UNIVERSITY OF SOUTHERN INDIANA

Robert A. Keil
PRESIDENT,
NATIONAL CITY BANCSHARES, INC.

John D. Lippert
RETIRED CHAIRMAN AND CHIEF EXECUTIVE OFFICER,
NATIONAL CITY BANCSHARES, INC.

George D. Martin
MEMBER,
R. R. DAWSON BRIDGE CO., LLC

Ronald G. Reherman
CHAIRMAN, PRESIDENT, AND CHIEF EXECUTIVE OFFICER,
SIGCORP, INC.;
CHAIRMAN, SOUTHERN INDIANA GAS AND ELECTRIC COMPANY

Laurence R. Steenberg
PRESIDENT, BST INCORPORATED;
PRESIDENT, LOT RESOURCES;
CHIEF EXECUTIVE OFFICER, SERVICE TELECOM CORPORATION

Robert D. Vance
CHAIRMAN AND CHIEF EXECUTIVE OFFICER,
NATIONAL CITY BANCSHARES, INC.

Richard F. Welp
SOUTH REGION MANAGER,
LAND O'LAKES, INC.

STABILITY
AT THE HELM

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

[PHOTO OF THE FOLLOWING SENIOR OFFICERS: STEPHEN C. BYELICK, JR., N. ANN CAVIS, NANCY G. EPPERSON, DAVID L. ORTEGA, AND GREGORY A. PENCE.]

SENIOR MANAGEMENT

Robert D. Vance CHAIRMAN AND CHIEF EXECUTIVE OFFICER	N. Ann Cavis SENIOR VICE PRESIDENT
Robert A. Keil PRESIDENT	Nancy G. Epperson HUMAN RESOURCES DIRECTOR
Curtis D. Ritterling EXECUTIVE VICE PRESIDENT	David L. Ortega SENIOR VICE PRESIDENT
Stephen C. Byelick, Jr. SECRETARY AND TREASURER	Gregory A. Pence DIRECTOR OF MARKETING

[TRANSPARENT PAGE]

"WE WILL BE LESS AGGRESSIVE IN ACQUIRING BANKS DURING 1999. WE WILL BE SEEKING BANKS WHICH WILL BENEFIT BY JOINING OUR COMPANY AND ADD TO OUR SHAREHOLDER VALUE."

ROBERT D. VANCE
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

WHERE YOU
CAN FIND US

[MAP OF SUBSIDIARY LOCATIONS]

[INSIDE BACK COVER]

SHAREHOLDER INFORMATION

STOCK AND DIVIDEND INFORMATION

The Corporation's common stock trades on The Nasdaq Stock Market(SM) under the symbol: NCBE.

The following table lists the stock price for the past two years and dividend information for the Corporation's common stock. Stock prices and dividends have been retroactively adjusted to reflect all stock dividends and the two-for-one stock split issued in 1996.

QUARTER	RANGE OF STOCK PRICE LOW	HIGH	DIVIDEND DECLARED
1997			
1st	$26.53	$30.73	$0.14 1/2
2nd	28.80	38.32	0.14 1/2
3rd	36.73	39.69	0.14 1/2
4th	38.10	48.75	0.17 1/8
1998			
1ST	$36.67	$43.33	$0.17 1/8
2ND	35.24	42.86	0.17 1/8

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

3RD	31.19	38.69	0.17 1/8
4TH	34.05	39.13	0.20

</TABLE>

DIVIDEND REINVESTMENT PLAN

As a service to its shareholders, the Corporation provides an easy way for a shareholder to acquire additional shares of National City Bancshares, Inc. common stock through its DIVIDEND REINVESTMENT PLAN. The plan allows a shareholder to purchase this stock without brokerage fees using dividends and additional voluntary cash investments. For information about this plan, a shareholder can contact the Corporation's TRANSFER AGENT.

MARKET MAKERS

The following firms make a market in the common stock of National City Bancshares, Inc.:

Herzog, Heine, Geduld, Inc.
J.J.B. Hilliard, W.L. Lyons, Inc.
Keefe, Bruyette & Woods, Inc.
Knight Securities L.P.
McConnell, Budd & Downes, Inc.
NatCity Investments, Inc.

FOR FURTHER INFORMATION

The Corporation's TRANSFER AGENT
and REGISTRAR is
Fifth Third Bank
Corporate Trust Services
38 Fountain Square Plaza
Cincinnati, OH 45263
Telephone 1-800-336-6782

The Corporation's HEADQUARTERS is located at
National City Bancshares, Inc.
227 Main Street
P.O. Box 868
Evansville, IN 47705-0868
Telephone (812) 464-9677

ALL SUBSIDIARY BANKS OF NATIONAL CITY BANCSHARES, INC. ARE MEMBERS OF THE FEDERAL DEPOSIT INSURANCE CORPORATION.

[BACK COVER]

YEAR 2000

We are actively pursuing year 2000 readiness of our corporate systems, assessing the readiness of our critical suppliers, and working diligently to inform and educate our customers. The project, begun in 1997, is principally being carried out by our year 2000 Team, consisting of over 35 professionals, and receives continual review by senior management. The Team remains focused on the completion of all year 2000 related initiatives and is receiving sufficient resources to complete all year 2000 activities on a timely basis. Our goal is to be able to deliver our products and services to clients, such as you, in the years to come without disruption or inconvenience.

[NATIONAL CITY BANCSHARES, INC. LOGO]

NATIONAL CITY BANCSHARES, INC.
227 MAIN STREET
EVANSVILLE, INDIANA 47708
www.ncbe.com

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

NAME	JURISDICTION OF INCORPORATION
The National City Bank of Evansville	United States
First Kentucky Bank	Commonwealth of Kentucky
The Bank of Mitchell	State of Indiana
NCBE Leasing Corp.	State of Indiana
White County Bank	State of Illinois
Twenty-One Southeast Third Corporation	State of Indiana
Bank of Illinois, National Association	United States
First Federal Savings Bank of Leitchfield	United States
First National Bank of Bridgeport	United States
First Bank of Huntingburg	State of Indiana
NCBE Capital Trust I	State of Delaware
Illinois One Bank, National Association	United States
Community First Bank, National Association	United States
Community First Bank of Kentucky	Commonwealth of Kentucky
Trigg County Farmers Bank	Commonwealth of Kentucky

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Ripley County Bank	State of Indiana
Princeton Federal Bank, fsb	United States
The Progressive Bank, National Association	United States

</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 23 (a)

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the previously filed Registration Statements of National City Bancshares, Inc. (File No. 333-10739 and 333-56295) of our report dated February 26, 1999, on our audits of the consolidated financial statements of National City Bancshares, Inc. and subsidiaries as of December 31, 1998 and 1997 and for the years ended December 31, 1998, 1997 and 1996, which report is included in this Annual Report on Form 10-K.

/s/ PRICEWATERHOUSECOOPERS LLP

Lexington, Kentucky
March 25, 1999

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 23 (b)

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the previously filed Registration Statements of National City Bancshares, Inc. (File No. 333-10739 and 333-56295) of the report of Eskew & Gresham PSC dated February 25, 1998, on their audit of the consolidated balance sheets of Progressive Bancshares, Inc. as of December 31, 1997 and 1996, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, which report is included in this Annual Report on Form 10-K.

/s/ CROWE, CHIZEK & COMPANY LLP

Lexington, Kentucky
March 24, 1999

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 23 (c)

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the previously filed Registration Statements of National City Bancshares, Inc. (File No. 333-10739 and 333-56295) of our report dated February 24, 1998, on our audit of the consolidated statements of financial condition of Hoosier Hills Financial Corporation and subsidiary, as of December 31, 1997 and 1996, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years then ended, which report is included in this Annual Report on Form 10-K.

/s/ SHERMAN, BARBER & MULLIKIN

Madison, Indiana
March 24, 1999

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 23 (d)

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the previously filed Registration Statements of National City Bancshares, Inc. (File No. 333-10739 and 333-56295) of our report dated October 24, 1997, on our audit of the statements of financial condition of Princeton Federal Bank, fsb, as of September 30, 1997 and 1996, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the years ended September 30, 1997, 1996 and 1995, which report is included in this Annual Report on Form 10-K.

/S/ THURMAN CAMPBELL & CO.

Princeton, Kentucky
March 24, 1999

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

EXHIBIT 23 (e)

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the previously filed Registration Statements of National City Bancshares, Inc. (File No. 333-10739 and 333-56295) of our report dated June 8, 1998, on our audit of the consolidated balance sheets of 1st Bancorp Vienna, Inc. and subsidiary, as of December 31, 1997, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for the two years ended December 31, 1997 and 1996, which report is included in this Annual Report on Form 10-K.

/s/ GRAY HUNTER STENN LLP

Marion, Illinois
March 24, 1999

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<TABLE> <S> <C>

<ARTICLE> 9
<MULTIPLIER> 1000

<S> <C>
<PERIOD-TYPE> 12-MOS
<FISCAL-YEAR-END> DEC-31-1996
<PERIOD-END> DEC-31-1996
<CASH> 64,771
<INT-BEARING-DEPOSITS> 3,388
<FED-FUNDS-SOLD> 11,810
<TRADING-ASSETS> 0
<INVESTMENTS-HELD-FOR-SALE> 235,389
<INVESTMENTS-CARRYING> 187,681
<INVESTMENTS-MARKET> 189,925
<LOANS> 1,254,691
<ALLOWANCE> 12,539
<TOTAL-ASSETS> 1,816,935
<DEPOSITS> 1,455,356
<SHORT-TERM> 69,947
<LIABILITIES-OTHER> 16,146
<LONG-TERM> 84,745
<PREFERRED-MANDATORY> 2,738
<PREFERRED> 0
<COMMON> 15,516
<OTHER-SE> 172,487
<TOTAL-LIABILITIES-AND-EQUITY> 1,816,935
<INTEREST-LOAN> 110,439
<INTEREST-INVEST> 24,877
<INTEREST-OTHER> 1,409
<INTEREST-TOTAL> 136,725
<INTEREST-DEPOSIT> 53,869
<INTEREST-EXPENSE> 7,238
<INTEREST-INCOME-NET> 75,618
<LOAN-LOSSES> 3,705
<SECURITIES-GAINS> 21
<EXPENSE-OTHER> 48,096
<INCOME-PRETAX> 36,254
<INCOME-PRE-EXTRAORDINARY> 36,254
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 24,713
<EPS-PRIMARY> 1.48
<EPS-DILUTED> 1.48
<YIELD-ACTUAL> 4.83
<LOANS-NON> 3,717
<LOANS-PAST> 2,264

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<LOANS-TROUBLED> 481
<LOANS-PROBLEM> 49,094
<ALLOWANCE-OPEN> 10,937
<CHARGE-OFFS> 3,373
<RECOVERIES> 891
<ALLOWANCE-CLOSE> 12,539
<ALLOWANCE-DOMESTIC> 10,090
<ALLOWANCE-FOREIGN> 0
<ALLOWANCE-UNALLOCATED> 2,449

</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<TABLE> <S> <C>

<ARTICLE> 9
<RESTATED>
<MULTIPLIER> 1,000

<S>	<C>	<C>	<C>
<PERIOD-TYPE>	3-MOS	6-MOS	9-MOS
<FISCAL-YEAR-END>	DEC-31-1997	DEC-31-1997	DEC-31-1997
<PERIOD-START>	JAN-01-1997	JAN-01-1997	JAN-01-1997
<PERIOD-END>	MAR-31-1997	JUN-30-1997	SEP-30-1997
<CASH>	57,863	63,365	56,775
<INT-BEARING-DEPOSITS>	2,940	2,853	3,644
<FED-FUNDS-SOLD>	15,798	14,043	18,487
<TRADING-ASSETS>	0	0	0
<INVESTMENTS-HELD-FOR-SALE>	0	0	0
<INVESTMENTS-CARRYING>	0	0	0
<INVESTMENTS-MARKET>	436,335	429,595	425,273
<LOANS>	1,301,585	1,343,041	1,380,999
<ALLOWANCE>	13,024	13,054	13,765
<TOTAL-ASSETS>	1,877,584	1,918,306	1,961,702
<DEPOSITS>	1,492,870	1,499,891	1,526,092
<SHORT-TERM>	81,649	75,907	79,582
<LIABILITIES-OTHER>	17,175	18,753	21,134
<LONG-TERM>	93,981	130,296	122,456
<PREFERRED-MANDATORY>	3,814	3,875	3,925
<PREFERRED>	0	0	0
<COMMON>	15,453	15,330	15,607
<OTHER-SE>	172,642	174,254	192,906
<TOTAL-LIABILITIES-AND-EQUITY>	1,877,854	1,918,306	1,961,702
<INTEREST-LOAN>	28,660	59,008	90,555
<INTEREST-INVEST>	6,508	13,131	19,555
<INTEREST-OTHER>	335	640	1,038
<INTEREST-TOTAL>	35,503	72,779	111,148
<INTEREST-DEPOSIT>	13,836	28,261	43,183
<INTEREST-EXPENSE>	15,941	32,918	50,706
<INTEREST-INCOME-NET>	19,562	39,861	60,442
<LOAN-LOSSES>	3,099	6,055	9,015
<SECURITIES-GAINS>	472	623	686
<EXPENSE-OTHER>	12,451	25,434	38,554
<INCOME-PRETAX>	9,930	20,219	30,398
<INCOME-PRE-EXTRAORDINARY>	9,930	20,219	30,398
<EXTRAORDINARY>	0	0	0
<CHANGES>	0	0	0
<NET-INCOME>	6,796	13,921	20,932
<EPS-PRIMARY>	.41	.84	1.26
<EPS-DILUTED>	.41	.83	1.25
<YIELD-ACTUAL>	0	0	0
<LOANS-NON>	0	0	0
<LOANS-PAST>	0	0	0
<LOANS-TROUBLED>	0	0	0
<LOANS-PROBLEM>	0	0	0
<ALLOWANCE-OPEN>	0	0	0
<CHARGE-OFFS>	0	0	0
<RECOVERIES>	0	0	0
<ALLOWANCE-CLOSE>	0	0	0
<ALLOWANCE-DOMESTIC>	0	0	0
<ALLOWANCE-FOREIGN>	0	0	0
<ALLOWANCE-UNALLOCATED>	0	0	0

</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

<TABLE> <S> <C>

<ARTICLE> 9
<RESTATED>
<MULTIPLIER> 1,000

<S>	<C>		<C>		<C>
<PERIOD-TYPE>	3-MOS		6-MOS		9-MOS
<FISCAL-YEAR-END>		DEC-31-1998		DEC-31-1998	DEC-31-1998
<PERIOD-START>		JAN-01-1998		JAN-01-1998	JAN-01-1998
<PERIOD-END>		MAR-31-1998		JUN-30-1998	SEP-30-1998
<CASH>		64,807		75,206	63,481
<INT-BEARING-DEPOSITS>		4,051		1,600	1,211
<FED-FUNDS-SOLD>		20,617		13,486	11,079
<TRADING-ASSETS>		0		0	0
<INVESTMENTS-HELD-FOR-SALE>		0		0	0
<INVESTMENTS-CARRYING>		0		0	0
<INVESTMENTS-MARKET>		473,676		436,750	399,885
<LOANS>		1,520,612		1,577,492	1,624,288
<ALLOWANCE>		14,932		16,237	16,637
<TOTAL-ASSETS>		2,187,184		2,207,293	2,204,465
<DEPOSITS>		1,734,279		1,731,770	1,707,614
<SHORT-TERM>		54,314		77,741	70,668
<LIABILITIES-OTHER>		22,332		21,022	24,596
<LONG-TERM>		156,029		152,424	172,159
<PREFERRED-MANDATORY>		4,111		10,103	9,285
<PREFERRED>		0		0	0
<COMMON>		16,053		16,062	16,088
<OTHER-SE>		200,066		198,171	204,055
<TOTAL-LIABILITIES-AND-EQUITY>		2,187,184		2,207,293	2,204,465
<INTEREST-LOAN>		32,977		68,759	105,829
<INTEREST-INVEST>		6,232		12,802	18,595
<INTEREST-OTHER>		404		729	1,009
<INTEREST-TOTAL>		39,613		82,290	125,433
<INTEREST-DEPOSIT>		15,715		16,718	16,930
<INTEREST-EXPENSE>		18,158		38,527	59,008
<INTEREST-INCOME-NET>		21,455		41,763	64,425
<LOAN-LOSSES>		3,081		5,775	7,686
<SECURITIES-GAINS>		67		1,065	1,149
<EXPENSE-OTHER>		14,632		30,846	49,650
<INCOME-PRETAX>		10,087		19,474	26,577
<INCOME-PRE-EXTRAORDINARY>		10,087		19,474	26,577
<EXTRAORDINARY>		0		0	0
<CHANGES>		0		0	0
<NET-INCOME>		6,780		13,256	18,176
<EPS-PRIMARY>		.41		.80	1.09
<EPS-DILUTED>		.40		.79	1.08
<YIELD-ACTUAL>		0		0	0
<LOANS-NON>		0		0	0
<LOANS-PAST>		0		0	0
<LOANS-TROUBLED>		0		0	0
<LOANS-PROBLEM>		0		0	0
<ALLOWANCE-OPEN>		0		0	0
<CHARGE-OFFS>		0		0	0
<RECOVERIES>		0		0	0
<ALLOWANCE-CLOSE>		0		0	0
<ALLOWANCE-DOMESTIC>		0		0	0
<ALLOWANCE-FOREIGN>		0		0	0
<ALLOWANCE-UNALLOCATED>		0		0	0

</TABLE>

Copyright © 2012 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document