FORM 10-K405

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

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FILER

FIDELITY NATIONAL CORP /GA/

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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

Commission File Number 0-22374

FIDELITY NATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Georgia	58-14166811
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3490 Piedmont Road, Suite 1550, Atlanta, Georgia	30305
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (404) 240-1504

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock, without stated par value

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 of this Form 10-K. X
-----.

The aggregate market value of the voting common equity held by non-affiliates of the Registrant (assuming for these purposes, but without conceding, that all executive officers and directors and greater than five percent shareholders are "affiliates" of the Registrant) as of February 28, 1999 (based on the closing sale price of the Common Stock as quoted on the Nasdaq National Market System on such date) was $38,460,000.

At February 28, 1999, there were 8,136,933 shares of Common Stock outstanding, without stated par value.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1998 are incorporated by reference into Parts I and II. Portions of the Registrant's definitive Proxy Statement for the 1999 Annual Meeting of Shareholders are incorporated by reference into Part III.

PART I

FORWARD-LOOKING STATEMENTS

Certain information and statements in this Form 10-K includes forward-looking statements with the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, that reflect Fidelity National Corporation's current expectations regarding the future and involve risks and uncertainties. The words "believes," "expects," "anticipates," "estimates" and "intends" and similar expressions are intended to identify forward-looking statements. Actual results could differ materially from those anticipated in these forward-looking statements as a result of disruptions in Fidelity National Corporation's, its correspondents', its counterparties', its customers', or its suppliers' operations arising from system and other failures relating to the Year 2000, general economic conditions and other factors. Investors are encouraged to read the related section in Fidelity National Corporation's 1998 Annual Report to Shareholders and those discussed below under "Risk Factors".

ITEM I. BUSINESS

Fidelity National Corporation ("Fidelity") is a registered bank holding company headquartered in Atlanta, Georgia. All of Fidelity's activities are conducted by its wholly-owned subsidiaries: Fidelity National Bank ("Bank"), which was organized as a national banking corporation in 1973, and its wholly-owned subsidiary Fidelity National Mortgage Corp. ("Fidelity Mortgage"), organized as a Georgia corporation in 1979; and Fidelity National Capital Investors, Inc. ("Fidelity Capital"), organized as a Georgia corporation in May 1992.

The Bank provides traditional deposit, lending, mortgage, securities brokerage, international trade services and trust products and services to its commercial and retail customers. The Bank is a full-service banking operation; Fidelity Mortgage is a full-service residential mortgage banking operation; and Fidelity Capital is a securities brokerage operation. Fidelity conducts its full-service banking and residential mortgage lending through 19 locations in the metropolitan Atlanta area.

Fidelity conducts its indirect automobile lending (the purchase of consumer automobile installment sales contracts from automobile dealers), residential mortgage lending and residential construction lending through certain of its Atlanta offices and its Jacksonville, Florida locations. Residential construction lending is also conducted at the Tampa, Florida location. At December 31, 1998, Fidelity had total assets of $713 million, total loans of $536 million, total deposits of $621 million and shareholders' equity of $55 million.

Fidelity as used herein includes Fidelity National Corporation and its subsidiaries unless the context otherwise requires.

RECENT DEVELOPMENTS

On December 1, 1998, the Office of the Comptroller of the Currency ("OCC") terminated the formal agreement dated November 14, 1996 between the Bank and the OCC ("formal agreement"). The formal agreement provided that the Bank (i) appoint an "Oversight Committee;" (ii) achieve and maintain specified higher capital levels; (iii) develop a three-year capital program

which included, among other things, certain restrictions on dividend payments by the Bank; and (iv) revise and amend its strategic plan. See Note 2 to the Consolidated Financial Statements.

MARKET AREA

The Bank conducts banking activities primarily through 19 branches in Fulton, DeKalb, Cobb and Gwinnett counties, Georgia. Three of these branches were opened during 1998. The Bank's customers are primarily small and medium sized businesses and individuals. The customer base for its credit card portfolio is national in scope, with customers in all 50 states. Indirect automobile lending and residential construction and mortgage lending are conducted from the Jacksonville, Florida office in addition to its offices in Georgia. The Bank also conducts construction lending from its Jacksonville and Tampa, Florida offices. Customers of its other services are located almost exclusively in Georgia.

PRODUCTS AND SERVICES

Fidelity's products and services include (i) depository accounts, (ii) direct and indirect automobile and home equity lending, (iii) credit card loans, (iv) construction and residential real estate loans, (v) commercial loans, including commercial loans secured by real estate, (vi) securities brokerage services, (vii) trust products and services and (viii) international trading services.

Deposits

Fidelity offers a full range of depository accounts and services to both individuals and businesses. As of December 31, 1998, the deposit base totaled approximately $621 million, consisted of approximately $102 million in noninterest-bearing demand deposits (16.4% of total deposits), approximately $128 million in interest-bearing demand deposits and money market accounts (20.6% of total deposits), approximately $22 million in savings deposits (3.6% of total deposits), approximately $261 million in time deposits in amounts less than $100,000 (42.0% of total deposits), and approximately $108 million in time deposits of $100,000 or more (17.4% of total deposits). There were no brokered deposits at December 31, 1998.

Lending

Fidelity's primarily lending activities include consumer loans (direct and indirect automobile loans and credit card loans), real estate loans and commercial loans to small and medium sized businesses. Secured construction loans to home builders are made in the Atlanta, Georgia, Jacksonville and Tampa, Florida metropolitan areas. Residential mortgages are made in Atlanta, Georgia and Jacksonville, Florida. The loans are often secured by first and second real estate mortgages. FNB offers direct installment loans to consumers on both a secured and unsecured basis. Commercial lending includes the extension of credit for business purposes.

As of December 31, 1998, Fidelity had consumer (including installment and credit card loans), real estate (including residential mortgage, construction and commercial loans secured by real estate), and commercial loans of $304 million, $159 million and $73 million, representing approximately 56.8%, 29.6% and 13.6%, respectively, of the total loan portfolio. Real estate loans

included $61 million in construction loans, $80 million in residential real estate loans and $18 million in commercial loans secured by real estate. As of December 31, 1998, commercial loans, including commercial loans secured by real estate, totaled $91 million.

Consumer Lending

Fidelity consumer lending primarily consists of indirect automobile lending and consumer credit cards. Fidelity also makes direct consumer loans, including direct automobile loans, home equity and personal loans.

Indirect Automobile Lending. Fidelity acquires, on a non-recourse basis, consumer installment contracts secured by new and used vehicles purchased by consumers from motor vehicle dealers located primarily in Atlanta, Georgia and Northeastern Florida. As of December 31, 1998, the aggregate amount of indirect automobile loans outstanding was $179 million, representing 33.4% of FNB's total loan portfolio. Approximately 60% and 23% of the outstanding indirect automobile loans at December 31, 1998, were originated in the Atlanta and Jacksonville, Florida offices, respectively. An additional $234 million of indirect automobile loans originated and sold by Fidelity are being serviced by Fidelity for others. Each potential sales finance contract is reviewed for creditworthiness and collateral value by Fidelity, which notifies the automobile dealer as to the terms (including interest rate and length of contract) on which the loan will be made to the dealer's customer. Since the sales finance contracts are purchased on a nonrecourse basis, no credit is being extended to the dealers and the dealers have no liability for the sales finance contracts purchased from them, except to the extent of the dealer reserve discussed below and representations and warranties in the dealer's agreement. Once the loan has been documented, the dealer sells the contract to Fidelity.

The interest rate quoted by a dealer on a sales finance contract may exceed the interest charged by Fidelity on the particular contract. That interest differential or flat fee, depending on dealer arrangement, is amortized in a prepaid asset account. Usually 75% to 100% of the interest differential or flat fee is immediately paid to the dealer as compensation for originating and documenting the loan. The unpaid portion is retained in the dealer holdback account and Fidelity may deduct from this account prepayments, rebates, charge-offs and any rebates of interest charges due Fidelity on sales finance contracts purchased from the dealer. If any amount is remaining in the holdback account at the time all sales finance contracts purchased by Fidelity from the dealer have been paid in full, such amount is paid to the dealer. As of December 31, 1998, the balance in the holdback accounts was $127,000. The potential charge-offs in excess of the holdback are provided for by the allowance for loan losses. Net charge-offs on indirect automobile loans for the two years ended December 31, 1998 and 1997, were $2.0 million and $3.2 million, respectively.

Credit Card Loans. Fidelity offers Visa, MasterCard, Visa Gold, affinity Visa programs and sponsors Visa/MasterCard agent bank relationships. These programs are offered on a nationwide basis to persons, businesses, partnerships and associations who meet Fidelity's established underwriting standards with respect to income, credit rating, established residence or domicile and employment. Credit card loans are subject to seasonal fluctuations based on consumer spending habits, with the outstanding balances of such credit card loans rising at the end of each calendar year. At December 31, 1998, credit card loans were approximately $104 million, or 19.4% of the total loan

portfolio. The credit card portfolio was built substantially through affinity programs. The affinity programs include colleges, associations and other entities which contract to assist Fidelity in marketing its credit cards in return for issuance and transaction fee income.

Residential Mortgage Banking

Fidelity Mortgage is engaged in the residential mortgage banking business, focusing on one-to-four family properties. Fidelity Mortgage offers Federal Housing Authority ("FHA"), Veterans Administration ("VA"), conventional and non-conforming loans (those with balances over $240,000). In addition, loans are purchased from independent mortgage companies located in the southeast. Fidelity Mortgage operates from three locations in the Atlanta metropolitan area and also has loan origination offices in Jacksonville and Tampa, Florida. Fidelity Mortgage is an approved originator and servicer for Federal Home Loan Mortgage Corporation ("FHLMC") and Federal National Mortgage Association ("FNMA") and is an approved originator for loans insured by Housing and Urban Development ("HUD").

Mortgage loans held-for-sale fluctuate due to economic conditions, interest rates, the level of real estate activity and seasonal factors. During 1998, Fidelity Mortgage originated approximately $34 million in loans to be held in Fidelity's portfolio. Fidelity Mortgage typically retains the right to service mortgages sold to investors, but from time to time sells servicing rights to other mortgage loan servicers. Servicing activities include the collection of principal and interest payments, maintenance of escrow balances and remittance of insurance and tax payments on behalf of mortgagees and the offer of insurance products to borrowers. In return for servicing mortgages, Fidelity Mortgage is entitled to a servicing fee, generally .25% to .50% per annum of the outstanding principal balance of a mortgage serviced. Due to normal amortization of the principal balance, the dollar amount of the fee earned on a particular mortgage declines over time and no further fee will be earned if the mortgage is prepaid or goes into default. During 1998, Fidelity Mortgage closed $140 million of residential mortgage loans. Substantially all servicing rights were retained, except for government and non-conforming loans. As of December 31, 1998, Fidelity Mortgage serviced loans totaling $278 million, of which $45 million were held by the Bank and $220 million were serviced for others.

Securities Brokerage Services

Fidelity Capital commenced business as a full-service broker in late 1992. Fidelity Capital is also a registered investment advisor with the Securities and Exchange Commission, operates as a fully disclosed introducing broker and is a member of the National Association of Securities Dealers ("NASD"). Fidelity Capital operates from its headquarters in Atlanta and from two other offices in Fidelity's banking facilities in the Atlanta metropolitan area.

Trust Products and Services

Fidelity provides investment products and services to individuals and organizations under trust and agency agreements. At December 31, 1998, the Bank serviced approximately $243 million in assets, with the majority of accounts in custodial and self-directed IRAs. Other services include

personal trusts, employee benefit trusts, guardianships, estate settlement accounts, management agency accounts and corporate trusts.

International Trade Services

Fidelity provides services to individuals and business clients in meeting their international business requirements. Letters of credit, foreign currency drafts, foreign and documentary collections, export finance and international wire transfers are some of the services provided.

SIGNIFICANT OPERATING POLICIES

Lending Policy

Lending authority is delegated by the Board of Directors of the Bank to loan officers, each of whom is limited as to the amount of secured and unsecured loans that the loan officer can make to a single borrower or related group of borrowers. All loans in excess of $100,000 (new relationships) or $250,000 (existing relationships) must be approved by a committee of officers of the Bank. All loans over $500,000 must be approved by the President and Chief Executive Officer of the Bank or the Chairman of the Board of the Bank. All loans in excess of $1,000,000 must be approved by the Loan and Discount Committee of the Board of Directors of the Bank.

The Bank provides written guidelines for lending activities. Secured loans, except indirect installment loans which are generally secured by the vehicle purchased, are to be made to persons who are well-established and have net worth, collateral and cash flow to support the loan. Real estate loans are made only when such loans are secured by real property located primarily in Georgia or Florida. Unsecured loans, except credit card loans, normally are to be made by the Bank only to persons who maintain depository relationships with the Bank. Any loan renewal request is reviewed in the same manner as an application for a new loan.

Under certain circumstances, the Bank takes investment securities as collateral for loans. If the purpose of the loan is to purchase or carry margin stock, the Bank will not advance loan proceeds of more than 50% of the market value of the stock serving as collateral. If the loan proceeds will be used for purposes other than purchasing or carrying margin stock, the Bank generally will lend up to 70% of the current market value of the stock serving as collateral.

Making loans to businesses for working capital is a traditional function of commercial banks. Such loans are expected to be repaid out of the current earnings of the commercial entity. The ability of the borrower to service its debt is dependent upon the success of the commercial enterprise. It is the policy of the Bank to require security for these loans.

For loans that are collateralized by inventory, furniture, fixtures and equipment, the Bank does not generally advance loan proceeds of more than 50% of the inventory value and more than 50% of the furniture, fixtures and equipment value serving as collateral. When inventory serves as primary collateral, accounts receivable generally will also be taken as collateral. Maximum collateral values for accounts receivable is 80% of eligible receivables outstanding. No collateral value will be assigned for accounts receivable outstanding past 90 days.

Many of the Bank's commercial loans are secured by real estate (and thus are categorized as real estate mortgage loans) because such collateral may be superior to other types of collateral owned by small businesses. Loans secured by commercial real estate, however, are subject to certain inherent risks. Commercial real estate may be substantially illiquid, and commercial real estate values are difficult to ascertain and are subject to wide fluctuations depending upon economic conditions. For loans in excess of $250,000, the Bank generally requires that qualified independent appraisers determine the value of any commercial real estate taken as collateral, and the Bank will generally lend 75% of the appraised value or the purchase price of the real estate, whichever is less.

The Bank originates short-term residential construction loans for detached housing and a limited number of residential acquisition and development loans in the Atlanta and Jacksonville metropolitan areas. Residential construction loans are made through the use of officer guidance lines, which are approved, when appropriate, by the Bank's Loan and Discount Committee. Specific maximum loan commitment and numbers of unsold houses allowed are clearly identified for each of the approximately 75 builders' officer guidance lines. Each loan is individually reviewed and approved by the loan officer and is subject to an appraisal and a maximum 80% loan-to-value ratio.

These guidelines are approved for established builders with track records and adequate financial strength to support the credit being requested. Loans may be for speculative starts or for pre-sold residential property to specific purchasers. As of December 31, 1998, approximately $61 million (11.4% of total loans) was outstanding on total residential construction loans, of which approximately $16 million was for acquisition and development loans. Acquisition and development loans generally have 18 month or shorter maturities and are for the purpose of developing lots for a builder's own building program usage or are generally pre-sold to an established builder or builders.

Inter-agency guidelines adopted by Federal banking regulators, including the OCC, require that financial institutions establish real estate lending policies. The guidelines also established certain maximum allowable real estate loan-to-value standards. The Bank has adopted the Federal standards as its maximum allowable standards, but has in place loan policies which are, in some cases, more conservative than the OCC guidelines. The Bank and OCC guidelines require maximum allowable loan-to-value ratios for various types of real estate loans as set forth below.

<TABLE>
<CAPTION>

	MAXIMUM ALLOWABLE LOAN-TO-VALUE RATIO

LOAN CATEGORY	
Land	65%
Land development	75
Construction:	
Commercial, multifamily(1) and other nonresidential	80
One-to-four family residential	85
Improved property	85
Owner-occupied one-to-four family and home equity(2)	--

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(1) Multifamily construction includes condominiums and cooperatives.

(2) A loan-to-value limit has not been established for permanent mortgage or home equity loans on owner-occupied, one-to-four family residential property. However, for any such loan with a loan-to-value ratio that equals or exceeds 90% at origination, appropriate credit enhancement in the form of either mortgage insurance or readily marketable collateral should be required.

Potential specific risk elements associated with each of the Bank's lending categories include the following:

Credit cards	Employment status, changes in local economy, unsecured credit risks
Installment loans to individuals	Employment status, changes in local economy, difficulty in monitoring collateral (vehicle, boat, mobile home) and limited personal contact as a result of indirect lending through dealers
Commercial, financial and agricultural	Industry concentrations, difficulty in monitoring the valuation of collateral (inventory, accounts receivable and vehicles), borrower management expertise, increased competition, and specialized or obsolete equipment as collateral
Real estate-residential construction	Inadequate collateral and change in market conditions
Real estate-residential mortgage	Changes in local economy and caps on variable rate loans

Management believes that the outstanding loans included in each of these categories do not represent more than the normal risks associated with these categories, as described above. Fidelity's underwriting and asset quality monitoring systems focus on minimizing the risks outlined above.

Loan Review and Nonperforming Assets

The Bank's credit administration department reviews its loan portfolio to identify potential deficiencies and appropriate corrective action. The credit administration department attempts to review 30% to 45% of commercial and construction loan portfolios and 10% of the consumer portfolio, annually. The results of the reviews are presented to the Bank's Board of Directors on a monthly basis. Loan reviews are performed on credits that are selected according to their risk. Past due loans are reviewed weekly by each lending officer and by the credit administration department. A summary report is reviewed monthly by the Bank's Board of Directors. The Bank Loan Committee of the Board of Directors of Bank annually reviews all loans over $1.0 million.

A sampling of credit card accounts are reviewed on a monthly basis for compliance with credit policy. Review procedures include a determination of whether the appropriate review of employment, residence and other information has been completed, recalculation of the borrower's debt coverage ratio, and analysis of the borrower's credit history to determine if it meets the Bank's established criteria. Policy exceptions are analyzed monthly. Delinquencies are monitored daily. Accounts are charged off after they are 180 days past due in accordance with industry practice.

A 10% sample of consumer loans is reviewed on a monthly basis in compliance with the Bank's policies and procedures.

A provision for loan losses and a corresponding increase in the allowance for loan losses are recorded monthly, taking into consideration the historical charge-off experience, delinquency and current economic conditions, and management's estimate of losses inherent in the loan portfolio.

Asset/Liability Management

Fidelity's asset/liability committee (the "Committee") is comprised of officers of Fidelity and the Bank who are charged with managing Fidelity's assets and liabilities. The Committee attempts to manage asset growth, liquidity and capital in order to maximize income and reduce interest rate risk. The Committee directs Fidelity's overall acquisition and allocation of funds. At its monthly meetings, the Committee reviews and discusses the monthly asset and liability funds budget and projections in relation to the actual flow of funds. The Committee also reviews and discusses peer group comparisons, the ratio of the amount of rate-sensitive assets to the amount of rate-sensitive liabilities and other variables, such as expected loan demand, investment opportunities, core deposit growth within specified categories, regulatory changes, monetary policy adjustments and the overall state of the economy.

Investment Policy

Fidelity's investment portfolio policy is to maximize income consistent with liquidity, asset quality, regulatory constraints and asset/liability objectives. The policy is reviewed at least annually by Fidelity's and the Bank's Board of Directors. The Boards of Directors are provided information monthly concerning sales, purchases, resulting gains or losses, average maturity, Federal taxable equivalent yields and appreciation or depreciation by investment categories.

SUPERVISION AND REGULATION

Holding Company Regulation

Fidelity is a registered bank holding company subject to regulation by the Federal Reserve Board ("Federal Reserve" or "FRB") under the Bank Holding Company Act of 1956, as amended ("Holding Company Act"). Fidelity is required to file financial information with the Federal Reserve periodically and is subject to periodic examination by the Federal Reserve.

The Holding Company Act requires every bank holding company to obtain the prior approval of the Federal Reserve (i) before it may acquire, direct or indirect, ownership or control of more than 5% of the voting shares of any bank that it does not control; (ii) before it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of a bank; and (iii) before it may merge or consolidate with any other bank holding company. In addition, a bank holding company is generally prohibited from engaging in non-banking activities, or acquiring direct or indirect control of voting shares of any company engaged in such activities. This prohibition does not apply to activities found by the Federal Reserve, by order or regulation, to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the activities that the Federal Reserve has determined by regulation or order to be closely related to banking are: making or servicing loans and certain types of leases; performing certain data processing services; acting as fiduciary or investment or financial advisor; providing discount brokerage services; and making investments in corporations or projects designed primarily to promote community welfare.

Fidelity must also register with the Georgia Department of Banking and Finance ("GDBF"). Such registration filing includes information with respect to the financial condition, operations, management and intercompany relationships of Fidelity, Fidelity and its other subsidiaries, and related matters. The GDBF may also require such other information as is necessary to keep itself informed as to whether the provisions of Georgia law and the regulations and orders issued thereunder by the GDBF have been complied with, and the GDBF may make examinations of Fidelity.

Fidelity, Fidelity Mortgage and Fidelity Capital are "affiliates" of Fidelity National Bank under the Federal Reserve Act, which imposes certain restrictions on (i) loans by the Bank to Fidelity, (ii) investments in the stock or securities of Fidelity by the Bank, (iii) the Bank's accepting the stock or securities of one of its affiliates from a borrower as collateral for loans and (iv) the purchase of assets from Fidelity by the Bank. Further, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any grant of credit, lease or sale of property or furnishing of services.

Bank Regulation

The Bank is a national bank chartered under the National Bank Act. The Bank and its wholly-owned subsidiaries are subject to the supervision of, and are regularly examined by, the OCC. The OCC regulates and monitors all areas of the Bank and Fidelity Mortgages' operations and activities, including reserves, loans, mergers, issuances of securities, payments of dividends, interest rates, mortgage servicing, accounting and establishment of branches. Interest and certain other charges collected or contracted for by the Bank are also subject to state usury laws or certain Federal laws concerning interest rates.

The Bank is insured by the Federal Deposit Insurance Corporation (the "FDIC"). The major functions of the FDIC with respect to insured banks include paying depositors to the extent provided by law if an insured bank is closed without adequate provision having been made to pay claims of depositors, acting as a receiver of state banks placed in receivership when appointed receiver by state authorities and preventing the development or continuance of unsound and unsafe banking practices. The FDIC also has the authority to recommend to the appropriate Federal agency supervising an insured bank that the agency take informal action against such institution and to act to implement the enforcement action itself if the agency fails to follow the FDIC's recommendation. The FDIC also has the authority to examine all insured banks.

In 1991, the Federal Deposit Insurance Corporation Improvement Act of 1991 ("1991 Act") was adopted, the principal initial effect of which was to permit the Bank Insurance Fund ("BIF") to borrow up to $30 billion from the U.S. Treasury (to be repaid through deposit insurance premiums over 15 years) and to permit the BIF to borrow working capital from the Federal Financing Bank in an amount up to 90% of the value of the assets the FDIC has acquired from failed banks. Pursuant to the 1991 Act, the FDIC has implemented a risk-based assessment system whereby banks are assessed on a sliding scale depending on their placement in nine separate supervisory categories. Effective June 1, 1995, the BIF reached the designated reserve ratio of 1.25% of total estimated deposits and the FDIC lowered the assessment rate schedule for BIF members to $0.04 per $100 of deposits for the healthiest banks to $.31 per $100 of deposits for less healthy institutions. The Bank's BIF assessment rate was $.07 per $100 of deposits in 1996.

As a result of the Bank's capital position in 1996, its FDIC assessments increased significantly during 1997. The Bank's total FDIC insurance and SAIF assessments for the three years ended December 31, 1996, 1997 and 1998 were $427,000, $1,065,000 and $1,208,000, respectively. At December 31, 1998, the Bank's BIF assessment rate was $.17 per $100 of deposits. Effective January 1, 1999, the Bank's BIF assessment rate became $.03 per $100 of deposits.

Various other sections of the 1991 Act impose substantial new auditing and reporting requirements and increase the role of independent accountants and outside directors on banks having assets of $500 million or more, and regulators may encourage smaller banks to comply with such requirements. The 1991 Act also provides for a ban on the acceptance of brokered deposits except by well capitalized institutions and by adequately capitalized institutions with the permission of the FDIC, and for restrictions on the activities engaged in by state banks and their subsidiaries as principal, including insurance underwriting, to the same activities permissible for national banks and

their subsidiaries, unless the state bank is well capitalized and a determination is made by the FDIC that the activities do not pose a significant risk to the insurance fund. The effect on Fidelity of these measures contained in the bill will be to a great extent dependent upon the manner in which bank regulatory authorities interpret and enforce regulations that have been issued pursuant to the 1991 Act.

One-Time SAIF Assessment

In 1992 the Bank acquired deposits from a savings and loan institution. These deposits are subject to FDIC deposit insurance assessments for the SAIF. On September 3, 1996, legislation authorizing the recapitalization of the SAIF became effective. This legislation required the Bank and all other depository institutions having SAIF insured deposits, to pay a one-time assessment. The Bank provided for this special assessment and recorded a pretax charge of $250,000 in the third quarter of 1996.

Capital Requirements

The information contained in notes 2 and 11 to Fidelity's 1998 Annual Report to Shareholders under the headings "Regulatory Agreements" and "Shareholders' Equity" are incorporated herein by reference.

Interstate Banking Act

In September 1994, the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking Act") became law. The Interstate Banking Act has two major provisions regarding the merger, acquisition and operation of banks across state lines. First it provides that effective September 29, 1995, adequately capitalized and managed bank holding companies will be permitted to acquire banks in any state. State laws prohibiting interstate banking or discriminating against out-of-state banks will be preempted as of the effective date. States cannot enact laws opting out of this provision; however, states may adopt a minimum restriction requiring that target banks located within the state be in existence for a period of years, up to a maximum of five years, before such bank may be subject to the Interstate Banking Act. The Interstate Banking Act establishes deposit caps which prohibit acquisitions that would result in the acquirer controlling 30% or more of the deposits of insured banks and thrifts held in the state in which the acquisition or merger is occurring or in any state in which the target maintains a branch or 10% or more of the deposits nationwide. State-level deposit caps are not preempted as long as they do not discriminate against out-of-state acquirers, and the Federal deposit caps apply only to initial entry acquisitions.

The legislation also provides that, unless an individual state elects beforehand either (i) to accelerate the effective date or (ii) to prohibit out-of-state banks from operating interstate branches within its territory, on or after June 1, 1997, adequately capitalized and managed bank holding companies will be able to consolidate their multistate bank operations into a single bank subsidiary and to branch interstate through acquisitions. De novo branching by an out-of-state bank would be permitted only if it is expressly permitted by the laws of the host state. The authority of a bank to establish and operate branches within a state will continue to be subject to applicable state branching laws. The State of Georgia has enacted legislation in connection with the Interstate Banking Act which requires that a bank located within the state must be in existence for a period of five years before it may be acquired by an out-of-state institution. This state legislation also requires out-of-state institutions to purchase an existing bank or branch in the state rather than starting a de novo bank. Many states, including Georgia, have enacted legislation which permits banks with different home states to merge if the states involved have enacted legislation permitting interstate bank mergers prior to June 1, 1997. Under Georgia law, as of July 1, 1998, new or additional branch banks may be established anywhere in the state with the prior approval of the appropriate regulator.

The Interstate Banking Act was amended on July 3, 1997, for the purpose of ensuring that state banks are competitive with national banks under the new interstate banking laws. The amendment provides that state law of the host state applies to an out-of-state, state-chartered bank that branches in the host state to the same extent that it applies to a national bank operating a branch in the host state to the same extent that it applies to a national bank operating a branch in the host state. The law also provides that bank branches operating in the host state and chartered in another state may exercise powers they have under their home-state charters if host state-chartered banks or national banks may exercise those powers.

Fidelity believes that this legislation may result in increased takeover activity of Georgia financial institutions by out-of-state financial institutions. Fidelity does not presently anticipate that such legislation will have a material impact on its operations or future plans.

Regulation of Mortgage Banking

The mortgage banking industry is subject to the rules and regulations of, and examinations by, the GDBF, FNMA, FHLMC, Government National Mortgage Association ("GNMA"), HUD, FHA and state regulatory authorities with respect to originating, processing, underwriting, selling, securitizing and servicing residential mortgage loans. In addition, there are other Federal and state statutes and regulations affecting such activities. These rules and regulations, among other things, require licensing of mortgage bankers, govern how mortgage servicers process a mortgagor's payment, require an annual analysis of Fidelity Mortgage's escrow balances and also regulate the procedure for making investor payments.

Many states have adopted statutes and regulations which require the payment of interest on escrow accounts, but many of these provisions contain exemptions from the requirement to pay interest. The common exemptions are: interest is paid only on loans originated after enactment or a phase-in; interest need only be paid if the mortgage servicer earns interest on the account; interest need not be paid by an out-of-state mortgage servicer; and interest need not be paid on low loan-to-value loans or government loans or where interest is offset by administrative expenses. It is presently unclear whether these statutes and regulations, or some variation thereof, will be implemented by other states and if so what effect that will have on Fidelity and Fidelity Mortgage.

Georgia law requires the registration and licensing of mortgage brokers and lenders engaged in making loans secured by one-to-four family residential property located in Georgia (the "Mortgage Act"). Fidelity Mortgage, as a subsidiary of a Georgia bank holding company subject to examination by the GDBF, is exempt from the licensing requirement of the Mortgage Act, but is required to register with the GDBF. Fidelity Mortgage must renew its registration annually and

provide the GDBF in its renewal application with information, including a general plan of the business, financial statements and other financial information requested by the GDBF and shareholders owning at least 10% of the mortgage lender's equity. Fidelity Mortgage is required to maintain such records as the GDBF may require and is subject to examination by the GDBF. In addition, Fidelity Mortgage must file an annual report with the GDBF each year.

The Mortgage Act requires that mortgage brokers and lenders, including Fidelity Mortgage, make certain disclosures to applicants for mortgage loans. The Mortgage Act also provides authority for the GDBF to promulgate rules with respect to escrow accounts and the advertising of mortgage loans, and the GDBF has promulgated regulations governing mortgage loan advertising. In addition, the Mortgage Act imposes restrictions on unfair mortgage banking practices, as defined by the Mortgage Act.

There are numerous rules and regulations imposed on mortgage loan originators that require originators to obtain and maintain licenses; establish eligibility criteria for mortgage loans; prohibit discrimination; regulate advertising of loans; encourage lenders to identify and meet the credit needs of the community, including low and moderate income neighborhoods, consistent with sound lending practices, by requiring certain statistical information be maintained and publicly available regarding mortgage lending practices within certain geographical areas; provide for inspections and appraisals of properties; require credit reports on prospective borrowers; regulate payment features; and, in some cases, fix maximum interest rates, fees and loan amounts. Failure to comply with these requirements can lead to loss of approved status, termination of servicing contracts without compensation to the servicer, demands for indemnification or loan repurchases, and administrative enforcement actions.

Broker-Dealer Regulation

Securities broker-dealers are subject to extensive regulation. Generally, broker-dealers must register with the Commission and the states in which they operate. All broker-dealers must be members of the National Association of Securities Dealers ("NASD"), subject to its rules and disciplinary procedures. Personnel of broker-dealers engaged in sales activities must be licensed as salespeople under the appropriate state laws and register with the NASD. Registered broker-dealers are subject to detailed record keeping and reporting requirements. The extent to which broker-dealers can extend credit is also subject to regulation. Fidelity Capital, as a registered broker-dealer, is also subject to rules regarding minimum capital, disclosure obligations, restrictions on markups, and other matters.

COMPETITION

The banking business is highly competitive. Fidelity's primary market area, other than for credit cards, residential mortgages and indirect automobile loans, consists of Fulton, DeKalb, Cobb and Gwinnett counties, Georgia. The Bank competes for traditional bank business with numerous other commercial banks and thrift institutions with offices in Fidelity's primary trade area, many of which have greater financial resources than Fidelity. Fidelity also competes for loans with insurance companies, regulated small loan companies, credit unions and certain governmental agencies. Fidelity Capital competes with independent brokerage and investment companies as well as state and

national banks and their affiliates and other financial companies. There can be no assurance that additional companies will not offer products and services that are competitive with those offered by Fidelity and its subsidiaries. The emergence of such competitors could have a material adverse effect on results of operations and financial condition of Fidelity.

The credit card, indirect automobile financing and mortgage banking industries are also highly competitive. Fidelity competes with banks and special purpose credit card banks and companies throughout the United States as well as entities such as General Motors Corporation for credit card customers. In the indirect automobile financing industry, Fidelity competes with specialty consumer finance companies in addition to banks. Fidelity Mortgage competes with independent mortgage banking companies, state and national banks and their subsidiaries, as well as thrift institutions and insurance companies. There can be no assurance that additional companies will not offer products and services that are competitive with those offered by Fidelity. The emergence of such competitors could have a material adverse effect on the results of operations and financial condition of Fidelity.

EMPLOYEES

As of December 31, 1998, Fidelity had 410 full-time equivalent employees. Fidelity is not a party to any collective bargaining agreement. Fidelity believes that its employee relations are good.

EXECUTIVE OFFICERS

Executive officers are elected by the Board of Directors annually at the Board of Directors' meeting held directly after the Annual Meeting of Shareholders and hold office until the next election, unless they sooner resign or are removed from office.

Fidelity's executive officers, their ages, their positions with Fidelity at February 28, 1998, and the period during which the person served as an executive officer, are as follows:

Name	Age	Officer Since	Position
James B. Miller, Jr.	58	1979	Chairman of the Board, President and Chief Executive Officer of Fidelity since 1979; Chairman of Fidelity Bank since 1998; President of the Bank from 1977 to 1997, Chairman of Fidelity Mortgage since 1979, and Chairman of Fidelity Capital since 1992.
Larry D. Peterson	50	1997	Vice President of Fidelity since 1997; President and Chief Executive Officer of the Bank since 1997.

Name	Age	Officer Since	Position
M. Howard Griffith, Jr.	55	1994	Principal Accounting Officer of Fidelity and Chief Financial Officer of the Bank since February 1994.
Palmer Proctor, Jr.	31	1996	Vice President of Fidelity since 1996; Vice President of the Bank since 1993. Joined the Bank as a Management Associate in 1990.

RISK FACTORS

Credit Card Loan Loss Trends; Seasoning Risks of Credit Card Portfolio

During 1996 and 1997, Fidelity experienced higher than historical levels of loan losses on its credit card loans. There can be no assurance that future credit card losses will not continue at higher than historical levels in the future. Continued credit card loan losses exceeding Fidelity's historical rate could have a material adverse affect on the results of operations and financial condition of Fidelity.

Credit Risk and Loan Concentration

A major risk facing lenders is the risk of losing principal and interest as a result of a borrower's failure to perform according to the terms of the loan agreement, or "credit risk." Real estate loans include residential mortgages and construction and commercial loans secured by real estate. Fidelity's credit risk with respect to its real estate loans relates principally to the value of the underlying collateral. Fidelity's credit risk with respect to its indirect automobile loans and commercial loans relates principally to the general creditworthiness of the borrowers who primarily are individuals and small and medium-sized businesses in the metropolitan areas of Atlanta, Georgia and Jacksonville and Tampa, Florida. While indirect automobile loans are secured, they are characterized by loan to value ratios that could result in Fidelity not recovering the full value of an outstanding loan upon default by the borrower. Fidelity's credit risk with respect to its credit card portfolio relates principally to the general creditworthiness of individuals in light of the unsecured nature of credit card loans. There can be no assurance that the allowance for loan losses will be adequate to cover future losses in the existing loan portfolios. Loan losses exceeding Fidelity's historical rates could have a material adverse affect on the results of operations and financial condition of Fidelity.

Year 2000 Issues

Fidelity uses software that will be affected by the date change in the Year 2000. Date sensitive systems may recognize the Year 2000 as 1900, or not at all. This may cause systems to process critical financial and operational information incorrectly or not at all. Fidelity has taken and is taking action to correct this problem. Fidelity has taken various actions to determine the nature

and work required to make its system Year 2000 compliant. Fidelity continues to evaluate the estimated costs of compliance and has commenced corrective action to achieve compliance. Fidelity has implemented a Year 2000 program and has, in its opinion, allocated adequate resources for this purpose. While compliance has and will involve additional costs, Fidelity believes, based on current information, that it will timely achieve Year 2000 compliance without a material adverse effect on its business. However, there can be no assurances that its estimates of costs involved will prove to be accurate or that it will have timely resolved all Year 2000 related issues. Failure to timely achieve Year 2000 compliance at its cost estimates could have a material adverse effect on its financial condition and business of Fidelity.

Potential Impact of Change in Interest Rate

The profitability of Fidelity depends to a large extent upon its net interest income which is the difference between interest income on interest-earning assets, such as loans and investments, and interest expense on interest-bearing liabilities, such as deposits and borrowings. The net interest income of Fidelity would be adversely affected if changes in market interest rates resulted in the cost of interest-bearing liabilities increasing faster than the increase in the yield on the interest-earning assets of Fidelity. In addition a decline in interest rates may result in greater than normal prepayments of the higher interest bearing obligations held by Fidelity.

Management Information Systems

The sophistication and level of risk of Fidelity's business requires the utilization of thorough and accurate management information systems. Failure of management to effectively implement, maintain, update and utilize updated management information systems could prevent management from recognizing in a timely manner deterioration in the performance of its business, particularly its credit card and indirect automobile loan portfolios. Such failure to effectively implement, maintain, update and utilize comprehensive management information systems could have a material adverse effect on the results of operations and financial condition of Fidelity.

Adverse Economic Conditions

Fidelity's major lending activities are indirect automobile, credit card, and real estate and commercial loans. Indirect automobile loans and residential mortgage loans are also produced for resale with servicing rights retained. An increase in interest rates could have a material adverse effect on the housing and automobile industries and consumer spending generally. In addition, an increase in interest rates could cause a decline in the value of residential mortgages and indirect automobile loans held-for-sale by Fidelity. These events could adversely affect the results of operations and financial condition of Fidelity.

As of December 31, 1998, residential mortgages held-for-sale by Fidelity were principally on real property located in the metropolitan areas of Atlanta, Georgia and Jacksonville, Florida. Fidelity's indirect automobile loans have been obtained principally from automobile dealers located in the metropolitan areas of Jacksonville and Tampa, Florida, and Atlanta, Georgia. As of December 31, 1998, credit card loans were concentrated with borrowers in Georgia, California, Texas and

Florida. Adverse national, regional and local economic conditions may adversely affect the results of operations and financial condition of Fidelity.

Dependence on Key Personnel

Fidelity currently depends heavily on the services of its Chief Executive Officer, James B. Miller, Jr, and a number of other key management personnel. The loss of Mr. Miller's services or of other key personnel could materially and adversely affect the results of operations and financial condition of Fidelity. Fidelity's success will also depend in part on its ability to attract and retain additional qualified management personnel. Competition for such personnel is strong in the banking industry and Fidelity may not be successful in attracting or retaining the personnel it requires.

Governmental Regulation -- Banking

Fidelity and the Bank are subject to extensive supervision, regulation and control by several federal and state governmental agencies, including the FRB, OCC, GBDF, FDIC, FNMA, FHLMC, and GNMA. Future legislation, regulations and government policy could adversely affect Fidelity and the financial institutions industry as a whole, including the cost of doing business. Although the impact of such legislation, regulation and policies cannot be predicted, future changes may alter the structure of and competitive relationships among financial institutions and the cost of doing business.

Governmental Regulation -- Mortgage Banking

The mortgage banking operations of Fidelity are subject to extensive regulation by federal and state governmental authorities and agencies, including FNMA, FHLMC, GNMA, the Federal Housing Authority, and the Veterans Administration. Consequently, Fidelity is subject to various laws, rules and regulations and judicial and administrative decisions that, among other things, regulate credit-granting activities, govern secured transactions, and establish collection, repossession and claims-handling procedures and other trade practices. Failure to comply with regulatory requirements can lead to loss of approved status, termination of servicing contracts without compensation to the servicer, demands for indemnification or mortgage loan repurchases, class action lawsuits and administrative enforcement actions. Although Fidelity believes that it is in compliance in all material respects with applicable federal, state and agency laws, rules and regulations, there can be no assurance that more restrictive laws, rules and regulations will not be adopted in the future which could make compliance more difficult or expensive, restrict Fidelity's ability to originate, purchase or sell mortgage loans, further limit or restrict the amount of interest and other fees that may be earned or charged on mortgage loans originated, purchased or serviced by Fidelity or otherwise adversely affect the results of operations and financial condition of Fidelity.

Governmental Regulation -- Securities

The securities industry in the United States is subject to extensive regulation under both federal and state laws. Broker-dealers are subject to regulations covering all aspects of the securities business, including sales methods, trade practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure, record keeping and the conduct of directors,

officers and employees. Fidelity Capital is required to comply with many complex laws and rules as a broker-dealer, including rules relating to possession and control of customer funds and securities, margin lending and execution and settlement of transactions.

Additional legislation, changes in rules promulgated by the Securities and Exchange Commission ("Commission"), NASD, the FRB, the various stock exchange and other self-regulatory organizations, or changes in the interpretation or enforcement of existing laws and rules, may directly affect the mode of operation and profitability of broker-dealers. The Commission, the NASD, and other self-regulatory organizations and state securities commissions may conduct administrative proceedings regarding alleged violations of their rules, which can result in censure, fine, the issuance of cease-and-desist orders or the suspension or expulsion of a broker-dealer or any of its officers or employees. Fidelity Capital's ability to comply with all applicable laws and rules is dependent in large part upon the establishment and maintenance of a compliance system reasonably designed to ensure such compliance, as well as Fidelity Capital's ability to attract and retain qualified compliance personnel. The principal purpose of regulation and discipline of broker-dealers is the protection of customers and the securities markets, rather than protection of creditors and stockholders of broker-dealers. Fidelity Capital could in the future be subject to disciplinary or other actions due to claimed noncompliance, which could have a material adverse effect on the results of operations and financial condition of Fidelity.

Consumer and Debtor Protection Laws

Fidelity is subject to numerous federal and state consumer protection laws that impose requirements related to offering and extending credit. The United States Congress and state governments may enact laws and amend existing laws to regulate further the consumer industry or to reduce finance charges or other fees or charges applicable to credit card and other consumer revolving loan accounts. Such laws, as well as any new laws or rulings which may be adopted, may adversely affect Fidelity's ability to collect on account balances or maintain previous levels of finance charges and other fees and charges with respect to the accounts. Any failure by Fidelity to comply with such legal requirements also could adversely affect its ability to collect the full amount of the account balances. Changes in federal and state bankruptcy and debtor relief laws could adversely affect the results of operations and financial condition of Fidelity if such changes result in, among other things, additional administrative expenses and accounts being written off as uncollectible.

Composition of Real Estate Loan Portfolio

The real estate loan portfolio of Fidelity includes residential mortgages and construction and commercial loans secured by real estate. Fidelity generates all of its real estate mortgage loans in Georgia and Florida. Therefore, conditions of these real estate markets could strongly influence the level of Fidelity's non-performing mortgage loans and the results of operations and financial condition of Fidelity. Real estate values and the demand for mortgages and construction loans are affected by, among other things, changes in general or local economic conditions, changes in governmental rules or policies, the availability of loans to potential purchasers, and acts of nature. Although Fidelity's underwriting standards are intended to protect Fidelity against adverse general and local real estate trends, declines in real estate markets could adversely impact the demand for new real estate loans, the value of the collateral securing Fidelity's loans and the results of operations and financial condition of Fidelity.

Monetary Policy

The operating results of the Bank are affected by credit policies of monetary authorities, particularly the Federal Reserve. The instruments of monetary policy employed by the Federal Reserve include open market operations in U.S. Government securities, changes in the discount rate on bank borrowings and changes in reserve requirements against bank deposits. In view of changing conditions in the national economy and in the money markets, as well as the effect of action by monetary and fiscal authorities, including the Federal Reserve, no prediction can be made as to possible future changes in interest rates, deposit levels and loan demand on the results of operations and business of Fidelity.

Relationship with Dealers

Fidelity's indirect automobile lending operation depends in large part upon its ability to maintain and service its relationships with automobile dealers. There can be no assurance Fidelity will be successful in maintaining such relationships or increasing the number of dealers with which it does business or that its existing dealer base will continue to generate a volume of finance contracts comparable to the volume historically generated by such dealers.

ITEM 2. PROPERTIES

Fidelity's principal executive offices consist of 49,368 leased square feet (of which 23,939 square feet are sublet) in Atlanta, Georgia. Fidelity's operations are principally conducted from 80,000 square feet located at 3 Corporate Square, Atlanta, Georgia. The Bank has 19 Branch offices located in Fulton, DeKalb, Cobb and Gwinnett Counties, Georgia, 13 are owned and six are leased. Fidelity leases loan production offices in Jacksonville and Tampa, Florida.

ITEM 3. LEGAL PROCEEDINGS

Fidelity is a party to claims and lawsuits arising in the course of normal business activities. Although the ultimate outcome of these claims and lawsuits cannot be ascertained at this time, it is the opinion of management that none of these matters when resolved will have a material adverse effect on Fidelity's results of operations or financial condition.

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

Not applicable.

PART II

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

STOCK. Fidelity's Common Stock is listed on the Nasdaq National Market under the trading symbol LION. There were approximately 575 holders of record and approximately 2,000 beneficial owners whose shares of Fidelity's Common Stock are held by brokers, dealers and their nominees as of February 28, 1998.

Market prices of the Fidelity's Common Stock included on the inside back cover of the 1998 Annual Report to Shareholders are incorporated herein by reference. The last sale price on December 31, 1998, was $10.75.

On September 30, 1996, Fidelity sold an aggregate of 44,015 shares of Common Stock to directors and their affiliates in a private placement at $12.625 per share paid in cash. This private placement of securities is exempt from registration under Section 4(2) of the Securities Act of 1933.

During June 1997, Fidelity issued 752,000 shares of Preferred Stock at a purchase price of $6.25 per share in a private placement. 704,000 shares of Preferred Stock were sold for cash aggregating $4,400,000 and 48,000 shares of Preferred Stock were exchanged for Fidelity subordinated debt in the principal amount of $300,000. During July 1997, an additional 232,000 shares of Preferred Stock were sold for $1,100,000 paid in cash and $350,000 in exchange for subordinated debt of Fidelity in the principal amount of $350,000. The sale of the Preferred Stock was exempt from registration under Section 4(2) of the Securities Act of 1933 and Regulation D promulgated by the Commission.

In connection with the public offering of Common Stock in December 1997, Fidelity issued to Raymond James & Associates, Inc., the principal underwriter, warrants to purchase 150,000 shares of Common Stock at a purchase price of $8.25 per share. The warrants are exercisable during the four-year period commencing December 12, 1998. The issuance of the warrants was exempt from registration under Section 4(2) of the Securities Act of 1933.

DIVIDENDS. Fidelity paid $.04 cash dividend on the Common Stock in December, 1998. There were no cash dividends paid on Fidelity's Common Stock during 1997.

Restrictions on Dividends - Indenture. The indenture ("Indenture") relating to the 8 1/2% Subordinated Notes ("Notes") provides that Fidelity may not pay cash dividends on its capital stock or redeem any shares of its capital stock if the cumulative dividends and redemptions would exceed cumulative consolidated net income of Fidelity for the three-year period ending on the dividend declaration date or redemption date. In addition, no dividend can be declared on the capital stock if an event of default has occurred and is continuing under the Notes, including the failure to pay interest on such indebtedness or default on other indebtedness exceeding $1 million. See Note 8 to the Consolidated Financial Statements.

Fidelity is currently in default of the covenant of the Indenture restricting dividend payments. During 1998, Fidelity declared dividends on the Preferred Stock and Common Stock aggregating $369,000. If the trustee of the Indenture or holders of ten percent of the Notes sends Fidelity a notice of default and the default continues for a period of thirty days after the notice have been given, then the default will constitute an Event of Default. Upon an Event of Default the trustee may, in its discretion, appoint an observer to attend the meetings of Fidelity's Board of Directors and report thereon to the holders of the Notes. Also, the trustee may take appropriate judicial action as the trustee deems most effective to protect and enforce the rights of the holders of the Notes.

Restriction on Dividends - FRB Agreement. The FRB Agreement provides that no dividends are to be declared or paid on Fidelity's Common Stock without the prior written approval of the FRB. The payment of the 1998 dividend on the Common Stock was approved by the FRB.

Restrictions on Dividends by FNB - Regulations. Under the regulations of the OCC the Bank may declare dividends out of net profits. The approval of the OCC is required if the total of all dividends declared by the Bank exceeds the total of its net profits for the year, combined with its retained net profits for the preceding two years. The payment of dividends by the Bank may also be affected or limited by other factors, such as the requirement to maintain capital above regulatory guidelines. At December 31, 1998, the Bank's total shareholders' equity totaled $51 million and exceeds the minimum required capital. Currently, cumulative dividends do exceed cumulative consolidated net income of the Bank for the preceding three year period. Therefore, no dividends can be declared by the Bank on its common stock without the approval of the OCC. During 1997 and 1998, no dividends were paid by the Bank on its common stock. In addition, if, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending upon the financial condition of the bank, could preclude the payment of dividends), such authority may require, after notice and hearing, that such bank cease and desist from such practice.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for each of the five years ended December 31, 1998, is included in Fidelity's 1998 Annual Report to Shareholders (page 3) and is incorporated herein by reference.

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

Management's discussion and analysis of financial condition and results of operations appear under the caption "Consolidated Financial Review" of Fidelity's 1998 Annual Report to Shareholders (pages 4 to 20) and is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The discussion on Market Risk appears under the caption "Consolidated Financial Review" of Fidelity's 1998 Annual Report to Shareholder (pages 9 to 11) and is incorporated herein by

reference. Quarterly results of operations on page 20 of Fidelity's 1998 Annual Report to Shareholders is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Report of Independent Auditors, the Consolidated Financial Statements and Notes to the Consolidated Financial Statements of Fidelity's 1998 Annual Report to Shareholders (pages 21 to 42) are incorporated herein by reference.

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF FIDELITY

The information to be contained under the heading "Information About Nominees for Director" in the definitive Proxy Statement to be sent to shareholders in connection with the solicitation of proxies for Fidelity's 1999 Annual Meeting of Shareholders to be held on April 15, 1999, to be filed with the Commission, is incorporated herein by reference. Pursuant to instruction 3 to paragraph (b) of Item 401 of Regulation S-K, information relating to the executive officers of Fidelity is included in Item I of this Report.

ITEM 11. EXECUTIVE COMPENSATION

The information to be contained under the headings "Executive Compensation," "Compensation of Directors," "Compensation Committee Interlocks and Insider Participation" in the definitive Proxy Statement to be sent to shareholders in connection with the solicitation of proxies for Fidelity's Annual Meeting of Shareholders to be held on April 15, 1999, to be filed with the Commission, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information to be contained under the heading "Voting Securities and Principal Holders" in the definitive Proxy Statement to be sent to shareholders in connection with the solicitation of proxies for Fidelity's 1999 Annual Meeting of Shareholders to be held on April 15, 1999, to be filed with the Commission, is incorporated herein by reference. For purposes of determining the aggregate market value of Fidelity's voting stock held by non-affiliates, shares held by all Fidelity directors and executive officers have been excluded. The exclusion of such shares is not intended to, and shall not, constitute a determination as to which persons or entities may be "affiliates" of Fidelity as defined by the Commission.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information to be contained under the heading "Compensation Committee Interlocks and Insider Participation" in the definitive Proxy Statement to be sent to shareholders in connection with the solicitation of proxies for Fidelity's 1999 Annual Meeting of Shareholders to be held on April 15, 1999, to be filed with the Commission, is incorporated herein by reference.

PART IV

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

(a) (1) Financial Statements.

The following consolidated financial statements and notes thereto of Fidelity are incorporated by reference in Item 8 of this Report:

Report of Independent Auditors

Consolidated Statements of Condition - December 31, 1998, and December 31, 1997

Consolidated Statements of Operations for the Years Ended December 31, 1998, 1997, and 1996

Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 1998, 1997 and 1996.

Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 1998, 1997, and 1996

Consolidated Statements of Cash Flows for the Years Ended December 31, 1998, 1997, and 1996

Notes to Consolidated Financial Statements - December 31, 1998

(2) Financial Statement Schedules.

No financial statement schedules are required to be filed as part of this Report on Form 10-K.

(3) Exhibits.

(a) The following exhibits are required to be filed with this Report by Item 601 of Regulation S-K. Items marked with an asterisk relate to management contracts or compensatory plan or arrangement.

<TABLE>
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Exhibit No.	Name of Exhibit
<S>	<C>
3(a) and 4(a)	Articles of Incorporation of Fidelity, as amended (included as Exhibit 3(a) and 4(a) to Fidelity's Registration Statement on Form 10, Commission File No. 0-22374, filed with the Commission and incorporated herein by reference).
3(b)	ByLaws of Fidelity (included as Exhibit 3(b) and 4(b) to Fidelity's Registration Statement on Form 10, Commission File 0-22374, filed with the Commission and incorporated herein by reference).
3(c)	Articles of Amendment to the Articles of Incorporation of Fidelity Southern Corporation (included as Exhibit 3(c) to the Report filed on Form 8-K dated August 4, 1995, filed with the Commission and incorporated herein by reference).
3(d)	Articles of Amendment to the Articles of Incorporation of Fidelity Corporation increasing the number of authorized shares of capital stock (included as Exhibit 3(d) to the Report on Form 10-K for 1996 which is incorporated by reference).
3(e)	Articles of Amendment to the Articles of Incorporation of Fidelity Corporation authorizing the issuance of preferred stock (included as Exhibit 3(e) to the Report on Form 10-K for 1996 which is incorporated by reference).
3(f)	Amendment to Articles of Incorporation of Fidelity setting forth the terms of the Preferred Stock (included herein by reference to Exhibit 3(a) to Fidelity's report on Form 8-K dated June 23, 1997).
4(b)	Form of Trust Indenture (included herein by reference as Exhibit 4(a) of Amendment 1 to Fidelity's Registration Statement on From S-1, No. 333-99174).
4(c)	Form of Subordinated Note (included herein by reference to Exhibit 4(b) of Amendment 1 to Fidelity's Registration Statement on Form S-1, No. 33-99174).
10(a)	Fidelity National Bank Defined Contribution Master Plan and Trust Agreement and related Adoption Agreement, as amended (included as Exhibit 10(a) to Fidelity's Registration Statement on Form 10, Commission File No. 0-22376, filed with the Commission and incorporated herein by reference).

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Exhibit No.	Name of Exhibit
10(b)	Lease Agreement dated February 6, 1989, by and between DELOS and Fidelity National Bank and amendments thereto (included as Exhibit 10(e) to Fidelity's Registration Statement on Form 10, Commission File No. 0-22376, filed with the Commission and incorporated herein by reference).
10(c)	Lease Agreement dated September 7, 1995, by and between Toco Hill, Inc. and Fidelity National Bank (included as Exhibit 10(f) to Fidelity's Annual Report on Form 10-K for the year ended December 31, 1995, and incorporated herein by reference).
10(d)	Agreement dated November 14, 1996, between the OCC and Fidelity (included as Exhibit 10(h) to Fidelity's Annual Report on Form 10-K for the year ended December 31, 1996, which is incorporated herein by reference).
10(e)	Resolution adopted by the Board of Directors of Fidelity on February 13, 1997 (included as Exhibit 10(i) to Fidelity's Annual Report on Form 10-K for the year ended December 31, 1996, which is incorporated herein by reference).
*10(f)	Employment Agreement between Fidelity and James B. Miller, Jr. dated as of September 18, 1997 (included as Exhibit 10(d) to Registration Statement on Form S-2, No. 333-36377, which is incorporated herein by reference).
*10(g)	Amendment to Employment Agreement between Management and James B. Miller, Jr. dated November 3, 1997.
*10(h)	Employment Agreement among Fidelity, the Bank and Larry D. Peterson dated as of September 15, 1997 (included as Exhibit 10(C) to Registration Statement on Form S-2, No. 333-36377, which is incorporated herein by reference).
*10(i)	The Stock Option Plan (incorporated by reference to Exhibit A of the Proxy Statement of Fidelity dated April 21, 1997, for the 1997 Annual Meeting of Shareholders).
*10(j)	Stock Option Agreement between Larry D. Peterson and Fidelity (included as Exhibit 10(C) to Registration Statement on Form S-2, No. 333-36377, which is incorporated herein by reference).
*10(k)	Stock Option Agreement between James B. Miller, Jr. and Fidelity (included as Exhibit 10(d) to Registration Statement on Form S-2, No. 333-36377, which is incorporated herein by reference).
10(l)	Common Stock Purchase Warrant issued to Raymond James & Associates, Inc. dated December 12, 1997 (included as Exhibit 10(e) to Registration Statement on Form S-2, No. 333-36377, which is incorporated by reference).

</TABLE>

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Exhibit No.	Name of Exhibit
13	1998 Annual Report to Shareholders. Certain portions of this Exhibit are incorporated by reference into this Form 10-K; except as so incorporated by reference, the 1998 Annual Report to Shareholders is not deemed to be filed as part of this Report on Form 10-K.
21	Subsidiaries of Fidelity (included as Exhibit 22 to Fidelity's Registration Statement on Form 10, Commission File No. 0-22376,

filed with the Commission and incorporated herein by reference).

23	Consent of Ernst & Young LLP
24	Powers of Attorney
27	Financial Data Schedule (for SEC use only)

* management contract or compensatory arrangement required to be filed as an exhibit.

(b) Reports on Form 8-K. No reports on Form 8-K were filed during the fiscal quarter ended December 31, 1998.

(c) Exhibits. See Item 14(a)(3) above.

(d) Financial Statement Schedules. See Item 14(a) (2) above.

</TABLE>

SIGNATURES

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

FIDELITY NATIONAL CORPORATION

By: /s/ James B. Miller, Jr.

James B. Miller, Jr.
Chairman of the Board
March 24, 1999

SIGNATURES

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

<TABLE>
<S> <C>

/s/ James B. Miller, Jr. James B. Miller, Jr. Chairman of the Board and Director (Principal Executive Officer)	Date: March 24, 1999
/s/ M. Howard Griffith, Jr. M. Howard Griffith, Jr. Chief Financial Officer (Principal Financial and Accounting Officer)	Date: March 24, 1999
* David R. Bockel	Date: March 24, 1999

Director

* Edward G. Bowen, M.D. Director	Date: March 24, 1999
* Kevin S. King Director	Date: March 24, 1999
* Larry D. Peterson Director	Date: March 24, 1999
* Robert J. Rutland Director	Date: March 24, 1999

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* W. Clyde Shepherd, Jr. Director	Date: March 24, 1999
* Gordon M. Sherman Director	Date: March 24, 1999
* R. Phillip Shinall, III Director	Date: March 24, 1999
* Rankin M. Smith, Jr. Director	Date: March 24, 1999
* Felker W. Ward, Jr. Director	Date: March 24, 1999
* /s/ M. Howard Griffith, Jr. M. Howard Griffith, Jr. Attorney-in-fact	Date: March 24, 1999

</TABLE>

EXHIBIT 10(G)

ADDENDUM TO EMPLOYMENT AGREEMENT,
DATED SEPTEMBER 18, 1997
BETWEEN
FIDELITY NATIONAL CORPORATION
AND
JAMES B. MILLER, JR.

This Addendum ("Addendum") is entered into as of the 3rd day of November, 1997, by and between Fidelity National Corporation ("Corporation") and James B. Miller, Jr. ("Executive").

WHEREAS, the Corporation and the Executive have entered into an Employment Agreement, dated September 18, 1997 ("Employment Agreement"); and

WHEREAS, the parties wish to amend paragraph 3(b) as set forth therein.

NOW THEREFORE, in consideration of the mutual promises herein made and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Amendment of paragraph 3(b). Paragraph 3(b) of the Employment Agreement, is amended to add the following:

> Subsequent to the date of any written notice of termination provided to Miller pursuant to this paragraph 3(b), Fidelity shall engage the independent accounting firm regularly utilized by Fidelity (the "Accounting Firm") to provide to Fidelity and Miller, at Fidelity's expense, a determination of whether any compensation payable to Miller pursuant to this paragraph 3(b) constitutes a "parachute payment" (A "Parachute Payment") as defined in Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"). If the Accounting Firm determines that any compensation payable to Miller pursuant to this paragraph 3(b) constitutes a Parachute Payment, the Accounting Firm shall also determine: (i) the amount of the excise tax to be imposed under Section 4999 of the Code; (ii) whether Miller would realize a greater amount after federal and Georgia income taxes (assuming the highest marginal rates then in effect apply) if the compensation payable to Miller pursuant to this

paragraph 3(b) were reduced (assuming latest payments are reduced first) so that no amount payable to Miller hereunder constitutes a Parachute Payment than he would realize after federal and Georgia income taxes (assuming the highest marginal rates then in effect apply) so that no amount payable to Miller hereunder constitutes a Parachute Payment than he would realize after federal and Georgia income taxes (assuming the highest marginal rates then in effect apply) and after imposition of the excise tax

under Section 4999 of the Code if the amounts payable to Miller hereunder were not so reduced; and (iii) if the Accounting Firm determines in (ii) above that Miller would realize a higher amount if the compensation payable to miller were so reduced, the amounts of the reductions. All determinations should be made on a present value basis. The Accounting Firm shall provide to Fidelity and to Miller a written report of its determinations hereunder no later than forty-five (45) days prior to the termination date. No later than fifteen (15) days following his receipt of the report from the Accounting Firm, Miller may notify Fidelity in writing of any disagreement with said report, and in such case, Fidelity shall direct the Accounting Firm to promptly discuss its determinations with an accountant or other counsel designated by Miller in his written notice and seek to reach an agreement regarding same no later than fifteen (15) days prior to the termination date, with Fidelity and Miller, each bearing the cost of their own accountants or counsel. If no agreement can be reached, the matter shall be promptly submitted to binding arbitration under paragraph 13 hereof. The determinations so made shall be binding on the parties. If it is determined hereunder that Miller would realize a greater amount after federal and Georgia income taxes (assuming the highest marginal rates then in effect apply) if the compensation payable to him pursuant to this paragraph 3(b) were reduced (assuming latest payments are reduced first) so that no amount payable to Miller hereunder constitutes a Parachute Payment, then the amounts payable to Miller pursuant to this paragraph 3(b) shall be so reduced.

2. Ratification. Except as set forth herein, the parties hereto ratify and confirm the Employment Agreement.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date and year first set forth above.

FIDELITY NATIONAL CORPORATION

By:/s/ R. Phillip Shinall, III

Name: R. Phillip Shinall, III
Title: Director

EXECUTIVE

/s/ James B. Miller, Jr.

James B. Miller, Jr.

Fidelity National Corporation ("Fidelity") is a Georgia corporation incorporated on August 3, 1979, and is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended.

Through its subsidiaries, Fidelity provides a wide range of personal and corporate banking services, including trust and investment management, mortgage banking, and credit cards, as well as traditional deposit and credit services, to a growing customer base. Fidelity National Bank, Fidelity National Mortgage Corporation and Fidelity National Capital Investors, Inc. are Subsidiaries.

Fidelity National Bank ("the Bank"), a national banking association which opened February 10, 1974, has 19 full-service offices in Georgia, and two residential construction lending and two indirect car loan offices in Florida. The Bank's subsidiary, Fidelity National Mortgage Corporation, is a Georgia corporation organized in 1979 and engaged in the residential mortgage origination and servicing business. There are three mortgage offices in Georgia and two in Florida. Fidelity National Capital Investors, Inc., a Georgia corporation organized in 1992, provides retail brokerage and other securities related services.

As of December 31, 1998, Fidelity had total assets and shareholders' equity of $713 million and $55 million, respectively.

Fidelity is an equal opportunity employer and had 410 full-time employees at December 31, 1998. Employees are provided a variety of benefits including hospitalization, medical-surgical, major medical, dental, group life and disability income, and a 401(k) retirement plan.

BOARDS OF DIRECTORS:
FIDELITY NATIONAL CORPORATION

DAVID R. BOCKEL
President, Bockel & Company

DR. EDWARD G. BOWEN
Gynecologist and Obstetrician

KEVIN S. KING
Attorney, King & Carragher

JAMES B. MILLER, JR.
Chairman, President and CEO, Fidelity National Corporation Chairman, Fidelity National Bank; Fidelity National Mortgage Corporation; and Fidelity National Capital Investors, Inc.

LARRY D. PETERSON
President and CEO, Fidelity National Bank

ROBERT J. RUTLAND
Chairman and CEO, Allied Holdings, Inc.

W. CLYDE SHEPHERD, JR.
Secretary/Treasurer, Shepherd Construction Company

GORDON M. SHERMAN
Retired December 1998, as Regional Commissioner, Social Security Administration

R. PHILLIP SHINALL, III
Attorney, Holland & Knight LLP

RANKIN M. SMITH, JR.
Advisor to Atlanta Falcons

FELKER W. WARD, JR.
Chairman, Pinnacle Investment Advisors, Inc.

DIRECTORS EMERITUS
James W. Anderson, Jr.
Mrs. Alice Shinall

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FIDELITY NATIONAL BANK	FIDELITY NATIONAL MORTGAGE CORPORATION
<S>	<C>
James B. Miller, Jr., Chairman	James B. Miller, Jr., Chairman
David R. Bockel	James W. Anderson, Jr.
Dr. Edward G. Bowen	Benjamin C. Bishop, III

Kevin S. King	A.J. Facchinetti
Larry D. Peterson	B. Jefferson Russell
Robert J. Rutland	
W. Clyde Shepherd, III	FIDELITY NATIONAL CAPITAL
Gordon M. Sherman	INVESTORS, INC.
R. Phillip Shinall, III	James B. Miller, Jr., Chairman
Rankin M. Smith, Jr.	Sharon R. Denney
Felker W. Ward, Jr.	Norman R. Hess
	Amelia James
	Karina L. Miller
	W. Clyde Shepherd, III

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DEAR FELLOW SHAREHOLDERS,

Atlanta, Georgia, and Jacksonville, Florida, are two of the best markets in the world, and we are fortunate to be doing business in them. It gives flexibility which contributed to several of Fidelity's 1998 significant accomplishments.

The year's highlights include:

- Enhanced Profitability
- Reconfigured Balance Sheet
- Renewed Loan Growth
- Improved Asset Quality
- Increased Core Noninterest Income
- Opened Three Branches
- Secured Release of Regulatory Agreement
- Renewed Dividend Payout

Enhanced Profitability. One of management's goals is to continually enhance shareholder value through substantially improved earnings. Significant strides were made to achieve this goal as net income for 1998 was $3.9 million, a 300% increase over 1997's results. Fidelity's 1998 return on assets was .57% compared to .16% for 1997.

Reconfigured Balance Sheet. Beginning with Fidelity's 1997 strategic plan and continuing through 1998, many steps were taken to reduce balance sheet risk while maintaining Fidelity's strong net interest margins. The following are some of the changes that have resulted from this effort:

- Fidelity's net interest margin was 5.78% in 1998, placing it in the top 90% of its peer financial institutions.

- Higher risk credit card loans have declined from 34.3% of total loans at December 31, 1995, to 19.5% of total loans at December 31, 1998.

- Lower yielding investment securities have declined from 20.8% of earning assets at December 31, 1997, to 11.1% of earning assets at December 31, 1998, while higher yielding total loans have grown to 81.7% of earning assets compared to 72.1% at December 31, 1997.

Renewed Loan Growth. During 1998, total loans, excluding credit card loans, grew 36%. While credit card outstandings declined, commercial and real estate mortgage loans and real estate construction loans grew 38.6% and 36.3%, respectively. Overall, total loans grew 22.6% during 1998.

Improved Asset Quality. During this period of significant loan growth, key nonperforming ratios declined not only in relation to the loan portfolio, but also in real terms. Some of the more notable changes were:

- loans past due 90 days or more declined 29.1%;
- nonperforming assets declined 20.1%; and
- net charge-offs declined 28.7%.

Increased Noninterest Income. Core noninterest income grew 14.6% in 1998 over 1997. Core noninterest income excludes securities gains and losses, gains on sale of mortgage servicing rights and other significant non-recurring items.

Opened Three New Branches. During the summer of 1998, we opened three branches, bringing our total number of bank branches to 19. Supported by targeted advertising, the openings benefited Fidelity's entire branch network. The openings gave Fidelity a stronger market penetration in the rapidly growing Lawrenceville suburb of Atlanta and the company's first office in south Atlanta.

Secured Release from Regulatory Agreement. On December 1, 1998, following its annual examination of Fidelity National Bank, the OCC terminated the formal agreement dated November 14, 1996, which included, among other things, certain restrictions on dividend payments by the Bank. Another benefit of securing release from the agreement should be a significant reduction in regulatory related costs in 1999 and thereafter.

Renewed Dividend Payout. In December 1998, Fidelity paid its first common stock dividend since the fourth quarter of 1996. The dividend was $.04 per share.

Capital. Thanks to our successful public offering providing $23 million of new capital in late 1997, we are capitalized to support significant growth. At December 31, 1998, the Tier 1 risk-based capital ratio was 9.25%; the leverage ratio was 7.57%; and the total risk-based capital ratio was 13.14%.

Thank You. The significant improvements listed above could not have been achieved without the support and investments in our company by our shareholders, directors and employees. Thank you all, and a special thank you to Fidelity's customers who are the source of all of our business and most of our referrals.

Reflections - Sharon Denney, Dan Ford. This is our 25th anniversary. Our history has been about change. I preach change, but practicing is sometimes harder than preaching. Sharon joined Fidelity in 1979. We were still in the trailer. His coming made it possible for us to begin growing. He knows people and he knows how to get things done. He is my dearest friend. Dan joined us in 1987. His knowledge of credit and character is without equal in Atlanta. We three, along with Curtis James, were a team. We complemented each other. We supported each other. The growth and success of this company are the result. What a reward it has been to work with and be a friend to these great gentlemen. They retired in 1998, but inspired us to do more.

Sincerely,

/s/ James B. Miller, Jr.

James B. Miller, Jr.
Chairman

FIDELITY NATIONAL CORPORATION
FINANCIAL HIGHLIGHTS

(Dollars in Thousands Except Per Share data)

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	December 31,				
For the Year	1998	1997(1)	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Interest income	$ 63,772	$ 62,153	$ 59,800	$ 48,080	$ 35,887
Net interest income	36,028	35,943	33,073	29,209	24,122
Provision for loan losses	9,450	14,435	25,127	8,090	4,125

Noninterest income, including securities gains	18,940	17,379	18,305	11,679	8,769
Securities gains, net	255	140	604	853	124
Noninterest expense	39,448	37,420	35,489	25,583	22,375
Net income (loss)	3,853	963	(5,742)	4,649	4,299
Dividends declared common	325	-	693	644	628
Dividends declared preferred	369	251	-	-	-
PER SHARE DATA					
Net income (loss) - basic	$ .43	$ .15	$ (1.24)	$ 1.01	$ .93
Net income (loss) - diluted	.42	.15	(1.24)	1.01	.93
Book value	5.95	5.57	4.53	6.02	4.65
Dividends paid common	.04	-	.15	.14	.14
Dividend payout ratio	18.02%	26.07%	*%	13.85%	14.62%
Average common shares outstanding	8,123,049	4,831,364	4,619,530	4,608,383	4,608,383
PROFITABILITY RATIOS					
Return on average assets	.57%	.16%	*%	1.01%	1.15%
Return on average equity	7.26	3.66	*	18.91	20.40
Net interest margin	5.78	6.42	5.97	6.87	6.95
Efficiency ratio	71.77	70.18	69.07	62.57	68.03
ASSET QUALITY RATIOS					
Net charge-offs to average loans	2.42%	3.58%	3.00%	1.91%	1.54%
Allowance to period-end loans	2.40	3.31	3.85	1.54	1.31
Nonperforming assets to total loans and OREO	.73	.85	.85	1.22	.87
Allowance to nonperforming loans	6.45x	10.07x	5.62x	1.80x	3.65x
Allowance to nonperforming assets	3.29	3.89	4.71	1.25	1.50
LIQUIDITY RATIOS					
Total loans to total deposits	86.26%	76.90%	85.80%	87.30%	87.10%
Average total loans to average earning assets	73.02	82.73	85.00	84.60	80.60
Noninterest-bearing deposits to total deposits	16.49	15.30	13.56	16.10	15.80
CAPITAL RATIOS					
Leverage	7.57%	8.05%	2.67%	5.42%	5.51%
Risk-based capital					
Tier 1	9.25	9.99	3.40	6.15	6.49
Total	13.14	14.46	6.38	10.47	8.25
Average equity to average assets	7.85	4.63	4.50	5.35	5.64
BALANCE SHEET DATA (AT END OF PERIOD)					
Assets	$ 712,878	$ 656,933	$ 605,420	$ 524,822	$ 429,927
Earnings assets	656,137	606,533	545,375	428,714	393,980
Total loans, net	535,876	437,182	467,390	407,290	333,674
Total deposits	621,264	568,317	544,713	466,507	383,016
Long-term debt	15,650	15,800	15,500	16,750	2,491
Shareholders' equity	54,555	51,348	21,073	27,762	21,430
Realized shareholders' equity	54,479	51,139	21,213	27,073	23,067
DAILY AVERAGE					
Assets	$ 675,769	$ 608,569	$ 611,517	$ 459,251	$ 373,869
Earning assets	623,837	560,617	554,354	426,525	348,312
Total loans	488,697	463,898	471,200	360,915	280,593
Long-term debt	15,701	15,558	16,500	3,439	1,684
Shareholders' equity	53,053	26,330	27,484	24,589	21,077

</TABLE>

*NOT MEANINGFUL

(1) As restated, see Note 1 to the Consolidated Financial Statements.

CONSOLIDATED FINANCIAL REVIEW

The following management's discussion and analysis reviews important factors affecting the results of operations and financial condition of Fidelity National Corporation and its subsidiaries ("Fidelity") for the periods shown. The consolidated financial statements and related notes should be read in conjunction with this review. In the discussion, net interest income and net interest margin are presented on a fully taxable-equivalent basis.

OVERVIEW

Fidelity National Corporation is a bank holding company with headquarters in Atlanta, Georgia. Fidelity commenced operations as Fidelity National Bank ("the Bank"), a full-service banking operation, in 1974. Fidelity National Bank provides traditional deposit, lending, mortgage, international trade services and trust products and services to its commercial and retail customers. The Bank's wholly owned subsidiary, Fidelity National Mortgage Corporation, is a full-service residential mortgage banking operation; and Fidelity National Corporation's wholly owned subsidiary, Fidelity National Capital Investors, Inc., is a securities brokerage operation. Fidelity currently conducts full-service banking and residential mortgage lending businesses through 19 locations in the metropolitan Atlanta area. Fidelity conducts indirect automobile lending (the purchase of consumer automobile installment sales contracts from automobile dealers) at its Atlanta, Georgia and Jacksonville and Tampa, Florida offices. Residential mortgage lending and residential construction lending are conducted through certain of its Atlanta offices and from loan production offices in Jacksonville and Tampa, Florida.

The year 1998 was the beginning of a period of renewed growth. Since its inception, Fidelity has pursued a strategy of growth primarily through internal expansion built on providing quality financial services in selected market areas. At December 31, 1998, Fidelity had grown to $713 million in total assets from $430 million in total assets at December 31, 1994.

Loan growth is a key component of Fidelity's strategic plan and was the primary growth driver in 1998. During 1998, total loans grew $99 million, or 22.6%. This growth was experienced in every major loan category except credit card loans. Loan categories excluding credit card loans grew 36.0%.

Commercial and real estate mortgage loans grew steadily during 1998, increasing $45 million or 38.6% compared to 1997. Real estate construction loans grew $16 million or 36.3% compared to 1997, with most of the increase coming late in 1998.

Fidelity has experienced significant growth in indirect automobile lending since it implemented a strategy to expand this activity. In 1995, Fidelity modified its strategic plan for indirect lending to take advantage of its ability to produce indirect automobile loans and to enhance other noninterest income. At December 31, 1998, these loans totaled $179 million, compared to $78 million at December 31, 1994. During 1998, 1997 and 1996, Fidelity sold, either through whole loan sales or securitization, approximately $158 million, $92 million and $137 million, respectively, of indirect automobile loans with servicing retained. In addition, during 1997 and 1996, Fidelity sold $33 million and $38 million, respectively, of indirect automobile loans servicing released. Fidelity anticipates that it will continue to sell periodically, through whole loan sales, a substantial portion of its indirect automobile loan production to enhance noninterest income and manage the relative level of indirect automobile loans in its portfolio.

Historically, credit card loans have been an important part of Fidelity's total loan portfolio. At December 31, 1994, credit card loans represented 33.2% of the total loan portfolio of $327 million. In 1994, as a result of additional affinity programs and the introduction of Fidelity's Olympic card, credit card loans outstanding and balances began to increase. The affinity programs include colleges, associations and other entities which contract to assist in the marketing of Fidelity's credit cards in return for issuance and transaction fee income. At December 31, 1996, credit card loans totaled $144 million or 30.8% of total loans. During late 1996 and the first quarter of 1997, net credit card losses increased significantly, reflecting a national trend and credit quality issues related to an affinity program introduced in the middle of 1995. This affinity program was subsequently discontinued in May 1996. Since March 1997, credit card net losses have significantly declined and net credit card loans have declined. At December 31, 1998, credit card loans were $104 million or 21.0% of the total loan portfolio.

During 1997, Fidelity raised $29.1 million in capital, including $6.15 million from a private placement of non-cumulative 8% convertible preferred stock, series A. The balance of the new capital was raised in a public offering of 3,450,000 shares of common stock in December 1997. The proceeds of these offerings, net of issuance costs, were used to increase Fidelity National Bank's capital ratios and for general corporate purposes.

On December 1, 1998, the Office of the Comptroller of the Currency ("OCC") lifted a formal agreement between Fidelity National Bank and the OCC. The formal agreement, dated November 14, 1996, among other things placed certain restrictions on Fidelity National Bank's capital levels and dividend payments. For additional information see Note 2 of the Notes to Consolidated Financial Statements.

While closing its books for 1998, management discovered an error which had resulted in an overstatement of the value of its only securitization asset at year-end 1997. The asset's lower valuation resulted from higher than expected loan

prepayments and credit losses. The restatement of fourth quarter results for 1997 reduced earnings by $871,236 or $.18 per share. For additional information see Note 1 of the Notes to Consolidated Financial Statements.

RESULTS OF OPERATIONS

NET INCOME Fidelity National Corporation's net income for the year ended December 31, 1998, was $3.9 million or $.43 earnings per share - basic, compared to $963,000 or $.15 per share for 1997, as restated. Earnings per share -diluted for 1998 were $.42 compared to $.15 for 1997, as restated. The major factors contributing to the improved earnings for 1998 were a $5.0 million reduction in the provision for loan losses and a $1.6 million increase in noninterest income. Fidelity had a net loss in 1996 of $5.7 million or $1.24 per share. The loss for 1996 was primarily due to a higher loan loss provision resulting from higher levels of delinquencies and charge-offs in Fidelity's credit card loan portfolio.

AVERAGE BALANCES, INTEREST AND YIELDS TABLE 1

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(Dollars in Thousands)	For the Years Ended December 31,								
	1998			1997			1996		
ASSETS	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets									
Loans, net of unearned income (1)(2)									
Taxable	$487,293	$ 55,216	11.33%	$462,495	$ 55,928	12.09%	$469,846	$ 54,254	11.55%
Tax-exempt (3)	1,404	128	9.11	1,495	134	8.96	1,355	127	9.37
Total loans	488,697	55,344	11.32	463,990	56,062	12.08	471,201	54,381	11.54
Investment securities-taxable	100,539	6,631	6.60	71,548	4,835	6.76	73,433	4,956	6.75
Interest-bearing deposits	3,483	156	4.49	2,712	68	2.51	1,431	74	5.17
Federal funds sold	31,118	1,689	5.43	22,568	1,239	5.49	8,289	437	5.27
Total interest-earning assets	623,837	63,820	10.23	560,818	62,204	11.09	554,354	59,848	10.80
Noninterest-earning assets:									
Cash and due from banks	27,474			20,438			22,011		
Allowance for loan losses	(13,208)			(15,865)			(6,829)		
Premises and equipment	20,055			20,734			14,164		
Other real estate owned	2,136			2,010			1,246		
Other assets	15,475			20,435			26,598		
Total assets	$675,769			$608,570			$611,544		
LIABILITIES AND SHAREHOLDERS' EQUITY									
Interest-bearing liabilities									
Demand deposits	$103,912	$ 3,590	3.46%	$ 82,298	$ 2,298	2.79%	$100,966	$ 3,542	3.51%
Savings deposits	22,649	762	3.36	28,963	1,032	3.56	26,516	1,058	3.99
Time deposits	367,484	21,198	5.77	363,148	20,906	5.76	344,551	19,933	5.79
Total interest-bearing deposits	494,045	25,550	5.17	474,409	24,236	5.11	472,033	24,533	5.20
Federal funds purchased	672	36	5.35	715	39	5.46	2,306	144	6.24
Securities sold under agreements to repurchase	20,756	678	3.26	13,266	412	3.11	13,305	390	2.93
Other short-term borrowings	744	27	3.60	1,341	35	2.61	3,296	159	4.82
Long-term debt	15,701	1,454	9.26	15,558	1,488	9.56	16,500	1,501	9.10
Total interest-bearing liabilities	531,918	27,745	5.22	505,289	26,210	5.19	507,440	26,727	5.27
Noninterest-bearing									
Demand deposits	85,720			72,807			70,073		
Other liabilities	5,078			4,144			6,520		
Shareholders' equity	53,053			26,330			27,511		
Total liabilities and shareholders' equity	$675,769			$608,570			$611,544		
Net interest income/spread		$ 36,075	5.01%		$ 35,994	5.90%		$33,121	5.53%
Net interest rate margin			5.78%			6.42%			5.97%

</TABLE>

(1) Fee income relating to loans of $4,310 in 1998, $3,720 in 1997 and $4,007 in 1996 is included in interest income.
(2) Nonaccrual loans are included in average balances and income on such loans, if recognized, is recognized on a cash basis.
(3) Interest income includes the effects of taxable-equivalent adjustments of $49, $50, and $48 for each of the three years ended December 31, 1998, 1997 and 1996, respectively, using a combined tax rate of 38%.

NET INTEREST INCOME/MARGIN Taxable-equivalent net interest income was $36.0 million in 1998 compared to $36.0 million in 1997. The $5.3 million increase in interest income attributable to net growth in interest earnings assets was offset by an 86 basis point decline in the yield on loans and the $27 million growth in balances and two basis point increase in the cost of interest-bearing liabilities. The 86 basis point interest rate decline negatively impacted earnings by $3.7 million and was primarily attributable to the decline in yield and volume in Fidelity's credit card portfolio.

Average interest-earning assets grew $63 million in 1998 to $624 million, an 11.2% increase. Increases in interest-earning assets occurred in every major category. As a result of Fidelity's public offering in December 1997, Fidelity's and the Bank's capital position was significantly improved. The renewed growth in average interest-earning assets throughout 1998 was made possible by Fidelity's strengthened capital position. Asset growth during 1997 and most of 1996 had been restricted due to Fidelity's capital position during that period.

For 1998, total average loans increased $25 million or 5.3%, average investment securities grew $29 million or 40.5% and average Federal funds purchased and interest-bearing deposits grew $19 million or 36.9% over 1997. These increases provided a $5.3 million increase in interest income. During 1998, the average yield on interest-earning assets declined 86 basis points, reducing interest income by $3.7 million. This decrease was caused by the following:

1) Management's decision to reduce the percentage of credit card loans as a percent of Fidelity's total loan portfolio.

2) The initial deployment of the proceeds of the December 1997, public offering in lower yielding investment securities.

3) The 75 basis point reduction in prime rate during the fourth quarter of 1998 resulting from interest rate actions taken by the Board of Governors of the Federal Reserve.

A portion of the growth in average loans was funded by reducing Fidelity's lower yielding investment portfolio. This offset some of the effects of the $16 million decline in the higher yielding credit card loans during 1998.

The cost of interest-bearing liabilities increased $1.5 million during 1998 over 1997. The increase was due to a $27 million or 5.3% increase in interest bearing liabilities and a three basis point increase in the cost of interest-bearing liabilities.

Average total loans declined $7.2 million during 1997. The decline in loans was principally in credit card and construction loans, partially offset by an increase in indirect automobile loans. The decline in average loans and the $1.9 million decline in average investment securities was more than offset by the $14.3 million average increase in Federal funds sold.

The $517,000 decrease in total interest expense in 1997 compared to 1996 was attributable primarily to an eight basis point decrease in the rates paid on average total interest-bearing liabilities, partially offset by a slight decrease in interest-bearing liabilities.

RATE/VOLUME ANALYSIS TABLE 2

(Dollars in Thousands)

<TABLE>
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	1998 Compared to 1997 Variance Attributed To (1)			1997 Compared to 1996 Variance Attributed To (1)		
	Volume	Rate	Net Change	Volume	Rate	Net Change
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net loans:						
Taxable	$ 2,906	$ (3,618)	$ (712)	$ (642)	$ 2,316	$ 1,674
Tax-exempt (2)	(8)	2	(6)	10	(3)	7
Investment securities-taxable	1,900	(104)	1,796	(95)	(26)	(121)
Federal funds sold	464	(14)	450	388	414	802
Interest-bearing deposits	23	65	88	22	(28)	(6)
Total interest-earning assets	$ 5,285	$ (3,669)	$ 1,616	$ (317)	$ 2,673	$ 2,356
Interest-bearing deposits:						
Demand	$ 678	$ 615	$ 1,293	$ (293)	$ (950)	$ (1,243)
Savings	(216)	(54)	(270)	46	(73)	(27)
Time	260	32	292	531	442	973
Total interest-bearing deposits	722	593	1,315	284	(581)	(297)
Federal funds purchased	(2)	(1)	(3)	(44)	(61)	(105)

Securities sold under agreements to repurchase	245	21	266	174	(152)	22
Other short-term borrowings	(19)	11	(8)	(35)	(89)	(124)
Long-term debt	13	(48)	(35)	(44)	31	(13)
Total interest-bearing liabilities	$ 959	$ 576	$ 1,535	$ 335	$ (852)	$ (517)

</TABLE>

(1) The change in interest due to both rate and volume has been allocated to the components in proportion to the relationship of the dollar amounts of the change in each.
(2) Reflects fully taxable equivalent adjustments using a combined tax rate of 38%.

PROVISION FOR LOAN LOSSES Management's policy is to maintain the allowance for loan losses at a level sufficient to absorb estimated losses inherent in the loan portfolio. The allowance is increased by the provision for loan losses and decreased by charge-offs, net of recoveries. In determining inherent losses, management considers financial services industry trends, conditions of individual borrowers, historical loan loss experience and the general economic environment. As these factors change, the level of loan loss provision changes.

The provision for loan losses was $9.5 million in 1998, $14.4 million in 1997 and $25.1 million in 1996. Fidelity was able to reduce the provision for loan losses during 1998 and 1997 as a result of declining credit card and consumer loan net charge-offs, which peaked in 1997, and declining delinquencies. Net charge-offs were $11.9 million in 1998 compared to $16.6 million in 1997. Net charge-offs to average loans was 2.60% in 1998 compared to 3.58% in 1997.

For the same reason, Fidelity was able to reduce the allowance for loan losses and the allowance for loan losses allocated to credit card loans during 1997. The decline in credit card net charge-offs was primarily due to bringing credit card collections in-house, the discontinuance of issuing preapproved credit cards in May 1996 to recent home buyers, and the maturing of the pre-approved credit cards in the portfolio.

The following schedule summarizes credit card and total net charge-offs for the past four years by quarter:

<TABLE>
<CAPTION>

Net Charge-offs

(Dollars in Thousands)

Quarter Ended	Credit Card	Total	Quarter Ended	Credit Card	Total
<S>	<C>	<C>	<C>	<C>	<C>
March 31, 1995	$ 1,348	$ 1,424	March 30, 1997	$ 4,165	$ 5,262
June 30, 1995	1,738	1,766	June 30, 1997	3,748	4,563
September 30, 1995	1,697	1,749	September 30, 1997	3,021	3,597
December 31, 1995	1,806	1,958	December 31, 1997	2,466	3,204
March 31, 1996	1,653	1,825	March 31, 1998	2,657	3,282
June 30, 1996	2,439	2,690	June 30, 1998	3,015	3,522
September 30, 1996	4,471	5,225	September 30, 1998	1,690	2,263
December 31, 1996	4,025	4,413	December 31, 1998	2,375	2,792

</TABLE>

ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES TABLE 3

(Dollars in Thousands)

<TABLE>
<CAPTION>

	December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Balance at beginning of period	$ 14,320	$ 16,511	$ 5,537	$ 4,344	$ 4,550
Charge-offs:					
Commercial, financial and agricultural	28	154	3	60	226
Real estate-construction	-	-	-	-	-
Real estate-mortgage	-	-	-	-	-
Consumer installment	2,444	3,367	1,657	328	88
Credit cards	12,092	14,735	13,156	7,051	4,466

Total charge-offs	14,564	18,256	14,816	7,439	4,780
Recoveries:					
Commercial, financial and agricultural	29	103	31	42	29
Real estate-construction	-	-	-	-	-
Real estate-mortgage	-	-	-	-	2
Consumer installment	321	192	64	38	24
Credit cards	2,355	1,335	568	462	394
Total recoveries	2,705	1,630	663	542	449
Net charge-offs	11,859	16,626	14,153	6,897	4,331
Provision for loan losses	9,450	14,435	25,127	8,090	4,125
Balance at end of period	$ 11,911	$ 14,320	$ 16,511	$ 5,537	$ 4,344
Ratio of net charge-offs during period to average loans outstanding, net	2.42%	3.58%	3.00%	1.91%	1.54%
Allowance for loan losses as a percentage of loans	2.40	3.31	3.85	1.54	1.31

</TABLE>

In 1996, the provision for loan losses of $25.1 million was the most significant factor contributing to Fidelity's loss. Net charge-offs were $14.2 million in 1996. Net charge-offs to average loans were 3.00%. Approximately 88.9% of the loan charge-offs were attributable to credit card loans. This significant increase in credit card losses in 1996 was due to several factors. Nationally, credit card charge-offs reached record highs as consumers found themselves unable to meet their credit card obligations. Many of these consumers filed for bankruptcy and bankruptcies hit record levels. Moreover, a significant portion of Fidelity's credit card portfolio's charge-offs was attributable to one specific program. Under this program, which Fidelity initiated in the middle of 1995 and discontinued in May 1996, Fidelity issued to recent home buyers credit cards with a $3,000 credit limit, no annual fee in the first year, a $30 annual fee thereafter and an interest rate of 14.9%. While it was, and continues to be, Fidelity's policy not to issue credit cards without first conducting a credit review, Fidelity initially issued preapproved credit cards under this specific program without such a review. The reason for this policy exception was that these customers had recently completed a credit review necessary to secure residential mortgages from unrelated third-party lenders. In May 1996, Fidelity ceased issuing preapproved credit cards under this program. A substantial portion of the additional provision for loan losses recorded in 1996 was to provide for losses deemed inherent in this portfolio as of that year end. As a result of the higher risk inherent in the preapproved program, the rate on those cards was increased to 17.9% in November 1996.

NONINTEREST INCOME Noninterest income for 1998 was $18.9 million compared to $17.4 million in 1997. Noninterest income in 1998 and 1997 benefited from $255,000 and $140,000 in securities gains, respectively. In 1998, noninterest income also benefited from a non-recurring gain of $654,000 and in 1997 noninterest income benefited from a $1.5 million gain on the sale of mortgage servicing rights. Excluding those non-recurring items, noninterest income for 1998 was $18.0 million compared to $15.7 million in 1997, a 14.6% increase. Fidelity's 1998 indirect automobile lending activities income increased $1.5 million or 68.5% over 1997. This was the primary contributor to the growth in noninterest income during 1998.

Fidelity's strategic plan calls for increasing noninterest income as a percentage of total revenues (net interest income plus noninterest income). A key component of that growth comes from expanding Fidelity's indirect automobile lending loan sales and indirect automobile loan servicing. During 1998, Fidelity sold $158 million of its indirect automobile loan production, servicing retained. This compares to sales of $125 million in 1997, of which $92.1 million was sold servicing retained. The 1998 gains from loan sales were $1.9 million compared to $921,000 for 1997. At December 31, 1998, Fidelity was servicing $236.0 million of indirect automobile loans it had sold, compared to $168.3 million at December 31, 1997. The balance of the 1998 increase in noninterest income was attributable to increased fee generating banking activities.

Noninterest income for 1997 declined $900,000 from 1996. The $1.5 million increase in service charge income, credit card fees and other operating income during 1997 was more than offset by the $2.0 million decline in income from mortgage banking activities and a $464,000 decline in securities gains. Noninterest income during 1997 benefited from a $1.5 million gain on the sale of mortgage servicing rights, compared to $2.1 million in such gains during 1996. Primarily as a result of the sales of mortgage servicing rights, mortgage servicing income declined $1.1 million in 1997. Gains from loan sales increased $249,000 to $921,000 in 1997 compared to 1996.

The profits from the sales of mortgage servicing rights in 1997 and 1996 offset losses in the mortgage business due to declining loan production and the sales reduced Fidelity's exposure to mortgage servicing rights impairment due to mortgage loan prepayments.

NONINTEREST EXPENSE Noninterest expense increased $2.0 million or 5.4% in 1998 to $39.4 million from a restated $37.4 million in 1997. Restated noninterest expense in 1997 increased $1.9 million or 5.4% to $37.4 million when compared to 1996.

Salaries and employee benefits increased only 0.9% in 1998 to $17.2 million. The nominal increase in salaries and employee benefits during 1998, while Fidelity experienced branch expansion and strong loan growth, was primarily due to cost controls and strong personnel resource management. The number of full time equivalent employees at December 31, 1998, was 410 compared to 375 at December 31, 1997. Salaries and employee benefits increased 3.7% in 1997 to $17.0 million when compared to 1996. This was a result of salary increases, the staffing of several new management positions and bringing credit card collections in-house.

Furniture and equipment expense and net occupancy costs increased $714,000 during 1998 and $950,000 during 1997 due to general corporate growth including branch bank expansion, the consolidation of departments into an operations center, and the opening of loan production offices.

Professional and other outside services increased 22.1% to $2.9 million in 1998 when compared to 1997. Consulting expenses of approximately $816,000 relating to the mitigation of potential risks related to the Year 2000 ("Y2K") testing accounted for much of this increase. (See the discussion of the Year 2000 risks under "Market Risks".) The increase of $673,000 in 1997 to $1.2 million is primarily the result of a $424,000 increase in outside services provided and an increase in audit and legal fees related to the losses incurred in 1996 and the resulting regulatory and capital adequacy issues which were resolved in 1997 and 1998.

Regulatory assessments increased $185,000 during 1998 to $1.4 million when compared to 1997, primarily as a result of deposit growth. The increase of $673,000 to $1.2 million in 1997 compared to 1996 was primarily the result of regulatory and capital adequacy issues. These issues were substantially resolved in 1997 and 1998.

Expenses related to the amortization of mortgage servicing rights increased 15.5% to $910,000 in 1998 when compared to 1997, primarily because of substantial loan refinancing activity during the low mortgage interest rate environment experienced in 1998 and an 18.1% increase in mortgage servicing rights assets in 1998 compared to 1997 as a result of an 11.6% increase in mortgage production volume in 1998. Expenses related to the amortization of mortgage servicing rights declined to $788,000 in 1997 compared to $1.9 million in 1996 due to the 1996 and 1997 sales of mortgage servicing rights.

Excluding mortgage servicing rights, expenses related to mortgage banking activities were $3.5 million in 1998 compared to $3.8 million in 1997 and $4.5 million in 1996.

The following schedule summarizes the change in mortgage servicing rights for the three years ended December 31, 1998:

<TABLE>
<CAPTION>

	Years Ended December 31,		
	1998	1997	1996
	(Dollars In Millions)		
<S>	<C>	<C>	<C>
Beginning balance	$ 2.2	$ 5.5	$ 7.8
Add:			
Originated servicing rights	1.3	0.3	0.9
	3.5	5.8	8.7
Less:			
Amortization	0.4	0.5	0.8
Loan payoff	0.5	0.3	0.8
Bulk sale	-	2.8	1.6
Ending balance	$ 2.6	$ 2.2	$ 5.5

</TABLE>

Expenses related to retail brokerage and securities related services totaled $2.9 million in 1998 compared to $3.1 million in both 1997 and 1996.

Other expenses in 1998 totaled $6.0 million, which is approximately the same amount as in restated 1997. Fidelity recorded a $671,000 write-down of a commercial real estate owned property in 1998 as a result of an impairment to its value, while in 1997, Fidelity restated its financial results to reflect a $1.3 million impairment of an asset related to a 1996 indirect automobile loan securitization. (See "Restatement" discussion in Note 1 to Consolidated Financial Statements.) Advertising and promotion expenses increased $244,000 to $370,000 and collection fees increased $253,000 to $345,000 in 1998 when compared to 1997.

PROVISION FOR INCOME TAXES The provision for income taxes consists of provisions for Federal and state income taxes. The provision for income taxes for 1998 and 1997 was $2.2 million and $0.5 million, respectively, compared to a $3.5 million tax benefit for the same period in 1996. Fidelity's effective tax rate approximated statutory rates for all periods.

FINANCIAL CONDITION

Fidelity manages its assets and liabilities to maximize long-term earnings opportunities while maintaining the integrity of its financial position and the quality of earnings. To accomplish this objective, management strives to effect efficient management of interest rate risk and liquidity needs. The primary objectives of interest-sensitivity management are to minimize the effect of interest rate changes on the net interest margin and to manage the exposure to risk while maintaining net interest income at acceptable levels. Liquidity is provided by carefully structuring the balance sheet. As a result of the public offering in December 1997, Fidelity has increased its funding alternatives and significantly improved its capital and liquidity position.

Fidelity's Asset/Liability Management Committee ("ALCO") meets regularly to review Fidelity's interest rate sensitivity positions and its current and projected liquidity.

MARKET RISK Fidelity's primary risk exposures are interest rate risk and credit risk and, to a lesser extent, liquidity risk. Over the next twelve months, an additional primary risk exposure is that which is associated with the Y2K issues discussed below. These risk exposures relate to computer operations and automated information systems and controls and liquidity issues that may evolve from market behaviors caused by Y2K concerns. Fidelity has little or no risk related to trading accounts, commodities or foreign exchange.

Interest rate risk is the exposure of a banking organization's financial condition and earnings ability to adverse movements in interest rates. Accepting this risk can be an important source of profitability and shareholder value; however, excessive levels of interest rate risk can pose a significant threat to Fidelity's assets, earnings and capital base. Accordingly, effective risk management that maintains interest rate risk at prudent levels is essential to Fidelity's success.

Fidelity's ALCO, which includes senior management representatives, monitors and considers methods of managing the rate and sensitivity repricing characteristics of the balance sheet components consistent with maintaining acceptable levels of changes in portfolio values and net interest income with changes in interest rates. A primary purpose of the ALCO is to manage interest rate risk, to effectively invest Fidelity's capital, and to preserve the value created by its core business operations. Fidelity's exposure to interest rate risk is reviewed on at least a quarterly basis by the Board of Directors.

Evaluating a financial institution's exposure to changes in interest rates includes assessing both the adequacy of the management process used to control interest rate risk and the organization's quantitative levels of exposure. When assessing the interest rate risk management process, Fidelity seeks to ensure that appropriate policies, procedures, management information systems and internal controls are in place to maintain interest rate risk at prudent levels with

consistency and continuity. Evaluating the quantitative level of interest rate risk exposure requires Fidelity to assess the existing and potential future effects of changes in interest rates on its consolidated financial condition, including capital adequacy, earnings, liquidity, and, where appropriate, asset quality.

The Board of Governors of the Federal Reserve, together with the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation, adopted a Joint Agency Policy Statement on Interest Rate Risk, effective June 26, 1996. The policy statement provides guidance to examiners and bankers on sound practices for managing interest rate risk, which will form the basis for ongoing evaluation of the adequacy of interest rate risk management at supervised institutions. The policy statement also outlines fundamental elements of sound management that have been identified in prior Federal Reserve guidance and discusses the importance of these elements in the context of managing interest rate risk.

Interest rate sensitivity analysis is used to measure Fidelity's interest rate risk by computing estimated changes in earnings and the net present value of its cash flows from assets, liabilities and off-balance sheet items in the event of a range of assumed changes in market interest rates. Net present value represents the market value of portfolio equity and is equal to the market value of assets minus the market value of liabilities, with adjustments made for off-balance sheet items. This analysis assesses the risk of loss in market risk sensitive instruments in the event of a sudden and sustained 200 basis point increase or decrease in market interest rates.

Fidelity utilizes a statistical research firm specializing in the banking industry to provide various quarterly analyses related to its current and projected financial performance, including a rate shock analysis.

Data sources for this and other analyses include quarterly FDIC Call Reports and the Federal Reserve Y-9C, management assumptions, industry norms and financial markets data. The standard algebraic formula for calculating present value is used. Present value is the future cash flows of a financial investment, or portfolio of financial instruments, discounted to the present. For purposes of evaluating rate shock, rate change induced sensitivity tables are used in determining repayments, prepayments and early withdrawals.

The schedule below sets forth an analysis of Fidelity's assumed earnings market value risk and earnings risk inherent in its interest rate sensitive instruments related to interest-rate swings of 200 basis points, both above and below current levels (rate shock analysis). Earnings and fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Assumptions have been made as to appropriate discount rates, prepayment speeds, expected cash flows and other variables. Changes in assumptions significantly affect the estimates and, as such, the derived earnings and fair value may not be indicative of the value negotiated in an actual sale or comparable to that reported by other financial institutions. In addition, the fair value estimates are based on existing financial instruments without attempting to estimate the value of anticipated future business. The tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

Rate shock analysis provides only a limited, point in time view of Fidelity's interest rate sensitivity. The gap analysis also does not reflect factors such as the magnitude (versus the timing) of future interest rate changes and asset prepayments. The actual impact of interest rate changes upon Fidelity's earnings and net present value may differ from that implied by any static rate shock measurement. In addition, Fidelity's net interest income and net present value under various future interest rate scenarios are affected by multiple other factors not embodied in a static rate shock analysis, including competition, changes in the shape of the Treasury yield curve, divergent movement among various interest rate indices, and the speed with which interest rates change.

The following schedule illustrates the effects on annual earnings over a one year period and the effects on net present value of Fidelity's assets, liabilities and off-balance sheet items as a result of an immediate increase and an immediate decrease of 200 basis points in market rates of interest:

RATE SHOCK ANALYSIS
(Dollars in Thousands)

<TABLE>
<CAPTION>

	December 31, 1998		December 31, 1997	
<S>	<C>	<C>	<C>	<C>
Market rates of interest	+200 Basis Points	-200 Basis Points	+200 Basis Points	-200 Basis Points
Change in net present value	$(2,993)	$301	$(6,491)	$ 4,536
Percent change in net interest income	1.22%	(1.46)%	1.49%	(1.76)%
Percent change in net income	7.53%	(8.96)%	4.01%	(4.73)%

</TABLE>

The analysis indicates that an immediate 200 basis point increase in market rates of interest would reduce the net present value of Fidelity, while an immediate 200 basis point decrease in market rates of interest would increase the net present value. The impact on net present value has decreased under both scenarios when compared to 1997, primarily because of the relative balance between asset sensitivity and liability sensitivity over time. The analysis indicates that a similar rate increase would increase both net interest income and net income over a one year period, while a similar decrease would reduce both net interest income and net income. The projected impact on earnings reflects the asset

sensitive characteristics of Fidelity in the short term. (See "Interest Rate Sensitivity".) The impact on percent change in net interest income for 1998 is similar to that for 1997 and reflects the asset sensitivity of Fidelity over a six month time horizon and the liability sensitivity of Fidelity over a six to twelve month time horizon. The analysis indicates that the effects of either an immediate and sustained increase or decrease in market rates of interest of 200 basis points would not be material to Fidelity's net present value or operating results over a one year period.

INTEREST RATE SENSITIVITY The major elements used to manage interest rate risk include the mix of fixed and variable rate assets and liabilities and the maturity pattern of assets and liabilities. It is Fidelity's policy not to invest in derivatives in the ordinary course of business. Fidelity performs a monthly review of assets and liabilities that reprice and the time bands within which the repricing occurs. Balances generally are reported in the time band that corresponds to the instrument's next repricing date or contractual maturity, whichever occurs first. However, fixed rate residential mortgage loans are primarily included based on scheduled payments with a minor prepayment factor incorporated, and credit card loans with a fixed rate are spread based on historical run-off experience over an eight month period. Through such analysis, Fidelity monitors and manages its interest sensitivity gap to minimize the effects of changing interest rates.

The interest rate sensitivity structure within Fidelity's balance sheet at December 31, 1998, indicated a cumulative net interest sensitivity liability gap of 12.07% when projecting out one year. In the near term, defined as six months, Fidelity had a cumulative net interest sensitivity asset gap of 10.47% as of December 31, 1998. This information represents a general indication of repricing characteristics over time; however, the sensitivity of certain deposit products may vary during extreme swings in the interest rate cycle. Since all interest rates and yields do not adjust at the same velocity, the interest rate sensitivity gap is only a general indicator of the potential effects of interest rate changes on net interest income.

Fidelity's policy states that the cumulative gap at the six month and one year period should not exceed 10%. Any interest rate risk associated with greater cumulative gap positions was mitigated in 1998 because of the net interest sensitivity asset gap in the near term and the net interest sensitivity liability gap at one year. Fidelity's interest rate shock analysis indicates that Fidelity was relatively insensitive to an interest rate shock of plus or minus 200 basis points. (See "Market Risk" on the preceeding page.) The following table illustrates Fidelity's interest rate sensitivity at December 31, 1998, as well as the cumulative position at December 31, 1998:

INTEREST RATE SENSITIVITY ANALYSIS (1) TABLE 4

<TABLE>
<CAPTION>

(Dollars in Thousands)

	December 31, 1998						
	Repricing Within						
	0-30 Days	31-60 Days	61-90 Days	91-120 Days	121-150 Days	151-180 Days	181-365 Days
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets							
Investment securities available-for-sale	$ 1,150	$ 21,100	$ 1,050	$ 1,000	$ 2,950	$ 900	$ 5,400
Investment securities held-to-maturity	630	620	600	585	570	550	13,000
Loans	155,510	7,604	5,339	6,329	6,398	7,539	34,954
Loans held for sale	9,655	30,000	-	-	-	-	-
Federal funds sold	45,786	-	-	-	-	-	-
Due from banks - interest earning	1,418	-	-	-	-	-	-
Total interest-earning assets	214,149	59,324	6,989	7,914	9,918	8,989	53,354
Interest-bearing liabilities							
Demand deposit accounts	5,121	5,121	5,121	5,121	5,121	5,121	30,727
Savings and NOW accounts	1,188	1,188	1,188	1,188	1,188	1,188	7,130
Money market	3,931	3,931	3,931	3,931	3,931	3,931	23,587
Time Deposits>$100,000	24,878	7,893	7,269	5,880	6,891	3,579	33,661

Time Deposits <$100,000	20,240	15,831	18,448	20,580	16,998	12,132	106,077
Long-term debt	-	-	-	-	-	-	50
Short-term borrowings	16,516	-	-	-	-	-	-
Total interest-bearing liabilities	71,874	33,964	35,957	36,700	34,129	25,951	201,232
Interest-sensitivity gap	$142,275	$ 25,360	$ (28,968)	$ (28,787)	$ (24,211)	$ (16,963)	$(147,880)
Cumulative gap at 12/31/98	$142,275	$167,625	$ 138,667	$ 109,880	$ 85,669	$ 68,706	$ (79,174)
Ratio of cumulative gap to total interest-earning assets	21.68%	25.55%	21.13%	16.75%	13.06%	10.47%	(12.07)%
Ratio of interest-sensitive assets to interest-sensitive liabilities (12/31/98)	297.95	174.67	19.44	21.56	29.06	34.64	26.51

</TABLE>

<TABLE>
<CAPTION>

	December 31, 1998	
	Repricing Within	
	Over One Year	Total
<S>	<C>	<C>
Interest-earning assets		
Investment securities available-for-sale	$ 9,855	$ 43,405
Investment securities held-to-maturity	13,098	29,653
Loans	272,549	496,221
Loans held for sale	-	39,655
Federal funds sold	-	45,786
Due from banks - interest earning	-	1,418
Total interest-earning assets	295,501	656,137
Interest-bearing liabilities		
Demand deposit accounts	40,970	102,425
Savings and NOW accounts	57,037	71,296
Money market	31,450	78,625
Time Deposits>$100,000	17,549	107,600
Time Deposits <$100,000	51,014	261,318
Long-term debt	15,600	15,650
Short-term borrowings	-	16,516
Total interest-bearing liabilities	213,620	653,429
Interest-sensitivity gap	$ 81,881	$ 2,708
Cumulative gap at 12/31/98	$ 2,708	
Ratio of cumulative gap to total interest-earning assets	0.41%	
Ratio of interest-sensitive assets to interest-sensitive liabilities (12/31/98)	138.33	

</TABLE>

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(1) Fidelity follows FDIC guidelines for non-maturity deposit accounts across multiple time bands. Savings and NOW accounts are equally distributed over 60 months with a limit of 40% of the total balance in the three to five year time frame. Demand deposits and money market accounts are distributed over 36 months with a limit of 40% of the total balance in the one to three year time frame.

YEAR 2000 RISK Y2K technology risk exposure arises primarily as a result of many computer operating systems and computer application programs utilizing only the last two digits to refer to a year. Therefore, these computer programs do not properly recognize a year that begins with a 20 rather than a 19 (for example, the year 2000). If not corrected, many computer applications could fail or create erroneous results. This problem could affect any computer hardware or software, or computerized environmental systems (including elevators, security systems, vault doors, etc.) Certain computer software could be affected by other upcoming dates. For example, September 9, 1999, could affect software which recognizes 99 or 999 as a command to void or cease certain operations.

Financial institutions are highly automated and computerized applications are critical to their operations and controls. The financial regulators, including the Federal Financial Institutions Examination Council ("FFIEC") are acutely aware of the potential problems associated with Y2K and the effects they could have on individual financial institutions and, indeed, on the entire financial system. The FFIEC has issued numerous recommended and mandatory guidelines and timetables which financial institutions must meet in order to assure that all Y2K issues are timely addressed and resolved. The FFIEC has mandated that the primary regulator of each financial institution will conduct quarterly reviews to assess the progress made in identifying and rectifying any and all issues related to the Y2K problem.

The operating systems and the large majority of application systems used by Fidelity are products of established national vendors which provide software and services to numerous users. Fidelity is primarily utilizing the services of consultants dedicated to working with Fidelity's data processing staff to conduct its Y2K program. The Y2K program consists of a five-phase methodology employed throughout the organization and addresses all automated processes. This methodology includes awareness, assessment, renovation, validation and implementation.

Fidelity has identified approximately 80 different programs or applications which must be processed through the above five-phase methodology, 10 of which have been identified as mission-critical, or essential to the daily operations of Fidelity. It is anticipated that all of these mission-critical programs or applications will be certified as complete and Y2K compliant no later than the target dates established by the FFIEC. The remaining programs or applications are in various stages of completion and it is anticipated that these systems will be compliant by June 30, 1999.

Fidelity is assessing any potentially material Y2K risks associated with customers, suppliers, correspondents and counterparties and is conducting inquiries, tests, evaluations and other due diligence procedures to mitigate or eliminate these risks as deemed appropriate. No single customer, supplier, correspondent or counterparty is considered to be critical to the business of Fidelity. Legal documents and contracts such as those for new loans, equipment purchases, service providers, etc. are being evaluated and modified on an on-going basis as appropriate to mitigate any Y2K risks. Fidelity is also developing contingency plans for its mission-critical systems if Y2K compliance does not occur timely. Additionally, Fidelity has developed a contingency liquidity plan should concerns about Y2K issues cause some customers to deviate from normal banking behaviors. Finally, a detailed plan is being developed for the week preceding and the week following December 31, 1999, which will detail contingency and back-up procedures to address any possible internal or external problems resulting from Y2K.

Procedures are in place to assure that all systems certified as Y2K compliant remain compliant, that any new or revised systems or software is tested for Y2K compliance before purchase or implementation, that customers, correspondents or counterparties identified as having a possible material impact on Fidelity as a result of potential Y2K problems are monitored on a periodic basis to identify any changes in their Y2K risks profiles, and that all new customers, correspondents or counterparties are evaluated for potential Y2K risks.

Fidelity has incurred expenses of approximately $816,000 related to Y2K issues for the twelve months ended December 31, 1998, primarily consisting of consulting fees. It is anticipated that the total expenses associated with the Y2K project during 1998 and 1999 will be approximately $1.2 million. An additional $170,000 has been expended during 1998 for hardware, software and software upgrades which are Y2K compliant. These expenditures will provide operating enhancements or operating efficiencies and would have been made during 1998 or 1999 irrespective of the Y2K compliance issue.

Fidelity believes that it is taking all necessary actions to mitigate Y2K technology issues and that the probability of significant Y2K problems in 1999 and thereafter is low. However, the occurrence of significant Y2K problems could result in material operating and legal expenses, material disruption of the operations of Fidelity and/or its customers and suppliers, material liquidity problems and material charge-offs, which amounts cannot be quantified.

LIQUIDITY Market and public confidence in the financial strength of the Bank and financial institutions in general will largely determine the Bank's access to appropriate levels of liquidity. This confidence is significantly dependent on the Bank's ability to maintain sound asset credit quality and appropriate levels of capital resources.

Liquidity is defined as the ability of the Bank to meet anticipated customer demands for funds under credit commitments and deposit withdrawals at a reasonable cost and on a timely basis. Management measures the Bank's liquidity position by giving consideration to both on-balance sheet and off-balance sheet sources of and demands for funds on a daily and weekly basis.

Sources of liquidity include cash and cash equivalents, net of Federal requirements to maintain reserves against deposit liabilities; investment securities eligible for pledging to secure borrowings from dealers and customers pursuant to securities sold under agreements to repurchase ("repurchase agreements"); loan repayments; loan sales; deposits and certain interest rate-sensitive deposits; a collateralized line of credit at the Federal Reserve Bank discount window: a collateralized line of credit from the Federal Home Loan Bank of Atlanta; a secured line of credit from a correspondent bank; and borrowings under unsecured overnight Federal funds lines available from correspondent banks. During 1998 and 1997, Fidelity sold $158 million and $125 million, respectively in indirect automobile loans. In addition to interest rate-sensitive deposits, the Bank's principal demand for liquidity is anticipated fundings under credit commitments to customers.

Maintaining appropriate levels of capital is an important factor in determining the availability of critical sources of liquidity. At December 31, 1998, capital ratios exceeded those regulatory levels required for a well capitalized institution.

Management of the Bank seeks to maintain a stable net liquidity position while optimizing operating results, as reflected in net interest income, the net yield on earning assets and the cost of interest-bearing liabilities in particular. Key management meets regularly to review the Bank's current and projected net liquidity position and to review actions taken by management to achieve this liquidity objective.

Fidelity's Consolidated Statements of Cash Flows included in the accompanying Consolidated Financial Statements present certain information about cash flows from operating, investing and financing activities. Fidelity's principal cash flows relate to investing and financing activities of the Bank, rather than operating activities. While the statement presents the periods' net cash flows from lending and deposit activities, it does not reflect certain important aspects of the Bank's liquidity described above, including (i) anticipated liquidity requirements under outstanding credit commitments to customers, (ii) intraperiod volatility of deposits, particularly fluctuations in the volume of commercial customers' noninterest-bearing demand deposits, and (iii) unused borrowings available under unsecured Federal funds lines, secured or collateralized lines, repurchase agreements, and other arrangements. The Bank's principal source of operating cash flows is net interest income.

Fidelity National Corporation's ("the Parent Company") liquidity is limited, and it relies primarily on equity sales, interest income, management fees, and dividends from the Bank as sources of liquidity. Interest and dividends from subsidiaries ordinarily provide a source of liquidity to a bank holding company. Currently the Bank can pay interest on its subordinated debt and cash dividends on its preferred stock and common stock. (See "Regulatory Agreements" in Note 2 of the Notes to Consolidated Financial Statements.) The Parent Company is currently prohibited from incurring additional debt and from paying any dividend on the common stock of Fidelity without the prior approval of the FRB.

Net cash from operating activities primarily results from net income or loss adjusted for the following noncash items: the provision for loan losses and depreciation and amortization. Net cash provided by operations was negatively impacted in 1998 by the increase in loans held-for-sale of $35 million. Net cash flows provided by investing activities was positively impacted by the net sales and calls of investment securities of $53 million and negatively impacted by a net increase in loans of $233 million, offset in part by $160 million in proceeds from the sale of loans. Net cash flows from financing activities was positively impacted by an increase in deposits of $53 million.

Cash increased by $11 million during 1998 and was available for the purchase of earning assets, including investment securities and loans and for other corporate purposes.

Net cash provided by operations was positively impacted in 1997 by the reduction in loans held-for-sale of $34 million when compared to 1996. Net cash flows provided by investing activities were negatively impacted by the net purchases of investment securities of $48 million and a net increase in loans of $146 million, offset in part by $125 million in proceeds from the sale of loans. Net cash flows from financing activities were positively impacted by an increase in deposits of $24 million, proceeds from the issuance of preferred stock of $6 million and proceeds from the issuance of common stock of $23 million.

Net cash provided by operations was positively impacted in 1996 by the reduction in loans held-for-sale of $9 million. Net cash flows provided by investing activities were negatively impacted by the net purchases of investment securities of $24 million and a net increase in loans of $286 million, offset in part by $204 million in proceeds from the sale of loans. Net cash flows from financing activities were positively impacted by an increase in deposits of $78 million and proceeds from an increase in short-term borrowings of $9 million.

Fidelity has adopted a contingency liquidity plan that addresses liquidity issues which may evolve from market behaviors caused by Y2K concerns. These items include additional credit lines, maintaining a higher than normal liquidity position late in 1999 and higher than normal balances in cash and due from banks.

Except for the possible adverse effects arising out of the FRB Agreement, discussed in "Regulatory Agreement," the Y2K risks discussed above and under "Market Risks" and the level of the credit card and indirect automobile loan delinquencies and charge-offs, there are no known trends, events, or uncertainties of which Fidelity is aware that may have or that are likely to have a material adverse effect on Fidelity's liquidity, capital resources or operations.

LOANS During 1998, total loans outstanding, including loans held-for-sale, increased $99 million or 22.6%, to $536 million. The increase in loans outstanding was attributable to an aggressive lending focus, a strong lending market and an improved capital position which allowed Fidelity to begin to

grow its loan portfolios. This followed a period of capital restraint on growth that ended at year-end 1997. By year-end 1998, commercial loans increased $21 million or 40.8%, consumer installment loans increased $48 or 31.4%, real estate construction loans increased $16 million or 36.3%, and real estate mortgage loans increased $24 million or 36.9%. These increases were partially offset by a $16 million or 12.9% decline in credit card loans. Average total loans for 1998 increased $25 million to $489 million or 5.3%.

During 1997, total loans outstanding, including loans held-for-sale, declined $30 million to $437 million. By year- end 1997, credit card loans declined $24 million or 16.6%, real estate construction loans declined $12 million or 20.9% and real estate mortgage loans declined $7 million or 9.9%. These declines were partially offset by increases in commercial and consumer installment loans

NONPERFORMING ASSETS Nonperforming assets consist of nonaccrual and restructured loans and other real estate. Nonaccrual loans are loans on which the interest accruals have been discontinued when it appears that future collection of principal or interest according to the contractual terms may be doubtful. Interest on these loans is reported on the cash basis as received when the full recovery of principal is anticipated or after full principal has been recovered when

LOANS, BY CATEGORY TABLE 5

(Dollars in Thousands)
<TABLE>
<CAPTION>

	December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Commercial:					
Commercial, financial and agricultural	$ 71,542	$ 50,169	$ 43,247	$ 37,778	$ 29,831
Tax exempt	1,259	1,527	698	1,517	2,091
Total commercial	72,801	51,696	43,945	39,295	31,922
Real estate-construction	60,695	44,536	56,325	40,955	32,355
Real estate-mortgage	88,430	64,602	71,719	61,247	66,707
Consumer installment	169,938	152,123	113,513	78,806	89,595
Credit cards	104,357	119,864	143,782	139,873	110,870
Loans	496,221	432,821	429,284	360,176	331,449
Allowance for loan losses	11,911	14,320	16,511	5,536	4,344
Loans, net	$484,310	$418,501	$412,773	$354,640	$327,105
Total Loans					
Loans	$496,221	$432,821	$429,284	$360,177	$331,449
Loans held-for-sale:					
Mortgage loans	9,655	4,361	13,106	12,113	2,225

Consumer installment	30,000	-	25,000	35,000	-
Total loans held-for-sale	39,655	4,361	38,106	47,113	2,225
Total loans	$535,876	$437,182	$467,390	$407,290	$333,674

</TABLE>

LOAN MATURITY AND INTEREST RATE SENSITIVITY TABLE 6
(Dollars in Thousands)

<TABLE>
<CAPTION>

	December 31, 1998			
	Within One Year	One Through Five Years	Over Five Years	Total
<S>	<C>	<C>	<C>	<C>
Loan Maturity				
Commercial, financial and agricultural	$33,268	$27,760	$11,774	$ 72,802
Real estate-construction	43,467	15,744	1,484	60,695
Total	$76,735	$43,504	$13,258	$133,497
Interest Rate Sensitivity				
Selected loans with:				
Predetermined interest rates:				
Commercial, financial and agricultural	$ 6,795	$12,930	$ 6,968	$ 26,693
Real estate-construction	-	-	135	135
Floating or adjustable interest rates:				
Commercial, financial and agricultural	26,473	14,830	4,806	46,109
Real estate-construction	43,467	15,744	1,349	60,560
Total	$76,735	$43,504	$13,258	$133,497

</TABLE>

collection of interest is in question. Restructured loans are those loans whose terms have been modified, because of economic or legal reasons related to the debtor's financial difficulties, to provide for a reduction in principal, change in terms, or modification of interest rates to below market levels. Other real estate is real property acquired by foreclosure or directly by title or deed transfer in settlement of debt.

Nonperforming assets at December 31, 1998, were $2.9 million. Since December 31, 1997, nonperforming assets have declined $741,000, or 20.1%. During 1998, other real estate declined $1.2 million to $1.1 million. This decline was due in part to a write-down of approximately $671,000 on a commercial real estate property as a result of a reduction in its appraised value. At December 31, 1998 and 1997, there were no restructured loans. Nonperforming assets increased $175,000 in 1997 from $3.5 million at December 31, 1996. The ratio of nonperforming assets to total loans and other real estate was .55% at December 31, 1998, compared to 0.84% and 0.75% at December 31, 1997 and 1996, respectively. The ratio of loans past due 90 days and still accruing to total loans was .82% at December 31, 1998. This ratio was 1.42% and 1.47% at December 31, 1997 and 1996, respectively.

When a loan is classified as nonaccrual, to the extent collection is in question, previously accrued interest is reversed and interest income is reduced by the interest accrued in the current year. If any portion of the accrued interest had been accrued in the previous year, accrued interest is reduced and a charge for that amount is made to the allowance for loan losses. For 1998, the gross amount of interest income that would have been recorded on nonaccrual and restructured loans, if all such loans had been accruing interest at the original contract rate, was approximately $110,000.

Credit card accounts are sampled on a quarterly basis and reviewed to assure compliance with Fidelity's credit policy. Review procedures include a determination that the appropriate verification process has been completed, a recalculation of the borrower's debt ratio has been performed, and an analysis of the borrower's credit history has been conducted to determine if it meets established bank criteria. Policy exceptions are analyzed monthly. Delinquent accounts are monitored daily and charged off after 180 days past due, which is the industry standard. Prior to charge-off, interest on credit card loans continues to accrue. Upon charge-off, all current period interest income and related fees are charged against interest income.

NONPERFORMING ASSETS TABLE 7

(Dollars in Thousands)

	December 31,				
	1998	1997	1996	1995	1994
Nonperforming Assets					
Nonaccrual loans	$1,848	$1,422	$2,940	$3,105	$1,189
Restructured loans	-	-	-	-	-
Other real estate and repossessions	1,093	2,260	567	1,339	1,714
Total nonperforming assets	$2,941	$3,682	$3,507	$4,444	$2,903
Loans past due 90 days or more and still accruing	$4,393	$6,194	$6,890	$3,091	$2,134
Ratio of past due loans to total loans	.82%	1.42%	1.47%	.76%	.64%
Ratio of nonperforming assets to total loans and other real estate	.55%	.84%	.75%	1.09%	.87%

Management is not aware of any potential problem loans other than those disclosed in the table above, which includes all loans recommended for such classification by regulators, which would have a material impact on asset quality. The adverse trends impacting the consumer portfolio, primarily credit cards and indirect auto loans, have been discussed elsewhere herein.

ALLOCATION OF ALLOWANCE FOR LOAN LOSSES Allocation of the allowance for loan losses is based primarily on historical loan loss experience, utilizing loss migration analysis where appropriate, adjusted for changes in the risk characteristics of each loan category. Additional amounts are allocated based on the evaluation of the loss potential of individual troubled loans and the anticipated affect of economic conditions on both individual loans and loan categories. Since the allocation is based on estimates and subjective judgment, it is not necessarily indicative of the specific amounts or loan categories in which losses may ultimately occur.

At December 31, 1998, the allowance for loan losses was $11.9 million, or 2.40% of loans compared to $14.3 million, or 3.31% of loans at December 31, 1997. At December 31, 1998 and 1997, credit card loans totaled $104 million and $120 million, respectively, or 19.5% and 27.4% of total loans, respectively. This is compared to $144 million, or 30.8%, at December 31, 1996. The amount of the allowance for loan losses allocated to credit cards was $7.8 million at December 31, 1998, compared to $9.4 million at December 31, 1997. Fidelity has reduced its allowance for loan losses and particularly the allowance allocated to credit card loans due to the decline in credit card loans outstanding, declining credit card net charge-offs and delinquencies and the projected decline in net charge-offs on credit card loans. See "Provision for Loan Losses."

At December 31, 1996, Fidelity's allowance for loan losses as a percentage of loans was 3.85%. A significant portion of the allowance was allocated to Fidelity's credit card

portfolio. During 1997 and 1998, credit card delinquencies and credit card charge-offs declined. As a result, the allowance for loan losses as a percentage of loans declined to 2.40% at December 31, 1998. Management believes the allowance for loan losses is adequate to provide for losses inherent in the loan portfolio.

ALLOCATION OF THE ALLOWANCE FOR LOAN LOSSES TABLE 8

(Dollars in Thousands)

	December 31, 1998		December 31, 1997		December 31, 1996	
	Allowance	%*	Allowance	%*	Allowance	%*
Commercial, financial and agricultural	$ 174	14.67%	$ 154	11.94%	$ 98	10.24%
Real estate-construction	63	12.23	48	10.29	35	13.12
Real estate-mortgage	60	17.82	65	14.93	350	16.71
Consumer installment	3,458	34.25	3,442	35.15	2,282	26.44

Credit cards	7,779	21.03	9,436	27.69	13,746	33.49
Unallocated	377	-	1,175	-	-	-
Total	$ 11,911	100.00%	$ 14,320	100.00%	$ 16,511	100.00%

<CAPTION>

	December 31, 1995		December 31, 1994	
	Allowance	%*	Allowance	%*
<S>	<C>	<C>	<C>	<C>
Commercial, financial and agricultural	$ 97	10.91%	$ 54	9.64%
Real estate-construction	30	11.37	26	9.85
Real estate-mortgage	8	17.00	16	20.10
Consumer installment	357	21.88	402	26.96
Credit cards	4,875	38.84	3,750	33.45
Unallocated	169	-	96	-
Total	$5,536	100.00%	$4,344	100.00%

</TABLE>

* Percentage of respective loan type to total loans.

The following schedule summarizes data related to Fidelity's preapproved and other credit card activities:

<TABLE>
<CAPTION>

	December 31,				
	1998	1997	1996	1995	1994
	(Dollars in Thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Loans outstanding:					
Preapproved	$ 38,156	$ 46,868	$ 57,980	$ 30,690	$ -
Other	66,201	72,996	85,802	109,183	110,870
Total	$104,357	$119,864	$143,782	$139,873	$110,870
Delinquencies 30+ days:					
Preapproved	$ 5,093	$ 6,855	$ 8,665	$ 1,724	$ -
Other	3,511	4,197	6,715	6,055	5,553
Total	$ 8,604	$ 11,052	$ 15,380	$ 7,779	$ 5,553
Net charge-offs:					
Preapproved	$ 5,554	$ 7,810	$ 5,078	$ 52	$ -
Other	4,183	5,590	7,510	6,537	4,072
Total	$ 9,737	$ 13,400	$ 12,588	$ 6,589	$ 4,072

</TABLE>

INVESTMENT SECURITIES The levels of taxable securities and short-term investments reflect Fidelity's strategy of maximizing portfolio yields within overall asset and liability management parameters while providing for liquidity needs. Investment securities totaled $73 million and $126 million at December 31, 1998 and 1997, respectively. A significant percentage of the holdings are backed by U.S. Government or Federal agency guarantees limiting the credit risks associated with these securities. The decrease at December 31, 1998, compared to December 31, 1997, was attributable to securities sales proceeds of $4.2 million, $52.5 million in securities called by the issuing agencies, $35.0 million in maturities and $10.5 million in principal payments on mortgage backed securities for a total decline of $102 million in investment securities only partially offset by purchases of investment securities totaling $49.0 million. The decline in investment securities was the result of a decision to fund loan growth in part through a decline in balances of lower yielding investment securities, mitigating in part the decline in the average yield on interest-earning assets during 1998. (See "Results of Operations".) The average life of Fidelity's securities portfolio was 2.9 years at December 31, 1998. At year-end 1998, approximately $43 million of investment securities were classified as available-for-sale, compared to $88 million at December 31, 1997. The net unrealized gains on these securities at December 31, 1998, were $0.1 million before taxes compared to net unrealized gains of $0.3 million before taxes at December 31, 1997.

At December 31, 1998, Fidelity classified all but $30 million of its investment securities as available-for-sale. Fidelity maintains a relatively high percentage of its investment portfolio as available-for-sale for possible liquidity needs related to loan production.

DISTRIBUTION OF INVESTMENT SECURITIES TABLE 9

<TABLE>
<CAPTION>

(Dollars in Thousands)	December 31,					
	1998		1997		1996	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 32,978	$ 33,108	$ 94,272	$ 94,486	$ 54,128	$ 53,798
Mortgage-backed securities	36,942	37,037	28,899	29,022	21,754	21,740
Other investments	3,015	3,015	2,425	2,425	1,854	1,854
Total	$ 72,935	$ 73,160	$125,596	$125,933	$ 77,736	$ 77,392

</TABLE>

MATURITY DISTRIBUTION OF INVESTMENT SECURITIES AND AVERAGE YIELDS (1) TABLE 10

<TABLE>
<CAPTION>

(Dollars in Thousands)

	December 31, 1998			December 31, 1997		
	Amortized Cost	Fair Value	Average Yield (2)	Amortized Cost	Fair Value	Average Yield (2)
AVAILABLE-FOR-SALE						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Treasury securities and obligations of U.S. Government corporations and agencies						
Due in less than one year	$ -	$ -	-%	$34,850	$34,857	5.75%
Due after five years through ten years	23,000	23,058	6.75	25,442	25,578	6.96
Due after ten years	-	-	-	12,970	13,025	7.47
Mortgage-backed securities	20,282	20,347	6.13	14,409	14,548	6.61
Total	$43,282	$43,405		$87,671	$88,008	
HELD-TO-MATURITY						
U.S. Treasury securities and obligations of U.S. Government corporations and agencies						
Due after five years through ten years	$ 9,978	$10,050	6.54%	$ -	$ -	-%
Due after ten years	-	-	-	21,010	21,026	6.93
Mortgage-backed securities	16,659	16,691	6.26	14,490	14,474	6.05
Total	$26,637	$26,741		$35,500	$35,500	

</TABLE>

----
(1) This table excludes equity investments which have no maturity date.
(2) Weighted average yields are calculated on the basis of the carrying value of the security.

DEPOSITS AND FUNDS PURCHASED Total deposits increased during 1998 to $622 million, or 9.6%, from $568 million at December 31, 1997. On an average balance basis, interest-bearing demand deposits grew $22 million, savings deposits declined $6 million and time deposits grew $4 million. During 1996, brokered deposits were used to support loan growth for loan sales. Brokered deposits were not used during 1997 or 1998. Core deposits, Fidelity's largest source of funding, consist of all interest-bearing and noninterest-bearing deposits except time deposits over $100,000. Core deposits are obtained from a broad range of customers. Average interest-bearing core deposits were $396 million and $384 at December 31, 1998 and 1997, respectively.

Total deposits as of December 31, 1997, increased $23 million or 4.3% from $545 million as of December 31, 1996. On an average balance basis, all categories of deposits except interest-bearing demand deposits reflected volume increases.

Noninterest-bearing deposits are comprised of certain business accounts, including correspondent bank accounts and escrow deposits, as well as individual accounts. Average noninterest-bearing demand deposits represented 17.72% of average core deposits in 1998 compared to 18.96% in 1997. The average amount of, and average rate paid on, deposits by category for the periods shown are presented below:

SELECTED STATISTICAL INFORMATION FOR DEPOSITS TABLE 11

<TABLE>
<CAPTION>

(Dollars in Thousands)	December 31,					
	1998		1997		1996	
	Average Amount	Rate	Average Amount	Rate	Average Amount	Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Noninterest-bearing demand deposits	$ 85,720	-	$ 72,807	-%	$ 70,073	-%
Interest-bearing demand deposits	103,912	3.46%	82,298	2.81	100,966	3.51
Savings deposits	22,649	3.36	28,963	3.56	26,516	3.99
Time deposits	367,484	5.77	363,148	5.75	344,551	5.79
Total average deposits	$579,765	5.17	$547,216	5.10	$542,106	4.53

</TABLE>

<TABLE>
<CAPTION>

(Dollars in Thousands)

December 31, 1998 Maturity Distribution of Time Deposits $100,000 or More	
<S>	<C>
Three months or less	$ 40,039
Over three through six months	16,238
Over six through twelve months	33,774
Over twelve months	17,549
Total	$107,600

</TABLE>

SCHEDULE OF SHORT-TERM BORROWINGS (1) TABLE 12
(Dollars in Thousands)

<TABLE>
<CAPTION>

Year Ended December 31,	Maximum Outstanding at any Month-End	Average Balance	Average Interest Rate During Year	Ending Balance	Weighted Average Interest Rate at Year-End
<S>	<C>	<C>	<C>	<C>	<C>
1998	$ 46,909	$ 22,172	3.33%	$ 16,516	3.16%
1997	$ 29,020	$ 15,322	3.17%	$ 16,368	3.17%
1996	$ 25,760	$ 18,907	3.67%	$ 17,184	3.06%

</TABLE>

(1) Consists of Federal funds purchased, securities sold under agreements to repurchase, and borrowings from the Federal Home Loan Bank that mature either overnight or on a fixed maturity not to exceed three months.

LONG-TERM DEBT On December 12, 1995, Fidelity issued $15 million in 8.5% Subordinated Notes due January 31, 2006. Fidelity loaned $10 million of the proceeds to Fidelity National Bank to enhance the Bank's total capital ratio. The balance of the proceeds was used to retire certain previously issued subordinated notes and for general corporate purposes. The balance of the long term debt consists of subordinated notes payable to individuals.

SHAREHOLDERS' EQUITY Shareholders' equity at December 31, 1998, was $55 million, an increase of $4 million, or 6.2%, from $51 million at December 31, 1997. Realized shareholders' equity (shareholders' equity excluding unrealized gains or losses on investment securities available-for-sale) was $55 million at December 31, 1998, and $51 million at December 31, 1997. The increase in 1998 was due to net income and common stock issued under employee benefit plans, offset primarily by the declaration of common stock and preferred stock dividends.

The 1997 increase in shareholders' equity compared to 1996 was primarily attributable to the net proceeds of $5,650,000 from the issuance of 984,000 shares, at $6.25 per share, of Non-Cumulative 8% Convertible Preferred Stock and the net proceeds of $23,467,000 from the issuance of 3,450,000 shares, at $7.50 per share, of common stock through a public stock offering.

Fidelity paid preferred stock dividends of $492,000 and $128,000 in 1998 and 1997, respectively. During 1998 Fidelity paid $325,000 in dividends on common stock compared to no dividends in 1997 and $693,000 in dividends in 1996. The following schedule summarizes per share common stock dividends paid for the last three years:

	Dividends Paid		
	1998	1997	1996
First Quarter	$ -	$ -	$ .0375
Second Quarter	-	-	.0375
Third Quarter	-	-	.0375
Fourth Quarter	.0400	-	.0375
For the Year	.0400	-	.1500

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income," which is effective for annual and interim periods beginning after December 15, 1997. This statement requires that all items that are required to be recognized under accounting standards as comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Fidelity adopted the new standard in 1998. Fidelity has elected to present comprehensive income (loss) in a separate financial statement. See Consolidated Financial Statements.

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information," which is effective for annual and interim periods beginning after December 15, 1997. This statement establishes standards for the method that public entities are to use to report information about operating segments in annual financial statements and requires that those enterprise reports be issued to shareholders. It also establishes standards for related disclosures about products and services, geographical areas and major customers. Because Fidelity generally operates in a single business segment, the adoption of this standard did not have a significant impact on Fidelity's financial disclosures.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". ("SFAS No. 133"). SFAS No.133 establishes new accounting and reporting activities for derivatives. The standard requires all derivatives to be measured at fair value and recognized as either assets or liabilities in the statement of condition. Under certain conditions, a derivative may be specifically designated as a hedge. Accounting for the changes in fair value of a derivative depends on the intended use of the derivative and the resulting designation. Adoption of the standard is required for the Company's December 31, 2000, financial statements with early adoption allowed as of the beginning of any quarter after June 30, 1998. Adoption is not expected to result in a material financial impact based on Fidelity's limited use of derivatives.

In March 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software of Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 provides guidance as to when it is or is not appropriate to capitalized the cost of software developed or obtained for internal use. The effect of the adoption of SOP 98-1 was not material to Fidelity's financial position or results of operations.

FORWARD-LOOKING STATEMENTS

This review contains certain forward-looking statements including statements relating to present or future trends or factors generally affecting the banking industry and specifically affecting Fidelity's operations, markets and

products. Without limiting the foregoing, the words "believes," "anticipates," "intends," "expects" or similar expressions are intended to identify forward-looking statements. These forward-looking statements involve certain risks and uncertainties. Actual results could differ materially from those projected for many reasons, including, without limitation, changing events and trends that have influenced Fidelity's assumptions. These trends and events include (i) changes in the interest rate environment which may reduce margins, (ii) non-achievement of expected growth, (iii) less favorable than anticipated changes in the national and local business environment and securities markets, (iv) adverse changes in the regulatory requirements affecting Fidelity, (v) greater competitive pressures among financial institutions in Fidelity's market, (vi) delay and/or increased costs in achieving Y2K compliance, and (vii) greater than anticipated credit losses. Additional information and other factors that could affect future financial results are included in Fidelity's filings with the Securities and Exchange Commission, including the Annual Report and 10K for 1998.

QUARTERLY FINANCIAL INFORMATION

The following table sets forth, for the periods indicated, certain consolidated quarterly financial information of Fidelity. This information is derived from unaudited Consolidated Financial Statements which include, in the opinion of management, all normal recurring adjustments which management considers necessary for a fair presentation of the results for such periods. The results for any quarter are not necessarily indicative of results for any future period. This information should be read in conjunction with Fidelity's Consolidated Financial Statements and the Notes thereto included elsewhere in this report.

CONSOLIDATED QUARTERLY FINANCIAL INFORMATION (UNAUDITED) TABLE 13

<TABLE>
<CAPTION>

(Dollars in Thousands)

	1998				1997			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest income	$16,299	$16,578	$15,465	$15,430	$15,343	$15,953	$15,611	$15,246
Interest expense	7,264	7,298	6,606	6,577	6,610	6,650	6,429	6,521
Net interest income	9,035	9,280	8,859	8,853	8,733	9,303	9,182	8,725
Provision for loan losses	2,700	2000	2,850	1,900	2,765	3,400	3,500	4,770
Noninterest income before securities gains	4,775	4,617	5,201	4,092	4,251	4,173	3,581	5,234
Securities gains	121	41	93	-	140	-	-	-
Total noninterest income	4,896	4,658	5,294	4,092	4,391	4,173	3,581	5,234
Noninterest expense	10,428	10,091	9,564	9,365	10,685	9,247	8,771	8,717
Income (loss) before income taxes	803	1,847	1,739	1,680	(326)	829	492	472
Income tax expense (benefit)	299	680	623	615	(101)	288	154	163
Net Income (loss)	$ 504	$ 1,167	$ 1,116	$ 1,065	$ (225)	$ 541	$ 338	$ 309
Basic earnings per share	$ .06	$ .13	$ .12	$ .12	$ .08	$ .09	$ .07	$ .07
Diluted earnings per share	$ .05	$ .13	$ .12	$ .12	$ .08	$ .09	$ .07	$ .07

</TABLE>

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors
Fidelity National Corporation

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

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Fidelity National Corporation and subsidiaries at December 31, 1998 and 1997, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Ernst & Young LLP

Atlanta, Georgia
January 29, 1999

FIDELITY NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997 (1)
<S>	<C>	<C>
ASSETS		
Cash and due from banks - Note 13	$ 32,726,501	$ 25,843,295
Interest-bearing deposits with banks	1,417,679	2,349,419
Federal funds sold	45,785,746	41,068,827
Investment securities available-for-sale - Note 3	43,404,870	88,007,985
Investment securities held-to-maturity (fair values of $29,755,873 and $37,924,411 for 1998 and 1997, respectively) - Note 3	29,652,667	37,925,224
Loans held-for-sale	39,655,259	4,360,765
Loans, net of unearned income - Note 4	496,220,907	432,820,665
Allowance for loan losses - Note 4	(11,910,601)	(14,319,591)
Loans, net	484,310,306	418,501,074
Premises and equipment, net - Note 5	19,643,697	20,517,650
Other real estate - Note 4	1,093,264	2,259,704
Accrued interest receivable	4,560,617	3,917,066
Other assets	10,626,947	12,181,758
Total assets	$ 712,877,553	$ 656,932,767
LIABILITIES		
Deposits - Note 6		
Noninterest-bearing demand deposits	$ 102,424,607	$ 87,054,288
Interest-bearing deposits:		
Demand and money market	128,053,878	83,756,126
Savings	21,867,183	21,748,732
Time deposits, $100,000 and over	107,599,557	98,190,352
Other time deposits	261,318,402	277,567,827
Total deposits	621,263,627	568,317,325
Short-term borrowings - Note 7	16,515,867	16,367,839
Long-term debt - Note 8	15,650,000	15,800,000
Accrued interest payable	3,189,129	3,192,701
Other liabilities	1,703,450	1,906,800
Total liabilities	658,322,073	605,584,665

Commitments and contingencies - Notes 13 and 14

SHAREHOLDERS' EQUITY - Notes 2 and 11		
Preferred stock, no par value. Authorized 10,000,000; issued and outstanding 984,000 shares of Non-cumulative 8% Convertible Preferred Stock - Series A, stated value $6.25	6,150,000	6,150,000
Common Stock, no par value. Authorized 50,000,000; issued 8,144,958 and 8,125,499; outstanding 8,133,866 and 8,114,407 in 1998 and 1997, respectively	35,124,941	34,943,110
Treasury stock	(69,325)	(69,325)
Net unrealized gains on investment securities available-for-sale, net of tax	75,968	208,694
Retained earnings	13,273,896	10,115,623
Total shareholders' equity	54,555,480	51,348,102
Total liabilities and shareholders' equity	$ 712,877,553	$ 656,932,767

</TABLE>

See accompanying notes to consolidated financial statements.

(1) As restated, see Note 1.

FIDELITY NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	Years ended December 31,		
	1998	1997 (1)	1996
<S>	<C>	<C>	<C>
INTEREST INCOME			
Loans, including fees	$55,295,291	$56,010,450	$ 54,333,446
Investment securities (taxable)	6,631,283	4,835,128	4,956,072
Federal funds sold	1,689,132	1,238,941	436,649
Deposits with other banks	156,465	68,463	74,104
Total interest income	63,772,171	62,152,982	59,800,271
INTEREST EXPENSE			
Deposits - Note 6	25,550,474	24,236,294	24,532,698
Short-term borrowings	759,736	485,593	692,591
Long-term debt	1,434,390	1,487,673	1,501,487
Total interest expense	27,744,600	26,209,560	26,726,776
NET INTEREST INCOME	36,027,571	35,943,422	33,073,495
Provision for loan losses - Note 4	9,450,000	14,435,000	25,127,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	26,577,571	21,508,422	7,946,495
NONINTEREST INCOME			
Service charges on deposit accounts	2,376,002	2,096,948	1,737,145
Credit card fees	3,277,781	3,083,913	2,927,992
Mortgage banking activities	3,345,774	4,902,945	6,900,260
Brokerage activities	3,032,084	3,276,829	3,201,220
Indirect lending activities	3,786,746	2,247,941	1,379,354
Trust activities	1,107,639	1,131,220	845,794
Securities gains, net - Note 3	254,737	140,090	603,977
Other	1,758,834	498,870	709,480
Total noninterest income	18,939,597	17,378,756	18,305,222
NONINTEREST EXPENSE			
Salaries and employee benefits - Note 10	17,162,862	17,012,788	16,411,631
Furniture and equipment	2,757,686	2,293,866	1,722,979
Net occupancy	3,225,106	2,974,877	2,596,155
Credit card processing and transaction fees	3,011,844	2,814,563	3,030,290
Communication expenses	2,091,842	1,968,448	1,684,176
Professional and other services	2,926,444	2,397,399	1,383,890
Regulatory assessments	1,381,174	1,196,001	522,658
Amortization of mortgage servicing rights	910,207	788,201	1,927,250
Other	5,980,785	5,974,374	6,209,631

Total noninterest expense	39,447,950	37,420,517	35,488,660
Income (loss) before income taxes	6,069,218	1,466,661	(9,236,943)
Income tax expense (benefit) - Note 9	2,216,630	503,748	(3,495,212)
NET INCOME (LOSS)	$ 3,852,588	$ 962,913	$ (5,741,731)
NET INCOME (LOSS) AVAILABLE TO COMMON SHAREHOLDERS	$ 3,483,588	$ 711,835	$ (5,741,731)
BASIC EARNINGS (LOSS) PER SHARE	$ 0.43	$ 0.15	$ (1.24)
DILUTED EARNINGS (LOSS) PER SHARE	$ 0.42	$ 0.15	$ (1.24)
Weighted average shares outstanding	8,123,049	4,831,364	4,619,530

</TABLE>

See accompanying notes to consolidated financial statements.

(1) As restated, see Note 1.

FIDELITY NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

<TABLE>
<CAPTION>

	Years ended December 31,		
	1998	1997 (1)	1996
<S>	<C>	<C>	<C>
NET INCOME (LOSS)	$ 3,852,588	$ 962,913	$(5,741,731)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX: - Note 1			
Net unrealized (losses) gains on investment securities available-for-sale arising during the year	(132,726)	348,935	(830,015)
Less reclassification adjustment for gains included in net income	(168,850)	(116,578)	(496,433)
Other comprehensive (loss) income	(301,576)	232,357	(1,326,448)
COMPREHENSIVE INCOME (LOSS)	$ 3,551,012	$ 1,195,270	$(7,068,179)

</TABLE>

See accompanying notes to consolidated financial statements.

(1) As restated, see Note 1.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

	Preferred Stock		Common Stock		Treasury Stock	
	Shares	Amount	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE JANUARY 1, 1996	--	--	4,619,475	$ 11,303,406	11,092	$(69,325)
Net loss	--	--	--	--	--	--
Dividends declared ($.15 per share)	--	--	--	--	--	--
Common Stock issued under						
Employee Stock Purchase Plan	--	--	1,766	19,502	--	--
Issuance of Common Stock to Directors	--	--	44,015	555,689	--	--
Change in net unrealized gains						

(losses) on investment securities available-for-sale, net of tax	--	--	--	--	--	--
BALANCE DECEMBER 31, 1996	--	--	4,665,256	11,878,597	11,092	(69,325)
Net income (1)	--	--	--	--	--	--
Preferred stock issued	984,000	6,150,000	--	(500,000)	--	--
Common Stock issued through public offering	--	--	3,450,000	23,466,963	--	--
Common Stock issued under Employee Stock Purchase Plan	--	--	10,243	97,550	--	--
Preferred dividends declared ($.26 per share)	--	--	--	--	--	--
Change in net unrealized gains (losses) on investment securities available-for-sale, net of tax	--	--	--	--	--	--
BALANCE DECEMBER 31, 1997	984,000	6,150,000	8,125,499	34,943,110	11,092	(69,325)
Net income	--	--	--	--	--	--
Common Stock issued under Employee Benefit Plans	--	--	19,459	181,831	--	--
Preferred dividends declared ($.375 per share)	--	--	--	--	--	--
Common dividends declared ($.04 per share)	--	--	--	--	--	--
Change in net unrealized gains (losses) on investment securities available-for-sale, net of tax	--	--	--	--	--	--
BALANCE DECEMBER 31, 1998	984,000	$6,150,000	8,144,958	$ 35,124,941	11,092	$(69,325)

<CAPTION>

	Net unrealized gains (losses) on Investment Securities Available-for-Sale	Retained Earnings	Total Shareholders' Equity
<S>	<C>	<C>	<C>
BALANCE JANUARY 1, 1996	$ 689,774	$ 15,838,425	$ 27,762,280
Net loss	--	(5,741,731)	(5,741,731)
Dividends declared ($.15 per share)	--	(692,909)	(692,909)
Common Stock issued under Employee Stock Purchase Plan	--	--	19,502
Issuance of Common Stock to Directors	--	--	555,689
Change in net unrealized gains (losses) on investment securities available-for-sale, net of tax	(830,015)	--	(830,015)
BALANCE DECEMBER 31, 1996	(140,241)	9,403,785	21,072,816
Net income (1)	--	962,913	962,913
Preferred stock issued	--	--	5,650,000
Common Stock issued through public offering	--	--	23,466,963
Common Stock issued under Employee Stock Purchase Plan	--	--	97,550
Preferred dividends declared ($.26 per share)	--	(251,075)	(251,075)
Change in net unrealized gains (losses) on investment securities available-for-sale, net of tax	348,935	--	348,935
BALANCE DECEMBER 31, 1997	208,694	10,115,623	51,348,102
Net income	--	3,852,588	3,852,588
Common Stock issued under Employee Benefit Plans	--	--	181,831
Preferred dividends declared ($.375 per share)	--	(369,000)	(369,000)
Common dividends declared ($.04 per share)	--	(325,315)	(325,315)
Change in net unrealized gains (losses) on investment securities available-for-sale, net of tax	(132,726)	--	(132,726)
BALANCE DECEMBER 31, 1998	$ 75,968	$ 13,273,896	$ 54,555,480

</TABLE>

See accompanying notes to consolidated financial statements

(1) As restated, see Note 1.

FIDELITY NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Years ended December 31,		
	1998	1997 (1)	1996
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 3,852,588	$ 962,913	$ (5,741,731)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Provision for loan losses	9,450,000	14,435,000	25,127,000
Depreciation and amortization of premises and equipment	2,291,075	1,979,847	1,481,379
Amortization of mortgage servicing rights	910,207	788,201	1,927,250
Additions of originated mortgage servicing rights	(1,285,422)	(343,974)	(893,878)
Securities gains, net	(254,737)	(140,090)	(603,977)
Gain on loan sales and securitization	(1,924,424)	(920,983)	(672,012)
Proceeds from sales of other real estate	496,730	327,644	345,575
Net (increase) decrease in loans held-for-sale	(35,294,494)	33,745,103	9,006,667
Net (increase) decrease in accrued interest receivable	(68,195)	1,090,810	(1,430,014)
Net (decrease) increase in accrued interest payable	(3,572)	(309,930)	895,829
Net (decrease) increase in other liabilities	(203,350)	(540,952)	502,481
Net decrease (increase) in other assets	1,850,691	6,076,041	(7,504,116)
Other, net	(372,677)	(241,953)	54,117
Net cash flows provided by (used in) operating activities	(20,555,580)	56,907,677	22,494,570
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investment securities held-to-maturity	(17,149,952)	(30,092,474)	(33,294,485)
Maturities of investment securities held-to-maturity	25,441,717	--	30,375,000
Sales of investment securities available-for-sale	4,152,969	9,117,568	43,781,536
Purchases of investment securities available-for-sale	(31,922,142)	(79,833,616)	(65,077,185)
Maturities of investment securities available-for-sale	72,393,747	52,983,590	3,728,880
Net increase in loans	(232,894,418)	(146,410,725)	(286,040,758)
Purchases of premises and equipment	(1,417,122)	(2,698,418)	(10,692,025)
Proceeds from sale of loans	160,310,320	125,158,018	203,543,314
Net cash flows used in investing activities	(21,084,881)	(71,776,057)	(113,675,723)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase (decrease) in demand deposits, money market accounts, and savings accounts	59,786,522	1,362,961	(5,693,692)
Net (decrease) increase in time deposits	(6,840,220)	22,241,035	83,899,712
Proceeds from issuance of Preferred Stock	--	5,650,000	--
Proceeds from issuance of Common Stock	181,831	23,564,513	575,191
Repayment of long-term debt	(150,000)	(700,000)	(250,000)
Increase (decrease) in short-term borrowings	148,028	(815,930)	8,938,578
Dividends paid	(817,315)	(128,075)	(692,909)
Net cash flows provided by financing activities	52,308,846	51,174,504	86,776,880
Net increase (decrease) in cash and cash equivalents	10,668,385	36,306,124	(4,404,273)
Cash and cash equivalents, beginning of year	69,261,541	32,955,417	37,359,690
Cash and cash equivalents, end of year	$ 79,929,926	$ 69,261,541	$ 32,955,417
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 27,748,172	$ 26,519,490	$ 25,830,947
Income taxes	$ 2,000,000	700,000	$ 1,375,000

</TABLE>

See accompanying notes to consolidated financial statements.

(1) As restated, see Note 1.

FIDELITY NATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION. The consolidated financial statements include the accounts of Fidelity National Corporation and its wholly owned subsidiaries (collectively Fidelity). Fidelity National Corporation owns 100% of Fidelity National Bank (the "Bank") and Fidelity National Capital Investors, Inc. Fidelity National Mortgage Corporation is a wholly owned subsidiary of the Bank. Fidelity is a financial services company which offers traditional banking, mortgage, trust, and investment services to its customers, who are generally individuals and small to medium sized businesses. All significant intercompany accounts and transactions have been eliminated in consolidation.

The financial statements have been prepared in conformity with generally accepted accounting principles followed within the financial services industry. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses, servicing assets, securitization assets and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. Certain previously reported amounts have been restated to conform to current presentation.

RESTATEMENT. Fidelity's earnings for 1997 have been reduced $871,236 or $.18 per share. This restatement of prior year earnings is attributable to an error that caused an overstatement in the value of assets related to Fidelity's only securitization asset at year-end 1997. Fidelity performs a quarterly evaluation of its securitization asset. The error occurred as a result of a computational error in determining the fair value of the securitization asset.

CASH AND CASH EQUIVALENTS. Cash and cash equivalents include cash on hand, amounts due from banks and Federal funds sold. Generally, Federal funds are purchased and sold within one-day periods.

INVESTMENT SECURITIES. In accordance with Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities," Fidelity classifies its investment securities in one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Fidelity had no trading securities at December 31, 1998 or 1997. Held-to-maturity securities are those securities which Fidelity has the ability and positive intent to hold until maturity. All other securities not included in trading or held-to-maturity are classified as available-for-sale.

Trading and available-for-sale securities are recorded at fair value. Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized gains and losses on trading securities are included in income. Unrealized gains and losses, net of related income taxes, on available-for-sale securities are excluded from income and are reported as a separate component of shareholders' equity until realized. Transfers of securities between categories are recorded at fair value at the date of transfer. Unrealized gains and losses are recognized in income for transfers into trading securities. The unrealized gains or losses included in the separate component of shareholders' equity for securities transferred from available-for-sale to held-to-maturity are maintained and amortized into income over the remaining life of the related security as an adjustment to yield in a manner consistent with the amortization or accretion of premium or discount on the security.

A decline in the fair value below cost of any available-for-sale or held-to-maturity security that is deemed other than temporary results in a charge to income and the establishment of a new cost basis for the security.

Purchase premiums and discounts are amortized or accreted over the life of the related investment securities as an adjustment to yield using the effective interest method. Dividend and interest income are recognized when earned. Realized gains and losses for securities sold are included in income and are derived using the specific identification method for determining the cost of securities sold.

LOANS AND INTEREST INCOME. Loans are reported at principal amounts outstanding net of unearned income and deferred fees and costs. Interest income is recognized in a manner that results in a level yield on principal amounts outstanding. The accrual of interest is discontinued when, in management's judgment, it is determined that the collectibility of interest or principal is doubtful.

Rate related loan fee income is included in interest income. Loan origination and commitment fees and certain direct origination costs are deferred and the net amount is amortized as an adjustment of the yield over the contractual lives of the related loans, taking into consideration assumed prepayments.

Current period accrued interest-related income charges on credit card loans are charged off to interest income. Annual fees collected for credit cards are recognized as income on a straight-line basis over the period the fee entitles the cardholder to use the card.

Impaired loans are measured based on the present value of expected future cash flows discounted at the loan's original effective interest rate, or at the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. Impaired loans are specifically reviewed loans for which it is probable that the creditor will be unable to collect all amounts due according to the terms of the loan agreement. A valuation allowance is required to the extent that the measure of impaired loans is less than the recorded investment. SFAS No. 114 "Accounting by Creditors for Impairment of a Loan," does not apply to large groups of smaller balance, homogeneous loans, which are consumer installment and credit card loans, and which are collectively evaluated for impairment. Smaller balance commercial loans are also excluded from the application of the statement. Interest on these loans is reported on the cash basis as received when the full recovery of principal is anticipated, or after full principal has been recovered when collection of interest is in question.

CREDIT CARDS. Costs related to the origination of credit cards are capitalized and amortized over one year using the straight-line method. The net amount of capitalized costs remaining as of December 31, 1998 and 1997, is $59,000 and $38,000, respectively.

ALLOWANCE FOR LOAN LOSSES. The allowance for loan losses is established through provisions charged to operations. Such provisions are based on management's evaluation of the loan portfolio under current economic conditions, past loan and credit card loss experience, adequacy of underlying collateral, and such other factors which, in management's judgment, deserve recognition in estimating loan losses. Loans are charged off when, in the opinion of management, such loans are deemed to be uncollectible. Subsequent recoveries are added to the allowance.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review Fidelity's allowance for loan losses. Such agencies may require Fidelity to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

A substantial portion of Fidelity's loans is secured by real estate located in metropolitan Atlanta, Georgia. In addition, all of Fidelity's other real estate is located in this same market area. Accordingly, the ultimate collectibility of a substantial portion of the loan portfolio and the recovery of a substantial portion of the carrying amount of other real estate are susceptible to changes in market conditions in this market area.

LOANS HELD-FOR-SALE. Loans held-for-sale include mortgage loans and certain indirect automobile loans at December 31, 1998, and mortgage loans at December 31, 1997. Those loans held-for-sale are recorded at the lower of cost or market. For mortgage loans, this is determined by outstanding commitments from investors for committed loans and on the basis of current delivery prices in the secondary mortgage market for uncommitted loans. For indirect automobile loans, the lower of cost or market is determined based on evaluating the market value of the pool selected for sale. Based upon available market information, no valuation adjustment was required at December 31, 1998 or 1997, and fair values for such loans held-for-sale approximated or exceeded their carrying values.

Gains and losses on sales of loans are recognized at the settlement date. Gains and losses are determined as the difference between the net sales proceeds, including the estimated value associated with excess or deficient servicing fees to be received, and the carrying value of the loans sold.

PREMISES AND EQUIPMENT. Premises and equipment, including leasehold improvements, are stated at cost less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are amortized using the straight-line method over the lease term or estimated useful life, whichever is shorter.

OTHER REAL ESTATE. Other real estate represents property acquired through foreclosure or in satisfaction of loans. Other real estate is carried at the lower of cost or fair value less estimated selling costs. Fair value is determined on the basis of current appraisals, comparable sales, and other estimates of value obtained principally from independent sources. Any excess of the loan balance at the time of foreclosure or acceptance in satisfaction of loans over the fair value less selling costs of the real estate held as collateral is treated as a loan loss and charged against the allowance for loan losses. Gain or loss on sale and any subsequent adjustments to reflect changes in fair value and selling costs are recorded as a component of income.

INCOME TAXES. Fidelity files a consolidated Federal income tax return. Taxes are accounted for in accordance with SFAS No. 109, "Accounting for Income Taxes." Under the liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are recovered or settled. Under SFAS No. 109, the

effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

INCOME PER COMMON SHARE. Fidelity has adopted the provisions of SFAS No. 128, "Earnings Per Share." All earnings per share amounts for all periods presented have been restated to conform to the requirements of SFAS 128. The difference between basic earnings per share and diluted earnings per share during 1998 was a result of the dilutive effect of stock options.

MORTGAGE BANKING ACTIVITIES. Effective January 1, 1995, Fidelity adopted SFAS No. 122, "Accounting for Mortgage Servicing Rights, an Amendment of FASB Statement No. 65." On January 1, 1997, Fidelity adopted SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which superseded SFAS No. 122. SFAS No. 122 requires capitalization of purchased as well as internally originated mortgage servicing rights based on the fair value of the mortgage servicing rights relative to the loan as a whole. Prior to the issuance of SFAS No. 122, capitalization of mortgage servicing rights was limited to servicing rights purchased from third parties. Mortgage servicing rights are amortized in proportion to and over the period of estimated net servicing income. The fair value of mortgage servicing rights is determined based on the present value of estimated expected future cash flows determined using assumptions that market participants would use in estimating future net servicing income which includes discount rate, prepayment estimate, and per loan cost to service. Mortgage servicing rights are stratified by loan type (government or conventional) and interest rate for purposes of measuring impairment on a quarterly basis. An impairment loss is recognized to the extent by which the amortized capitalized mortgage servicing rights for each stratum exceeds the current fair value. Impairment losses are recognized as reductions in the carrying value of the asset, through the use of a valuation allowance.

During 1998, 1997 and 1996, Fidelity capitalized approximately $1,259,000, $343,000 and $894,000, respectively, of originated servicing rights, recorded amortization of approximately $406,000, $429,000 and $573,000, respectively and recorded a valuation allowance of approximately $29,000, $14,000 and $49,000, respectively related to those rights. These amounts are included in other assets. The estimated fair value of originated and purchased mortgage servicing rights at December 31, 1998 and 1997, was approximately $ 3.0 million and $3.2 million, respectively.

STOCK OPTIONS. Fidelity has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of Fidelity's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

RECENT ACCOUNTING PRONOUNCEMENTS. In June 1997, the Financial Accounting Standards Board issued SFAS No. 130, "Reporting Comprehensive Income," which is effective for annual and interim periods beginning after December 15, 1997. This statement requires that all items that are required to be recognized under accounting standards as comprehensive income be reported in a financial statement that is displayed with the same prominence as other financial statements. Fidelity adopted this statement in 1998, which is a more inclusive financial reporting methodology that includes disclosure of certain financial information that previously has not been recognized in the calculation and reporting of net income. Fidelity's only comprehensive income items are related to unrealized gains and losses on investment securities classified as available-for-sale and reclassification adjustments for gains on securities sales and calls included in net income. All comprehensive income items are tax effected at a rate of 38%.

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," which is effective for annual and interim periods beginning after December 15, 1997. This statement establishes standards for the method that public entities are to use to report information about operating segments in annual financial statements and requires that those enterprise reports be issued to shareholders. It also establishes standards for related disclosures about products and services, geographical areas and major customers. The adoption of this standard did not have a significant impact on Fidelity as Fidelity principally operates in one business segment.

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). SFAS No. 133 establishes new accounting and reporting activities for derivatives. The standard requires all derivatives to be measured at fair value and recognized as either assets or liabilities in the statement of condition. Under certain conditions, a derivative may be specifically designated as a hedge. Accounting for the changes in fair value of a derivative depends on the intended use of the derivative and the resulting designation. Adoption of the standard is required for Fidelity's December 31, 2000, financial statements with early adoption allowed as of the beginning of any quarter after June 30, 1998. Adoption is not expected to result in a material financial impact based on Fidelity's limited use of derivatives.

In March 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). SOP 98-1 provides guidance as to when it is or is not appropriate to capitalized the cost of software

developed or obtained for internal use. The effect of the adoption of SOP 98-1 was not material to Fidelity's financial position or results of operations.

2 - REGULATORY AGREEMENTS

Fidelity National Bank is a national banking association and is subject to Federal and state statutes applicable to banks chartered under the banking laws of the United States, to members of the Federal Reserve System (the "FRB") and to banks whose deposits are insured by the Federal Deposit Insurance Corporation.

Fidelity National Bank's principal regulator is the Office of the Comptroller of the Currency (the "OCC"). At periodic intervals, the OCC examines and evaluates the financial condition, operations, and policies and procedures of nationally chartered banks as part of its oversight responsibilities. Based on its examinations, the OCC can direct a national bank to adjust its financial statements in accordance with the examination's findings. The extent, if any, to which future OCC examinations may ultimately result in adjustments to the consolidated financial statements cannot presently be determined.

In 1991, the Federal Deposit Insurance Corporation Improvement Act of 1991 ("1991 Act") was adopted. Additional supervisory powers and regulations mandated by the 1991 Act include a "prompt corrective action" program based upon five regulatory zones for banks in which all banks are placed, largely based on their capital positions. Better capitalized institutions are subject to less onerous regulation and supervision than banks with lesser amounts of capital. Regulators are permitted to take increasingly harsh action as a bank's financial condition declines. Regulators are also empowered to place in receivership or require the sale of a bank to another depository institution when a bank's capital leverage ratio declines to 2% or less.

To implement the prompt corrective action provisions of the 1991 Act, the OCC adopted regulations placing financial institutions in five categories based upon capitalization ratios. Undercapitalized institutions are prohibited from declaring dividends or making capital distributions. The regulations also establish procedures for "downgrading" an institution to a lower capital category based on supervisory factors other than capital. Institutions experiencing or anticipating significant growth or those with other than minimum risk profiles may be expected to maintain capital above the minimum level.

On December 1, 1998, the OCC terminated the formal agreement dated November 14, 1996, between Fidelity National Bank and the OCC. The formal agreement had provided that Fidelity National Bank (i) appoint an "Oversight Committee"; (ii) achieve and maintain specified higher capital levels; (iii) develop a three-year capital program which included, among other things, certain restrictions on dividend payments by the Bank; and (iv) revise and amend its strategic plan.

Also, on December 1, 1998, the OCC advised Fidelity National Bank that it was deemed to be "well capitalized." On April 3, 1997, the OCC had notified Fidelity National Bank that since it had not met the minimum capital levels established for an "adequately capitalized" bank as of December 31, 1996, the Bank was then deemed to be "undercapitalized" and was subject to "prompt corrective action." As a result, the Bank had been subject to restrictions on its ability to pay dividends and management fees and to restrictions on asset growth and expansion in 1997 and 1998.

The table below sets forth the capital requirements for the Bank under OCC regulations, under the formal agreement (which was terminated on December 1, 1998) and the Bank's capital ratios at December 31, 1998 and 1997:

	OCC Regulations			December 31,	
Capital Ratios	Adequately Capitalized	Well Capitalized	Formal Agreement	1998	1997
Leverage	4.00%	5.00%	6.00%	7.10%	7.49%
Risk-Based Capital:					
Tier 1	4.00	6.00	7.00	8.68	9.30
Total	8.00	10.00	11.00	11.65	12.60

The Board of Governors of the Federal Reserve System ("FRB") is the principal regulator of Fidelity National Corporation, a bank holding company. The FRB has established capital requirements as a function of its oversight of bank holding companies. Each bank holding company must maintain the minimum capital ratios set forth in the following table. At December 31, 1998 and 1997, Fidelity National Corporation exceeded the minimum capital requirements.

Fidelity's Board of Directors on February 13, 1997, adopted a resolution requested by the Federal Reserve Bank of Atlanta ("FRB Agreement"). The FRB Agreement, among other things, prohibits Fidelity from redeeming its capital stocks, paying

dividends on its common stock or incurring debt without prior approval of the FRB. The FRB Agreement continues until canceled by the FRB.

The following table depicts Fidelity's capital ratios at December 31, 1998 and 1997, in relation to the minimum capital ratios established by the regulations of the FRB (dollars In thousands):

	December 31, 1998		December 31, 1997	
	Amount	Percent	Amount	Percent
Tier 1 Capital:				
Actual	$ 54,069	9.25%	$ 49,280	9.97%
Minimum	23,385	4.00	19,762	4.00
Excess	$ 30,684	5.25%	$ 29,518	5.97%
Total risk-based capital:				
Actual	$ 76,794	13.14%	$ 71,326	14.44%
Minimum	46,770	8.00	39,525	8.00
Excess	$ 30,024	5.14%	$ 31,801	6.44%

Tier 1 Capital Leverage Ratio:				
Actual		7.57%		8.04%
Minimum		3.00		3.00
Excess		4.57%		5.04%

</TABLE>

Set forth below are Fidelity's pertinent capital ratios under the FRB regulations as of December 31, 1998 and 1997:

<TABLE>
<CAPTION>

Capital Ratios	Adequately Capitalized	Well Capitalized	December 31, 1998	December 31, 1997
<S>	<C>	<C>	<C>	<C>
Leverage	3.00%	5.00%	7.57%	8.04%
Risk-Based Capital:				
Tier 1	4.00	6.00	9.25	9.97
Total	8.00	10.00	13.14	14.44

</TABLE>

Generally, dividends that may be paid by Fidelity National Bank to Fidelity are subject to certain regulatory limitations. Under Federal banking law, the approval of the OCC will be required if the total of all dividends declared in any calendar year by the Bank exceeds the Bank's net profits to date for that year combined with its retained net profits for the preceding two years, subject to the maintenance of minimum required regulatory capital. At December 31, 1998, Fidelity National Bank's total shareholders' equity was $51 million.

3 - INVESTMENT SECURITIES

Investment securities at December 31, 1998 and 1997, are summarized as follows:

<TABLE>
<CAPTION>

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<S>	<C>	<C>	<C>	<C>
Securities available-for-sale at December 31, 1998:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$23,000,000	$ 58,350	$ --	$23,058,350
Mortgage-backed securities	20,282,339	126,239	(62,058)	20,346,520
Total	$43,282,339	$184,589	$(62,058)	$43,404,870
Securities available-for-sale at December 31, 1997:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$73,261,961	$212,240	$(14,376)	$73,459,825
Mortgage-backed securities	14,409,423	141,440	(2,703)	14,548,160
Total	$87,671,384	$353,680	$(17,079)	$88,007,985
Securities held-to-maturity December 31, 1998:				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies	$ 9,978,219	$ 71,781	$ --	$10,050,000
Mortgage-backed securities	16,659,200	62,399	(30,974)	16,690,625
Other securities	3,015,248	--	--	3,015,248
Total	$29,652,667	$134,180	$(30,974)	$29,755,873
Securities held-to-maturity at December 1997:				
U.S. Treasury securities and obligations of U.S. Government corporation and agencies	$21,010,285	$ 15,540	$ --	$21,025,825
Mortgage-backed securities	14,489,939	--	(16,353)	14,473,586

Other securities	2,425,000	--	--	2,425,000
Total	$37,925,224	$ 15,540	$(16,353)	$37,924,411

</TABLE>

Proceeds from sales of investment securities available-for-sale during 1998 and 1997 were $4,152,969 and $9,117,568, respectively. Gross gains of $187,129 and $140,090 for 1998 and 1997, respectively, were realized on those sales. In 1998, an additional gain of $67,608 was realized on $52,500,000 of investment securities called at par. Proceeds from the sale of investment securities were $43,781,536 in 1996 with related gross gains of $603,977. Income tax expense related to the sale of securities was $90,584, $49,816 and $214,776 in 1998, 1997 and 1996, respectively. There were no investments held in trading accounts during 1998, 1997 or 1996.

The following table depicts amortized cost and estimated fair value of investment securities at December 31, 1998 and 1997, by contractual maturity. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Also, other securities, which primarily consist of Federal Reserve Bank common stock and Federal Home Loan Bank common stock, are not included in the following table as they have no stated maturity.

<TABLE>
<CAPTION>

	December 31, 1998		December 31, 1997	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
<S>	<C>	<C>	<C>	<C>
AVAILABLE-FOR-SALE				
U.S. Treasury Securities and obligations of U.S. Government corporations and agencies:				
Due in one year or less	$ --	$ --	$34,850,094	$34,856,375
Due after five years through ten years	23,000,000	23,058,350	25,441,677	25,577,705
Due after ten years or more	--	--	12,970,190	13,025,745
	23,000,000	23,058,350	73,261,961	73,459,825
Mortgage-backed securities	20,282,339	20,346,520	14,409,423	14,548,160
Total	$43,282,339	$43,404,870	$87,671,384	$88,007,985
HELD-TO-MATURITY				
U.S. Treasury securities and obligations of U.S. Government corporations and agencies:				
Due after five years through ten years	$ 9,978,219	$10,050,000	$ --	$ --
Due after ten years	--	--	21,010,285	21,025,825
Mortgage-backed securities	16,659,200	16,690,625	14,489,939	14,473,586
Total	$26,637,419	$26,740,625	$35,500,224	$35,499,411

</TABLE>

Investment securities with a carrying value of approximately $70,012,000 and $58,330,000 at December 31, 1998 and 1997, respectively, were pledged as collateral for public deposits, securities sold under agreements to repurchase, and for other purposes required by law.

4 - LOANS

Loans outstanding, by classification, are summarized as follows:

<TABLE>
<CAPTION>

	December 31,	
	1998	1997
<S>	<C>	<C>
Credit cards	$104,356,609	$119,864,009
Real estate-mortgage	88,429,607	64,601,854
Real estate-construction	60,695,156	44,535,553

Commercial, financial and agricultural	72,801,512	51,696,075
Consumer installment	169,938,023	152,123,174
Total loans	496,220,907	432,820,665
Less: Allowance for loan losses	11,910,601	14,319,591
Loans, net	$484,310,306	$418,501,074

</TABLE>

Loans held-for-sale at December 31, 1998, totaled $39,655,259, of which $9,655,259 were mortgage loans and $30,000,000 were indirect auto loans. Fidelity, through one of its subsidiaries, had loan participations sold without recourse in the amount of $4.7 million and $6.3 million at December 31, 1998 and 1997, respectively. Fidelity, through its mortgage subsidiary, was servicing loans for others of approximately $220 million, $233 million and $580 million at December 31, 1998, 1997 and 1996, respectively.

Loans in nonaccrual status amounted to approximately $1,848,000, $1,422,000, and $2,940,000 at December 31, 1998, 1997 and 1996, respectively. The allowance for loan losses related to these impaired loans was $61,000, $56,000, and $561,000 at December 31, 1998, 1997 and 1996, respectively. The average recorded investment in impaired loans during 1998, 1997 and 1996 was $1,869,952, $1,592,000, and $3,135,000, respectively. If such impaired loans had been on a full accrual basis, interest income on these loans would have been approximately $110,000, $73,000, and $278,000 in 1998, 1997 and 1996, respectively.

There were no loans transferred to other real estate in 1998. Loans totaling approximately $2,011,000 and $237,600 were transferred to other real estate in 1997 and 1996, respectively. In 1998, Fidelity recorded a write-down of $671,000 on a commercial real estate owned property as a result of an impairment to its value. There were sales of $480,000 from other real estate financed by Fidelity in 1998. Loans are reported net of deferred loan fees of $74,449, $63,591 and $104,669 at December 31, 1998, 1997 and 1996, respectively.

Fidelity has loans outstanding to various executive officers, directors, and their associates. Management believes that all of these loans were made in the ordinary course of business on substantially the same terms including interest rate and collateral, as those prevailing at the time for comparable transactions with other customers, and did not involve more than the normal risk. The following is a summary of activity during 1998 for such loans:

<TABLE>

<S>	<C>
Loan balances at December 31, 1997	$3,418,633
New loans	2,853,839
Less loan repayments	1,970,978
Loan balances at December 31, 1998	$4,301,494

</TABLE>

The following is a summary of activity in the allowance for loan losses:

<TABLE>
<CAPTION>

	December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Balance at beginning of year	$ 14,319,591	$ 16,510,842	$ 5,536,504
Provision for loan losses	9,450,000	14,435,000	25,127,000
Loans charged off:			
Credit cards	(12,091,609)	(14,734,739)	(13,156,340)
Other loans	(2,472,604)	(3,521,443)	(1,659,492)
Recoveries on loans charged off	2,705,224	1,629,931	663,170
Balance at end of year	$ 11,910,601	$ 14,319,591	$ 16,510,842

</TABLE>

5 - PREMISES AND EQUIPMENT

Premises and equipment is summarized as follows:

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997
<S>	<C>	<C>
Land	$ 4,019,020	$ 2,735,320
Buildings and improvements	9,634,385	11,014,127
Furniture and equipment	17,742,752	16,411,152
	31,396,157	30,160,599
Less accumulated depreciation and amortization	11,752,460	9,642,949
Premises and equipment, net	$19,643,697	$20,517,650

</TABLE>

As of December 31, 1998, Fidelity was lessee in two leases at market terms with two corporations, one of which is controlled by a director of Fidelity, and the other corporation of which a director of Fidelity is a majority shareholder. The first lease is for a bank branch, for approximately 35,000 square feet at an approximate annual rate of $17 per square foot, subject to pro rata increases for any increases in taxes, insurance, utilities, and maintenance. The second lease is for a 2,200 square foot bank branch at an approximate annual rate of $11 per square foot, subject to pro rata increases for any increases in taxes and insurance.

6 - DEPOSITS

Time deposits over $100,000 as of December 31, 1998 and 1997, were $107,599,557 and $98,190,352, respectively. Maturities for time deposits over $100,000 as of December 31, 1998, in excess of one year are as follows: $11,611,554 in one to two years, $3,930,672 in two to three years, $1,345,772 in three to five years, and $660,653 after five years. Related interest expense was $5,655,764, $5,131,909, and $5,042,964 for the years ended December 31, 1998, 1997 and 1996,

respectively. Included in demand and money market deposits were NOW accounts totaling $49,907,053 and $39,673,545 at December 31, 1998 and 1997, respectively.

7 - SHORT-TERM BORROWINGS

At December 31, 1998 and 1997, short-term borrowings consisted of securities sold under agreements to repurchase totaling $16,515,867 and $16,367,839, respectively. Short-term borrowings mature either overnight or on a fixed maturity not to exceed three months. At December 31, 1998, Fidelity had a line of credit with the Federal Home Loan Bank to borrow up to a maximum of $20 million under a line of credit, which requires loans secured by real estate, investment securities or other acceptable collateral. The Bank also has a $15 million collateralized line of credit and a total of $20.4 million in unsecured short term lines of credit available with several financial institutions. Interest expense on Federal Home Loan Bank advances was $26,830 in 1998 and $36,720 in 1997. The weighted average rate on short-term borrowings outstanding at December 31, 1998 1997 and 1996, was 3.16%, 3.17% and 3.06%, respectively.

8 - LONG-TERM DEBT

Long-term debt is summarized as follows:

<TABLE>
<CAPTION>

	December 31, 1998	December 31, 1997
<S>	<C>	<C>
Junior subordinated Series A capital notes with interest at prime plus 2% due December 15, 1999; interest payable quarterly	$ 50,000	$ 50,000
Subordinated capital notes with interest at 11% through March 27, 2000, and at prime plus 2% thereafter, due March 27, 2002, interest payable quarterly	600,000	750,000
8.5% subordinated notes due January 31, 2006, interest payable quarterly	15,000,000	15,000,000
Total	$15,650,000	$15,800,000

</TABLE>

Note maturities as of December 31, 1998, are summarized as follows:

	Amount
1999	$ 50,000
2000	--
2001	--
2002	600,000
2003	--
Thereafter	15,000,000
Total	$15,650,000

On December 12, 1995, Fidelity issued $15,000,000 in 8.5% Subordinated Notes due January 31, 2006. Under the terms of the notes, Fidelity has the right to redeem them on or after January 31, 2001, at 100% of the principal amount plus accrued interest to the date of redemption. Under the provisions of the notes, Fidelity may declare or pay dividends on any of its capital stock as long as the amounts of dividends paid cumulatively for the three-year period ending on the declaration date of the dividend does not exceed cumulative consolidated net income of Fidelity for the three-year period ending on the applicable declaration date. The cumulative consolidated net loss of Fidelity for the three-year period ended December 31, 1998, was $926,000 and the dividends paid during such period were $1.6 million. Fidelity violated this provision during 1998 and 1997 with the declaration of preferred stock dividends. Although a technical event of default occurred under the provisions of the Notes, the remedies available do not include acceleration of the debt. In addition, no dividend can be declared on the capital stock of Fidelity if an event of default has occurred and is continuing under the Notes, including the failure to pay interest on such indebtedness or default on other indebtedness exceeding $1 million.

The subordinated notes due March 27, 2002, may be redeemed at the option of Fidelity at any time after March 27, 2000, without penalty. All other subordinated notes may be redeemed at the option of Fidelity without penalty.

There was no indebtedness to directors, executive officers, or principal holders of equity securities in excess of 5% of shareholders' equity at December 31, 1998.

9 - INCOME TAXES

Income tax expense (benefit) attributable to income from continuing operations consists of:

	Current	Deferred	Total
Year ended December 31, 1998:			
Federal	$ 1,615,737	$ 796,556	$ 2,412,293
State	--	(195,663)	(195,663)
	$ 1,615,737	$ 600,893	$ 2,216,630
Year ended December 31, 1997:			
Federal	$ 420,157	$ 118,393	$ 538,550
State	--	(34,802)	(34,802)
	$ 420,157	$ 83,591	$ 503,748
Year ended December 31, 1996:			
Federal	$ 1,006,128	$(4,124,579)	$(3,118,451)
State	--	(376,761)	(376,761)
	$ 1,006,128	$(4,501,340)	$(3,495,212)

Income tax expense (benefit) differed from amounts computed by applying the statutory U.S. Federal income tax rate to pretax income from continuing operations as a result of the following:

	1998	1997	1996
Taxes at statutory rate	$ 2,063,534	$ 498,665	$(3,140,561)
Increase (reduction) in income taxes resulting from:			
State income tax expense, net of Federal income tax benefit	(129,138)	(22,969)	(248,662)
Tax exempt income	(22,982)	(23,014)	(22,770)
Other, net	305,216	51,066	(83,219)
Income tax expense (benefit)	$ 2,216,630	$ 503,748	$(3,495,212)

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

	Deferred Tax			
	1998		1997	
	Assets	Liabilities	Assets	Liabilities
State tax credit carry forwards	$ 438,556	$ --	$ 242,893	$ --
Allowance for loan losses	3,424,774	--	3,762,518	--
Accelerated depreciation	--	790,032	--	465,718
Securitization	207,895	--	167,677	--
Deferred loan fees, net	--	146,598	28,771	--
Other real estate	275,791	--	41,050	--
Unrealized holding gains on securities available-for-sale	--	46,562	--	127,909
Capitalized mortgage servicing rights	--	561,548	--	206,521
Other	148,312	17,890	142,793	51,963
	$4,495,328	$1,562,630	$4,385,702	$852,111

At December 31, 1998, Fidelity had approximately $855,000 in state tax carryforward credits that have not been utilized. These credits expire in one to five years.

10 - EMPLOYEE BENEFITS

The Chairman and Chief Executive Officer of Fidelity and the President of the Bank have entered into employment agreements for three-year periods commencing January 1, 1998, and September 15, 1997, respectively, providing for the payment of or reimbursement of certain split-dollar life, term life and disability insurance plans.

Fidelity maintains a 401(k) defined contribution retirement savings plan for employees age 18 or older who have completed ninety days of service. Employee contributions to the plan are voluntary. Fidelity matches up to 15% of the participants' eligible contributions. For the years ended December 31, 1998, 1997 and 1996, Fidelity contributed $65,135, $62,348, and $71,873, respectively, to the plan.

Fidelity has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related Interpretations in accounting for its employee stock options because, as discussed below, the alternative fair value accounting provided for under SFAS No. 123, "Accounting for Stock-Based Compensation," requires use of option valuation models that were not developed for use in valuing employee stock options. Under APB 25, because the exercise price of Fidelity's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

Fidelity's 1997 Incentive Stock Option Plan has authorized the grant of options to management personnel for up to 500,000 shares of Fidelity's Common Stock. All options granted have 5 to 7 year terms and vest and become fully exercisable at the end of 4 to 5 years of continued employment.

Pro forma information regarding net income and earnings per share is required by SFAS No. 123, and has been determined as if Fidelity had accounted for its employee stock options under the fair value method of that Statement. The effects of applying SFAS 123 for providing pro forma disclosures are not likely to be representative of the effects on reported net income for future years.

<TABLE>
<CAPTION>

	Number	Weighted Average Exercise Price
<S>	<C>	<C>
Under option, January 1, 1997	--	$ --
Granted	250,000	9.15
Exercised	--	--
Expired	--	--
Under option, December 31, 1997	250,000	$9.15

</TABLE>

At December 31, 1998 and 1997, there were 250,000 options outstanding at a price ranging from $9.00 to $9.90, with a weighted average price of $9.15. The weighted average remaining contractual term of the options is five years. There were no such options granted, exercised or expired in 1998.

<TABLE>
<CAPTION>

	Net Income	Net Income Per Share Basic	Net Income Per Share Diluted
<S>	<C>	<C>	<C>
December 31, 1998			
As reported	$ 3,852,588	$ 0.43	$ 0.42
Stock based compensation net of related tax effect	(137,724)	(0.02)	(0.02)
As adjusted	$ 3,714,864	$ 0.41	$ 0.40
December 31, 1997			
As reported	$ 962,913	$ 0.15	$ 0.15
Stock based compensation net of related tax effect	(25,662)	(0.01)	(0.01)
As adjusted	$ 937,251	$ 0.14	$ 0.14

</TABLE>

The per share weighted fair value of stock options granted during 1997 was $2.77 using the Black-Scholes option pricing model. The fair value of the options granted during the year was based upon the discounted value of future cash flows of options using the following assumptions:

<TABLE>
<CAPTION>

	1998	1997
<S>	<C>	<C>
Risk-free rate	4.76%	5.12%
Expected life of the options (in years)	5 - 7	5 - 7
Expected dividends (as a percent of the fair value of the stock)	1.50%	0%
Volatility	57.90%	27.50%

</TABLE>

11 - SHAREHOLDERS' EQUITY

In addition to the previously mentioned regulatory agreement, dividends that may be paid by Fidelity National Bank to Fidelity are subject to certain other regulatory limitations. Under Federal banking law, the approval of the OCC will be required if the total of all dividends declared in any calendar year by a bank exceeds the bank's net profits to date for that year combined with its retained net profits for the preceding two years, subject to the maintenance of minimum required regulatory capital. For additional dividend restrictions, see Note 8. At December 31, 1998, total shareholders' equity of Fidelity National Bank was approximately $51 million. Also, under current Federal Reserve System regulations, Fidelity National Bank is limited in the amount it may loan to its nonbank affiliates, including Fidelity. As of December 31, 1998, there were no loans outstanding from the Bank to Fidelity.

During mid-1997, Fidelity sold, in a private placement, $6.15 million Non-Cumulative 8% Convertible Preferred Stock, Series A ("Preferred Stock"). In December 1997, Fidelity sold in a public offering 3,450,000 shares of Common Stock at a price of $7.50 per share. The proceeds, net of stock issuance costs, from the Preferred Stock and Common Stock offerings were $5.6 million and $23.5 million, respectively. The proceeds were used to provide additional capital to Fidelity National Bank and for general corporate purposes. In connection with the public offering, Fidelity agreed to issue to the underwriter warrants to purchase 150,000 shares of Common Stock at a purchase price of $8.25 per share. The warrants are exercisable during the four-year period commencing December 12, 1998.

As of December 31, 1998, there were 984,000 shares of Preferred Stock issued and outstanding. Each share of Preferred Stock may be converted by the holder thereof at any time into .86926 of a share of Common Stock. Holders of Preferred Stock are entitled to vote on each matter on which holders of Common Stock are entitled to vote and are accorded all voting powers and rights of holders of Common Stock. Each share of Preferred Stock has the number of votes equal to the number of shares of Common Stock into which it is convertible.

The Preferred Stock is redeemable by Fidelity at its stated value of $6.25, in whole or in part, at Fidelity's option, at any time after the later of (i) the second anniversary of its issuance or (ii) the last day of a period of ten (10) consecutive trading dates on which the closing price of a share of Common Stock on each such day shall equal or exceed $10.00. Any redemption is also subject to the prior approval of the FRB. Fidelity has accorded each holder of Preferred Stock one demand registration right covering the shares of Common Stock acquired upon the conversion of the Preferred Stock into Common Stock.

12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. In cases where quoted market prices are not available, fair values are based on settlements using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets, and, in many cases, could not be realized in immediate settlement of the instrument. SFAS No. 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of Fidelity.

The carrying amounts reported in the Statements of Condition for cash, due from banks, and Federal funds sold, approximate those assets' fair values. For investment 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 or dealer quotes.

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type. The fair value of performing loans is calculated by discounting scheduled cash flows through the remaining maturities using estimated market discount rates that reflect the credit and interest rate risk inherent in the loan.

Fair value for significant nonperforming loans is estimated taking into consideration recent external appraisals of the underlying collateral for loans that are collateral dependent. If appraisals are not available or if the loan is not collateral dependent, estimated cash flows are discounted using a rate commensurate with the risk associated with the estimated cash flows. Assumptions regarding credit risk, cash flows, and discount rates are judgmentally determined using available market information and specific borrower information.

The fair value of deposits with stated maturity, such as noninterest-bearing demand deposits, savings, interest-bearing demand, and money market accounts, is equal to the amount payable on demand. The fair value of time deposits is based on the discounted value of contractual cash flows based on the discount rates currently offered for deposits of similar remaining maturities.

The carrying amounts reported in the balance sheet for short-term debt approximate those liabilities' fair values.

The fair value of Fidelity's long-term debt is estimated based on the quoted market prices for the same or similar issues or on the current rates offered to Fidelity for debt of the same remaining maturities. The carrying amount of long-term debt approximates its estimated fair value.

<TABLE>
<CAPTION>

	December 31,			
	1998		1997	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<S>	<C>	<C>	<C>	<C>
Financial instruments (assets)				
Cash and due from banks	$ 34,144,180	$ 34,144,180	$ 28,192,714	$ 28,192,714
Federal funds sold	45,785,746	45,785,746	41,068,827	41,068,827
Investment securities available-for-sale	43,404,870	43,404,870	88,007,985	88,007,985
Investment securities held-to-maturity	29,652,667	29,755,873	37,925,224	37,924,411
Loans, net of unearned income	535,876,166	542,232,323	437,181,430	438,831,812
Total financial instruments (assets)	688,863,629	$695,322,992	632,376,180	$634,025,749
Non-financial instruments (assets)	24,013,924		24,556,587	
Total assets	$712,877,553		$656,932,767	
Financial instruments (liabilities)				
Noninterest-bearing demand deposits	$102,424,607	$102,424,607	$ 87,054,288	$ 87,054,288
Interest-bearing deposits	518,839,020	521,552,017	481,263,037	482,896,887
Total deposits	621,263,627	623,976,624	568,317,325	569,951,175
Short-term borrowings	16,515,867	16,515,867	16,367,839	16,376,839
Long-term debt	15,650,000	15,650,000	15,800,000	15,800,000
Total financial instruments (liabilities)	653,429,494	$656,142,491	600,485,164	$602,128,014
Non-financial instruments (liabilities and shareholders' equity)	59,448,059		56,447,603	
Total liabilities and shareholders' equity	$712,877,553		$656,932,767	

</TABLE>

For off-balance sheet instruments, fair values are based on rates currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing for loan commitments and letters of credit. The estimated fair values of Fidelity's off-balance sheet financial instruments as of December 31, 1998 and 1997, are summarized below (dollars in thousands):

<TABLE>
<CAPTION>

	1998 Estimated Fair Value	1997 Estimated Fair Value
<S>	<C>	<C>
Unfunded commitments to extend credit	$318,563	$355,552
Standby letters of credit	10,694	3,465

</TABLE>

This presentation excludes certain financial instruments and all nonfinancial instruments. The disclosures also do not include certain intangible assets, such as customer relationships, deposit base intangibles and goodwill. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of Fidelity.

13 - COMMITMENTS AND CONTINGENCIES

The approximate future minimum rental commitments as of December 31, 1998, for all noncancellable leases with initial or remaining terms of one year or more are shown in the following table:

	Amount
1999	$ 2,346,000
2000	2,377,000
2001	2,299,000
2002	2,176,000
Thereafter	5,589,000
Total	$14,787,000

Rental expense for all leases amounted to approximately $2,408,000, $2,282,000, and $1,740,000, in 1998, 1997 and 1996, respectively.

Due to the nature of their activities, Fidelity is at times engaged in various legal proceedings which arise in the normal course of business, some of which are outstanding at December 31, 1998. While it is difficult to predict or determine the outcome of these proceedings, it is the opinion of management and its counsel that the ultimate liability, if any, will not materially affect Fidelity's financial position.

The Federal Reserve Board requires that banks maintain cash on hand and reserves in the form of average deposit balances at the Federal Reserve Bank based on the banks' average deposits. The Bank's reserve requirements at December 31, 1998 and 1997, were $8,562,000 and $6,625,000, respectively.

14 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

Fidelity 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 and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit, letters of credit, and forward sales contracts. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated financial statements. The contract or notional amounts of these instruments reflect the extent of involvement Fidelity has in particular classes of financial instruments.

Fidelity's exposure to credit loss, in the event of nonperformance by customers for commitments to extend credit and letters of credit, is represented by the contractual or notional amount of those instruments. Fidelity uses the same credit policies in making commitments and conditional obligations as it does for recorded loans. For forward sales contracts, the contract or notional amounts do not represent exposure to credit loss; however, these financial instruments represent interest rate risk to Fidelity. Fidelity controls the interest rate risk of its forward sales contracts through management approvals, dollar limits, and monitoring procedures.

Financial instruments with off-balance sheet risk at December 31, 1998, are summatrized as follows (dollars in thousands):

<TABLE>
<S> <C>

Financial instruments whose contract amounts represent credit risk:	
Loan commitments	
Credit card lines	$220,704
Home equity	13,109
Commercial real estate, construction and land development	48,535
Commercial	27,446
Mortgage loans	7,869
Lines of credit	900
Standby letters of credit	10,694
Total loan commitments	$329,257
Financial instruments whose notional or contractual amounts represent interest rate risk:	
Forward sales contracts	$ 10,700

</TABLE>

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the agreement. 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. Fidelity evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by Fidelity upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Standby letters of credit are commitments issued by Fidelity to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. Fidelity holds collateral supporting those commitments as deemed necessary.

Forward sales contracts are contracts for delayed delivery of mortgage loans in which Fidelity agrees to make delivery at a specified future date at a specified price. Risks arise from the inability of counterparties to meet the terms of their contracts and from movements in interest rates.

15 - CONDENSED FINANCIAL INFORMATION OF FIDELITY NATIONAL CORPORATION (PARENT COMPANY ONLY)

CONDENSED STATEMENTS OF CONDITION

<TABLE>
<CAPTION>

	December 31,	
	1998	1997 (1)
<S>	<C>	<C>
ASSETS		
Cash	$ 7,845,408	$ 8,345,809
Land	419,418	419,418
Investment in bank subsidiary	51,137,047	47,911,567
Investments in and amounts due from nonbank subsidiaries	589,135	501,974
Subordinated loan to bank subsidiary	10,000,000	10,000,000
Other assets	203,359	482,790
Total assets	$ 70,194,367	$ 67,661,558
LIABILITIES		
Long-term debt	$ 15,650,000	$ 15,800,000
Other liabilities	(11,113)	513,456
Total liabilities	15,638,887	16,313,456
SHAREHOLDERS' EQUITY		
Preferred stock	6,150,000	6,150,000
Common stock	35,124,941	34,943,110
Treasury stock	(69,325)	(69,325)
Net unrealized gains on investment securities available-for-sale, net of tax	75,968	208,694

Retained earnings	13,273,896	10,115,623
Total shareholders' equity	54,555,480	51,348,102
Total liabilities and shareholders' equity	$ 70,194,367	$ 67,661,558

</TABLE>

(1) As restated, see Note 1.

CONDENSED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	Years ended December 31,		
	1998	1997 (1)	1996
<S>	<C>	<C>	<C>
INTEREST INCOME			
Loans	$ --	$ --	$ 272,941
Deposits in bank	410,467	66,828	46,315
Subordinated loan to bank	850,000	850,000	768,542
Total interest income	1,260,467	916,828	1,087,798
INTEREST EXPENSE - Long-term debt	1,378,688	1,431,971	1,501,488
NET INTEREST EXPENSE	(118,221)	(515,143)	(413,690)
NONINTEREST INCOME			
Lease income	120,000	120,000	120,000
Dividends from subsidiaries	450,000	428,444	1,600,000
Management fees	138,156	108,000	91,740
Other		--	3,157
Total other income	708,156	656,444	1,814,897
NONINTEREST EXPENSE	208,932	275,378	185,462
Income (loss) before income taxes and undistributed income (loss) of subsidiary	381,003	(134,077)	1,215,745
Income tax benefit	26,218	213,758	146,017
Income before equity in undistributed income (loss) of subsidiaries	407,221	79,681	1,361,762
Equity in undistributed income (loss) of subsidiaries	3,445,367	883,232	(7,103,493)
NET INCOME (LOSS)	$ 3,852,588	$ 962,913	$(5,741,731)

</TABLE>

(1) As restated, see Note 1.

CONDENSED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Years ended December 31,		
	1998	1997 (1)	1996
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 3,852,588	$ 962,913	$(5,741,731)
Equity in undistributed income of subsidiaries	(3,445,367)	(883,232)	7,103,493
Decrease (increase) in other assets	279,431	568,097	(102,509)
(Decrease) increase in other liabilities	(401,569)	154,402	76,341
Net cash flows provided by operating activities	285,083	802,180	1,335,594
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of commercial loans	--	--	5,574,770
Net increase in loans to and investment in subsidiaries	--	(22,000,000)	(5,830,870)
Net cash flows used in investing activities	--	(22,000,000)	(256,100)
CASH FLOWS FROM FINANCING ACTIVITIES			

Repayment of long-term-debt	(150,000)	(700,000)	(250,000)
Issuance of Common Stock	181,831	23,564,513	575,191
Issuance of Preferred stock	--	5,650,000	--
Dividends paid	(817,315)	(128,075)	(692,909)
Net cash flows (used in) provided by financing activities	(785,484)	28,386,438	(367,718)
Net increase in cash	(500,401)	7,188,618	711,776
Cash, beginning of year	8,345,809	1,157,191	445,415
Cash, end of year	$ 7,845,408	$ 8,345,809	$ 1,157,191

</TABLE>

(1) As restated, see Note 1.

<TABLE>
<CAPTION>

CORPORATE INFORMATION

<S>

CORPORATE HEADQUARTERS
3490 Piedmont Rd.
Suite 1550
Atlanta, GA 30305
(404) 639-6500

MAILING ADDRESS
P.O. Box 105075
Atlanta, GA 30348-5075

FIDELITY NATIONAL BANK
3500 Holcomb Bridge Rd.
Norcross, GA 30092
(404) 639-6500

FIDELITY NATIONAL MORTGAGE CORPORATION
3 Corporate Square
Suite 700
Atlanta, GA 30329
(404) 639-6555

FIDELITY NATIONAL CAPITAL INVESTORS, INC.
3490 Piedmont Rd.
Suite 1450
Atlanta, GA 30305
(404) 240-1600

<C>

AUDITORS
Ernst & Young LLP
600 Peachtree St.
Suite 2800
Atlanta, GA 30308-2215

ATTORNEYS
Schreeder, Wheeler & Flint
The Candler Building
127 Peachtree St., N.E.
Sixteenth Floor
Atlanta, GA 30303-1845

Varner, Stephens, Humphries & White, LLP
3350 Riverwood Parkway
Suite 1700 Riverwood 100
Atlanta, GA 30339

Miller & Martin LLP
100 Galleria Parkway, N.W.
Atlanta, GA 30339-3122

Holland & Knight LLP
One Atlantic Center
1201 West Peachtree St., N.E.
Suite 2000
Atlanta, GA 30309-3400

Kilpatrick & Stockton LLP
1100 Peachtree St.
Atlanta, GA 30309-4530

ANNUAL REPORT ON FORM 10-K
Copies of Fidelity's Annual Report on Form 10-K filed with the Securities and Exchange Commission and supplemental quarterly information are available on request without charge.

ANNUAL MEETING
The annual meeting of shareholders will be held on Thursday, April 15, 1999, at three p.m. in Fidelity National Corporation's Board Room in Suite 1550 at 3490 Piedmont Road, Atlanta, GA.

SENIOR MANAGEMENT

JAMES B. MILLER, JR.
Chairman, President and CEO

M. HOWARD GRIFFITH, JR.
Chief Financial Officer

LARRY D. PETERSON
Vice President

H. PALMER PROCTOR, JR.
Vice President

AFFILIATE INFORMATION

<C>

BANKING SERVICES
Mailing Address
P.O. Box 105075
Atlanta, GA 30348
(404) 639-6500

BUCKHEAD
3490 Piedmont Rd.
Atlanta, GA 30305
(404) 814-8114

CANTON ROAD
830 Old Piedmont Rd.
Marietta, GA 30066
(770) 919-0175

CRABAPPLE
10920 Crabapple Rd.
Roswell, GA 30075
(770) 993-3438

DECATUR
160 Clairemont Ave.
Decatur, GA 30030
(404) 371-9333

DUNWOODY
1425 Dunwoody Village Pkwy.
Atlanta, GA 30338
(770) 668-0527

LAWRENCEVILLE
415 Grayson Hwy.
Lawrenceville, GA 30245
(770) 237-0121

MERCHANT'S WALK
1223 Johnson Ferry Rd.
Marietta, GA 30068
(770) 973-5494

NORTHLAKE
2255 Northlake Pkwy.
Tucker, GA 30084
(770) 491-7770

PEACHTREE CENTER
235 Peachtree St., N.E.
Atlanta, GA 30303
(404) 524-1171

PEACHTREE CORNERS
3500 Holcomb Bridge Rd.
Norcross, GA 30092
(770) 448-0554

PERIMETER CENTER
2 Perimeter Center East

<C>

SOUTHLAKE
1267 Southlake Circle
Morrow, GA 30260
(770) 961-9040

TERRELL MILL
1371 Powers Ferry Rd., S.E.
Marietta, GA 30067
(770) 952-0212

TOCO HILLS
2936 North Druid Hills Rd.
Atlanta, GA 30329
(404) 329-9595

VININGS
4300 Paces Ferry Rd.
Atlanta, GA 30339
(770) 434-7800

FIDELITY DIRECT
Telephone Banking
(404) 248-LION
(1-888) 248-LION-outside Atlanta

JACKSONVILLE, FL
10151 Deerwood Park Blvd.
Bldg. 200, Ste. 100
Jacksonville, FL 32256
(904) 996-1000

TAMPA, FL
1915 Dale Mabry, Ste. 402
Tampa, FL 33607
(877) 336-5466

MORTGAGE SERVICES
ATLANTA
3 Corporate Square
Ste. 700
Atlanta, GA 30329(404) 639-6555

JACKSONVILLE, FLORIDA
10151 Deerwood Park Blvd.
Bldg. 200, Suite 100
Jacksonville, FL 32256

TRUST SERVICES
BUCKHEAD
3490 Piedmont Rd., Ste. 1450
Atlanta, GA 30305
(404) 240-1519

INVESTMENT BROKERAGE
BUCKHEAD
3490 Piedmont Rd., Ste. 1450
Atlanta, GA 30305
(404) 240-1600

President and CEO, the Bank

Atlanta, GA 30346
(770) 551-8662

PERIMETER CENTER WEST
135 Perimeter Center West
Atlanta, GA 30346
(770) 351-9038

RIVER EXCHANGE
2080 Riverside Pkwy.
Lawrenceville, GA 30043
(770) 338-4037

ROSWELL
1325 Hembree Rd.
Roswell, GA 30076
(770) 667-9797

SANDY SPRINGS
225 Sandy Springs Cir.
Sandy Springs, GA 30328
(404) 252-3602

LOAN PRODUCTION OFFICES

Jacksonville, FL 1,2,3

Tampa Bay, FL 2,3

1. Indirect Automobile Financing

2. Residential Construction Lending

3. Home Mortgages

</TABLE>

SHAREHOLDER INFORMATION

COMMON STOCK
Fidelity National Corporation's Common Stock is registered with the Securities and Exchange Commission. It is included in the Nasdaq National Market under the symbol "LION." It is listed in The Wall Street Journal under "FidNtl."

FINANCIAL INFORMATION
Analysts, investors and others seeking financial information about Fidelity should contact:

Martha C. Fleming (404) 240-1504
or write:
Fidelity National Corporation
P.O. Box 105075
Atlanta, GA 30348

www.fidelitynational.com

MARKET PRICES - COMMON STOCK

1998	High	Low
Fourth Quarter	10-7/8	7-3/16
Third Quarter	12-1/2	8-1/4
Second Quarter	15-1/8	11-1/8
First Quarter	13-7/8	9-1/8

1997		
Fourth Quarter	9-3/4	7-1/2
Third Quarter	9-3/8	8-3/4
Second Quarter	9-5/8	7
First Quarter	13	8-1/2

As of February 28, 1999, there were approximately 575 shareholders of record. In addition, shares of approximately 2,000 beneficial owners of Fidelity's Common Stock were held by brokers, dealers and their nominees.

DIVIDEND REINVESTMENT PLAN

The Fidelity National Corporation Dividend Reinvestment Plan was established to provide shareholders with an easy way to purchase additional shares of stock. The Plan allows shareholders to reinvest their quarterly dividends and make cash investments in Fidelity stock for a minimum of $100 up to $50,000 per quarter and $100,000 per year. For more information contact the transfer agent.

SHAREHOLDER ASSISTANCE

Shareholders requiring a change of address, records or information about lost certificates or dividend checks may contact Fidelity's transfer agent:

The Bank of New York
Investor Relations Department
P.O. Box 11258
Church Street Station
New York, NY 10286-1258
1-800-524-4458

MARKET MAKERS

Allen C. Ewing & Co.

Herzog, Heine, Geduld, Inc.

Knight Securities LP

Raymond James & Associates, Inc.

Sandler O'Neill & Partners, L.P.

Spear, Leeds & Kellogg Capital Markets

Sterne, Agee & Leach, Inc.

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Fidelity National Corporation and subsidiaries of our report dated January 29, 1999, included in the 1998 Annual Report to the Shareholders of Fidelity National Corporation and subsidiaries, and to the incorporation by reference in the Registration Statement (Form S-8 No. 33-11877) pertaining to the Employee Stock Purchase Plan of Fidelity National Corporation and in the Registration Statement (Form S-3 No. 33-11879) of Fidelity National Corporation and in the related prospectus of our report dated January 29, 1999, with respect to the consolidated financial statements of Fidelity National Corporation and subsidiaries incorporated by reference in the Annual Report (Form 10-K) for the year ended December 31, 1998.

Atlanta, Georgia
March 24, 1999

/s/ Ernst & Young LLP

Ernst & Young LLP

1

EXHIBIT 24

FIDELITY NATIONAL CORPORATION

POWER OF ATTORNEY

The undersigned director and/or officer of FIDELITY NATIONAL CORPORATION, a Georgia corporation, does hereby make, constitute and appoint James B. Miller, Jr., M. Howard Griffith, Jr. and Martha C. Fleming, and each of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of said Corporation to the annual report for the Corporation's fiscal year ending December 31, 1998, on Form 10-K, and all amendments thereto, to be filed by said Corporation with the Securities and Exchange Commission, Washington, D.C. pursuant to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder, and to file the same, with all exhibits thereto and other supporting documents, with said Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 18th day of March, 1999.

/s/ James B. Miller, Jr.

JAMES B. MILLER, JR.

2

EXHIBIT 24

FIDELITY NATIONAL CORPORATION

POWER OF ATTORNEY

The undersigned director and/or officer of FIDELITY NATIONAL CORPORATION, a Georgia corporation, does hereby make, constitute and appoint James B. Miller, Jr., M. Howard Griffith, Jr. and Martha C. Fleming, and each of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of said Corporation to the annual report for the Corporation's fiscal year ending December 31, 1998, on Form 10-K, and all amendments thereto, to be filed by said Corporation with the Securities and Exchange Commission, Washington, D.C. pursuant to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder, and to file the same, with all exhibits thereto and other supporting documents, with said Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 18th day of March, 1999.

/s/ Larry D. Peterson

LARRY D. PETERSON

EXHIBIT 24

FIDELITY NATIONAL CORPORATION

POWER OF ATTORNEY

The undersigned director and/or officer of FIDELITY NATIONAL CORPORATION, a Georgia corporation, does hereby make, constitute and appoint James B. Miller, Jr., M. Howard Griffith, Jr. and Martha C. Fleming, and each of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of said Corporation to the annual report for the Corporation's fiscal year ending December 31, 1998, on Form 10-K, and all amendments thereto, to be filed by said Corporation with the Securities and Exchange Commission, Washington, D.C. pursuant to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder, and to file the same, with all exhibits thereto and other supporting documents, with said Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 18th day of March, 1999.

/s/ David R. Bockel

DAVID R. BOCKEL

EXHIBIT 24

FIDELITY NATIONAL CORPORATION

POWER OF ATTORNEY

The undersigned director and/or officer of FIDELITY NATIONAL CORPORATION, a Georgia corporation, does hereby make, constitute and appoint James B. Miller, Jr., M. Howard Griffith, Jr. and Martha C. Fleming, and each of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of said Corporation to the annual report for the Corporation's fiscal year ending December 31, 1998, on Form 10-K, and all amendments thereto, to be filed by said Corporation with the Securities and Exchange Commission, Washington, D.C. pursuant to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder, and to file the same, with all exhibits thereto and other supporting documents, with said Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 18th day of March, 1999.

/s/ Dr. Edward G. Bowen

DR. EDWARD G. BOWEN

EXHIBIT 24

FIDELITY NATIONAL CORPORATION

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 18th day of March, 1999.

/s/ W. Clyde Shepherd, Jr.

W. CLYDE SHEPHERD, JR.

EXHIBIT 24

FIDELITY NATIONAL CORPORATION

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 18th day of March, 1999.

/s/ Gordon M. Sherman

GORDON M. SHERMAN

EXHIBIT 24

FIDELITY NATIONAL CORPORATION

POWER OF ATTORNEY

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James B. Miller, Jr., M. Howard Griffith, Jr. and Martha C. Fleming, and each of them, the undersigned's true and lawful attorneys-in-fact, with power of substitution, for the undersigned and in the undersigned's name, place and stead, to sign and affix the undersigned's name as such director and/or officer of said Corporation to the annual report for the Corporation's fiscal year ending December 31, 1998, on Form 10-K, and all amendments thereto, to be filed by said Corporation with the Securities and Exchange Commission, Washington, D.C. pursuant to the periodic reporting requirements of the Securities Exchange Act of 1934, as amended, and the regulations promulgated thereunder, and to file the same, with all exhibits thereto and other supporting documents, with said Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 18th day of March, 1999.

/s/ R. Phillip Shinall, III

R. PHILLIP SHINALL, III

EXHIBIT 24

FIDELITY NATIONAL CORPORATION

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 18th day of March, 1999.

/s/ Rankin Smith, Jr.

RANKIN SMITH, JR.

EXHIBIT 24

FIDELITY NATIONAL CORPORATION

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 18th day of March, 1999.

/s/ Felker W. Ward, Jr.

FELKER W. WARD, JR.

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EXHIBIT 24

FIDELITY NATIONAL CORPORATION

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 18th day of March, 1999.

/s/ M. Howard Griffith, Jr.

M. HOWARD GRIFFITH, JR.

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EXHIBIT 24

FIDELITY NATIONAL CORPORATION

POWER OF ATTORNEY

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IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 18th day of March, 1999.

/s/ Kevin S. King

KEVIN S. KING

EXHIBIT 24

FIDELITY NATIONAL CORPORATION

POWER OF ATTORNEY

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Act of 1934, as amended, and the regulations promulgated thereunder, and to file the same, with all exhibits thereto and other supporting documents, with said Commission, granting unto said attorneys-in-fact, and each of them, full power and authority to do and perform any and all acts necessary or incidental to the performance and execution of the powers herein expressly granted.

IN WITNESS WHEREOF, the undersigned has hereunto set the undersigned's hand this 18th day of March, 1999.

/s/ Robert J. Rutland

ROBERT J. RUTLAND

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