FORM 10-K

Annual report pursuant to section 13 and 15(d)

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O A K FINANCIAL CORP

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Business Address
2445 84TH STREET, S.W.
BYRON CENTER MI 49315

FORM 10-K
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1998

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _______ to ________

Commission file number 0-22461

O.A.K. FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

MICHIGAN	38-2817345
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2445 84th Street, S.W., Byron Center, Michigan 49315
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (616) 878-1591

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $1.00 par value
(Title of Class)

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

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the Registrant, based on a per share price of $50.00 as of March 1, 1999, was approximately $76,829,950 (common stock, $1.00 par value). As of March 1, 1999, there were outstanding 2,041,779 shares of the Company's Common Stock ($1.00 par value).

Documents Incorporated by Reference:
Portions of the Company's Proxy Statement for the Annual Meeting of Shareholders to be held April 22, 1999 are incorporated by reference into Part III of this report.

Item 1. Business.

O.A.K. Financial Corporation (the "Company"), a Michigan business corporation, is a one bank holding company, which owns all of the outstanding capital stock of Byron Center State Bank (the "Bank"), a Michigan banking corporation. The Company was formed in 1988 for the purpose of acquiring all of the common stock of the Bank in a shareholder approved reorganization, which became effective October 13 of 1988.

The Bank was originally organized in 1921 as a Michigan banking corporation. As of December 31, 1998, the Bank had approximately 144 full-time and part-time employees. None of the Bank's employees are subject to collective bargaining agreements. The Company does not directly employ any personnel. The principal executive offices of the Company and the Bank are located at 2445 84th Street, S.W., Byron Center, Michigan 49315. The Bank's main office is located in Byron Center and it serves other communities with branch offices in Allendale, Dorr, Grand Rapids, Grandville, Hamilton, Hudsonville, Jamestown, Moline and Zeeland. The Bank's offices are located in Kent County, Ottawa County and the northern portion of Allegan County.

The area in which the Bank's offices are located, which is basically south and west of the city of Grand Rapids, has historically been rural in character but now has a growing urban population as the Grand Rapids Metropolitan Area expands south and west. The populations of the cities in which the Bank's offices are located are approximately as follows: Byron Center - 1,000; Dorr - 1,450; Grand Rapids - 189,125; Grandville - 15,620; Hudsonville - 6,170; Jamestown - 300; Moline - 800; Hamilton - 600; Zeeland - 6,000; Allendale - 9,600.

Bank Services

The Bank is a full service bank offering a wide range of commercial and personal banking services. These traditional consumer services include checking accounts, savings accounts, certificates of deposit, commercial loans, real estate loans, installment loans, collections, traveler's checks, night depository, safe deposit boxes and U.S. Savings Bonds. Currently, the Bank does not offer trust services. The Bank maintains correspondent relationships with major banks in Detroit and Grand Rapids, pursuant to which the Bank engages in federal funds sale and purchase transactions, the clearance of checks and certain foreign currency transactions. In addition, the Bank participates with other financial institutions to fund certain large commercial loans which would exceed the Bank's legal lending limit if made solely by the Bank.

The Bank's deposits are generated in the normal course of business, and the loss of any one depositor would not have a materially adverse effect on the business of the Bank. No material portion of the Bank's loans is concentrated within a single industry or group of related industries. As of December 31, 1998, the Bank's certificates of deposits of $100,000 or more constituted approximately 7% of total deposit liabilities. The Bank's deposits originate primarily from its service area, and the Bank does, on a very limited basis, obtain large deposits from outside this area.

The Bank's principal sources of revenue are interest and fees on loans and interest on investment securities. Interest and fees on loans constituted approximately 74.1% and 73.7% of total revenues for the years ended December 31, 1998, and December 31, 1997, respectively. Interest on investment securities, including short-term investments and federal funds sold, constituted approximately 14.7% and 18.6% of total revenues in 1998 and 1997. Revenues were also generated from deposit service charges, sales of loans and securities and other financial service fees.

The Bank provides real estate, consumer and commercial loans to customers in its market. 79.3 percent of the Bank's loan portfolio is held in fixed rate loans as of December 31, 1998. Most of these loans, approximately 93.8%, mature within five years of issuance. Approximately $13,842,000 of loans (or 6.2% of the Bank's total loan portfolio) have fixed rates with maturities exceeding five years. 44.4 percent of the Bank's interest-bearing deposits are held in savings, NOW and MMDAs, all of which are variable rate products. Of the $101,118,000 in certificates, approximately $74,853,000 mature within one year, with the balance maturing within a five year period.

Requests to the Bank for credit are considered on the basis of credit worthiness of each applicant, without consideration to race, color, religion, national origin, sex, marital status, physical handicap, age, or the receipt of income from public assistance programs. Consideration is given to the applicant's capacity for repayment, collateral, capital and alternative sources of repayment. Loan applications are accepted at all the Bank's offices and are approved within

the limits of each lending officer's authority. Loan requests in excess of $750,000 are required to be presented to the Board of Directors or the Executive Committee of the Board for its review and approval.

As described in more detail in Table 20 on page 28, the Bank's ratio of rate sensitive assets to rate sensitive liabilities as of December 31, 1998, was a 20% positive gap, compared to a 23 % positive gap at December 31, 1997. As indicated on page 28, the entire balance of savings, NOW, and MMDAs are not categorized as 0 to 3 months, although they are variable rate products. Some of these balances are core deposits which are not considered rate sensitive based on the Bank's historical experiences.

The Bank sells participations in commercial loans to other financial institutions approved by the Bank, for the purpose of meeting legal lending limit requirements or loan concentration considerations. The Bank has also sold student loans and regularly sells fixed rate and conforming adjustable rate residential mortgages to the Federal Home Loan Mortgage Corporation ("Freddie Mac"). Those residential real estate mortgage loan requests that do not meet Freddie Mac criteria are reviewed by the Bank for approval and, if approved, are retained in the Bank's loan portfolio. The Bank has the ability to purchase loans which meet its normal credit standards.

The Bank's investment policy is considered to be generally conservative. It provides for unlimited investment in U.S. government bonds, with the maximum size of a single purchase limited to $3,000,000 and a maximum maturity of fifteen years. Municipal bonds with an A rating or better may be purchased to provide nontaxable income, with the maximum life of municipal bonds limited to ten years. Nonrated bonds may be purchased from local communities that are familiar to the Bank, with a maximum block size of a single purchase limited to $250,000. Investments in states other than Michigan may not exceed 10% of the municipal portfolio, and investments in a single issuer may not exceed 5% of equity capital. Mortgage backed securities, which are fully collateralized by securities issued by government sponsored agencies, may be purchased in block sizes of up to $3,000,000, provided the average life expectancy does not exceed ten years.

In addition, certain collateralized mortgage obligations may be purchased if their average life does not exceed five years. In addition to these referenced thresholds affecting the acquisition of investment securities, holdings of approved "non high-risk mortgage securities" are required to be "stress tested" at least annually. The acquisition of "high-risk mortgage securities" is prohibited. In no case may the Bank participate in such activities as "gains trading," "when-issued" trading, "pair offs," corporate settlement of government and agency securities, repositioning repurchase agreements, and short sales. All securities dealers effecting transactions in securities held or purchased by the Bank must be approved by the Bank's Board of Directors.

Bank Competition

The Bank has ten offices, one within each of the communities it serves. See "Properties" below for more detail on these facilities. Within these communities, its principal competitors are Comerica Bank, NBD Bank, Old Kent Bank, National City Bank, Huntington Bank, Michigan National Bank and United Bank of Michigan. Each of these financial institutions, which are headquartered in larger metropolitan areas, have significantly greater assets and financial resources than the Company, with the exception of United Bank of Michigan. Based on deposit information as of June 30, 1996, the Bank holds approximately 1.8% of deposits in the Kent County market, 1.3% of deposits in the Ottawa County market, and 4% of the deposits in the Allegan County market. Information as to asset size of competitor financial institutions is derived from publicly available reports filed by and with regulatory agencies.

The financial services industry continues to be increasingly competitive. Principal methods of competition include loan and deposit pricing, advertising and marketing programs and the types and quality of services provided. The deregulation of the financial service industry has led to increased competition among banks and other financial institutions for a significant portion of funds which have traditionally been deposited with commercial banks. Competition within the Bank's markets has been relatively stable within the past several years. Management continues to evaluate the opportunities for the expansion of products and services, such as trust services, and additional branching opportunities.

Growth of Bank

The following table sets forth certain financial information regarding the growth of the Bank (and accordingly, excludes holding company data):
<TABLE>

	Balances as of December 31, (in thousands)				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Total Assets	$299,882	$241,283	$216,755	$210,307	$187,079
Loans, Net of Unearned Income	222,133	168,953	145,069	142,813	127,286
Securities	54,734	59,988	57,302	56,702	45,598
Noninterest-Bearing Deposits	35,919	26,459	23,807	19,211	16,478
Interest-Bearing Deposits	181,789	158,244	146,442	150,807	134,603
Total Deposits	217,708	184,703	170,249	170,018	151,081
Stockholders' Equity	37,983	35,107	34,744	31,979	27,728

</TABLE>

The Main Office in Byron Center began in a small 600 square foot building in 1921. It was expanded to 1,100 square feet in 1954. In 1965 the Bank moved next door to a new 10,000 square foot building. In 1987 construction of another new building of 30,000 square feet was begun. The Main Office moved to this facility in 1988 and currently occupies this space. The Bank's first branch was opened in 1963 when the bank refitted an old bank building in Jamestown. The building was once a bank which closed during the Great Depression. The Bank's next branch was opened in Cutlerville in 1972. The original 2,500 square foot building was expanded with a 1,000 square foot addition in 1987. The Bank's Dorr office was opened in 1986 at the site of the Hillcrest Mall. It is a 2,500 square foot facility with a 2,500 square foot storage basement. In 1991, the Bank opened its branch in Hudsonville. The Bank maximized this site for future expansion with a 10,000 square foot building. The Bank occupies 2,500 square feet while the remainder is rented to various office use tenants. During 1995, the Bank purchased and remodeled a former bank branch in Grandville. Also, the same year, the Bank purchased from National City Bank a building and the deposits of its Moline branch. Currently, the Bank operates three off-site ATMs.

The Bank opened three new branches in 1998 at 10500 Chicago Drive in Zeeland, Michigan, 6163 Lake Michigan Drive in Allendale, Michigan and 4601 134th Avenue, Suite C in Hamilton, Michigan. The Bank leases the facilities for each of these three branches. In February 1999, the Kentwood, Michigan branch was opened for business. The Kentwood branch was purchased from National City Bank.

SUPERVISION AND REGULATION

The following is a summary of certain statutes and regulations affecting the Company and the Bank. This summary is qualified in its entirety by such statutes and regulations. A change in applicable laws or regulations may have a material effect on the Company, the Bank and the business of the Company and the Bank.

General

Financial institutions and their holding companies are extensively regulated under federal and state law. Consequently, the growth and earnings performance of the Company and the Bank can be affected not only by management decisions and general economic conditions, but also by the statutes administered by, and the regulations and policies of, various governmental regulatory authorities. Those authorities include, but are not limited to, the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), the FDIC, the Commissioner of the Michigan Financial Institutions Bureau ("Commissioner"), the Internal Revenue Service, and state taxing authorities. The effect of such statutes, regulations and policies can be significant, and cannot be predicted with a high degree of certainty.

Federal and state laws and regulations generally applicable to financial institutions and their holding companies regulate, among other things, the scope of business, investments, reserves against deposits, capital levels relative to operations, lending activities and practices, the nature and amount of collateral for loans, the establishment of branches, mergers, consolidations and dividends. The system of supervision and regulation applicable to the Company and the Bank establishes a comprehensive framework for their respective operations and is intended primarily for the protection of the FDIC's deposit insurance funds, the depositors of the Bank, and the public, rather than shareholders of the Bank or the Company.

Federal law and regulations establish supervisory standards applicable to the lending activities of the Bank, including internal controls, credit underwriting, loan documentation and loan-to-value ratios for loans secured by real property.

The Company

General. The Company is a bank holding company and, as such, is registered with, and subject to regulation by, the Federal Reserve Board under the Bank Holding Company Act, as amended (the "BHCA"). Under the BHCA, the Company is subject to periodic examination by the Federal Reserve Board, and is required to file with the Federal Reserve Board periodic reports of its operations and such additional information as the Federal Reserve Board may require.

In accordance with Federal Reserve Board policy, the Company is expected to act as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances where the Company might not do so absent such policy. In addition, if the Commissioner deems the Bank's capital to be impaired, the Commissioner may require the Bank to restore its capital by a special assessment upon the Company as the Bank's sole shareholder. If the Company were to fail to pay any such assessment, the directors of the Bank would be required, under Michigan law, to sell the shares of the Bank's stock owned by the Company to the highest bidder at either a public or private auction and use the proceeds of the sale to restore the Bank's capital.

Investments and Activities. In general, any direct or indirect acquisition by the Company of any voting shares of any bank which would result in the Company's direct or indirect ownership or control of more than 5% of any class of voting shares of such bank, and any merger or consolidation of the Company with another bank company, will require the prior written approval of the Federal Reserve Board under the BHCA. In acting on such applications, the Federal Reserve Board must consider various statutory factors, including among others, the effect of the proposed transaction on competition in relevant geographic and product markets, and each party's financial condition, managerial resources, and record of performance under the Community Reinvestment Act. Effective September 29, 1995, bank holding companies may acquire banks located in any state in the United States without regard to geographic restrictions or reciprocity requirements imposed by state law, but subject to certain conditions, including limitations on the aggregate amount of deposits that may be held by the acquiring company and all of its insured depository institution affiliates.

The merger or consolidation of an existing bank subsidiary of the Company with another bank, or the acquisition by such a subsidiary of assets of another bank, or the assumption of liability by such a subsidiary to pay any deposits in another bank, will require the prior written approval of the responsible Federal depository institution regulatory agency under the Bank Merger Act, based upon a consideration of statutory factors similar to those outlined above with respect to the BHCA. In addition, in certain such cases an application to, and the prior approval of, the Federal Reserve Board under the BHCA and/or the Commissioner under the Michigan Banking Code, may be required.

With certain limited exceptions, the BHCA prohibits any bank company from engaging, either directly or indirectly through a subsidiary, in any activity other than managing or controlling banks unless the proposed non-banking activity is one that the Federal Reserve Board has determined to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Under current Federal Reserve Board regulations, such permissible non-banking activities include such things as mortgage banking, equipment leasing, securities brokerage, and consumer and commercial finance company operations. As a result of recent amendments to the BHCA, well- capitalized and well-managed bank holding companies may engage de novo in certain types of non-banking activities without prior notice to, or approval of, the Federal Reserve Board, provided that written notice of the new activity is given to the Federal Reserve Board within 10 business days after the activity is commenced. If a bank company wishes to engage in a non-banking activity by acquiring a going concern, prior notice and/or prior approval will be required, depending upon the activities in which the company to be acquired is engaged, the size of the company to be acquired and the financial and managerial condition of the acquiring bank company.

In evaluating a proposal to engage (either de novo or through the acquisition of a going concern) in a non-banking activity, the Federal Reserve Board will consider various factors, including among others the financial and managerial resources of the bank company, and the relative public benefits and adverse effects which may be expected to result from the performance of the activity by an affiliate of the bank company. The Federal Reserve Board may apply different standards to activities proposed to be commenced de novo and activities commenced by acquisition, in whole or in part, of a going concern.

Capital Requirements. The Federal Reserve Board uses capital adequacy guidelines in its examination and regulation of bank holding companies. If capital falls below minimum guidelines, a bank company may, among other things, be denied approval to acquire or establish additional banks or non-bank businesses.

The Federal Reserve Board's capital guidelines establish the following minimum regulatory capital requirements for bank holding companies: (i) a leverage capital requirement expressed as a percentage of total assets, and (ii) a risk-based requirement expressed as a percentage of total risk-weighted assets. The leverage capital requirement consists of a minimum ratio of Tier 1 capital (which consists principally of shareholders' equity) to total assets of 3% for the most highly rated companies, with minimum requirements of 4% to 5% for all others. The risk- based requirement consists of a minimum ratio of total capital to total risk-weighted assets of 8%, of which at least one-half must be Tier 1 capital.

The risk-based and leverage standards presently used by the Federal Reserve Board are minimum requirements, and higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual banking organizations. For example, Federal Reserve Board regulations provide that additional capital may be required to take adequate account of, among other things, interest rate risk and the risks posed by concentrations of credit, nontraditional activities or securities trading activities. Further, any banking organization experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions (i.e., Tier 1 capital less all intangible assets), well above the minimum levels. The Federal Reserve Board has not advised the Company of any specific minimum Tier 1 Capital leverage ratio applicable to it.

Dividends. The Company is a corporation separate and distinct from the Bank. Most of the Company's revenues are received by it in the form of dividends paid by the Bank. Thus, the Company's ability to pay dividends to its shareholders is indirectly limited by statutory restrictions on the Bank's ability to pay dividends. See "SUPERVISION AND REGULATION - The Bank - Dividends." Further, the Federal Reserve Board has issued a policy statement on the payment of cash dividends by bank holding companies. In the policy statement, the Federal Reserve Board expressed its view that a bank company experiencing earnings weaknesses should not pay cash dividends exceeding its net income or which can only be funded in ways that weakened the bank company's financial health, such as by borrowing. Additionally, the Federal Reserve Board possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies. Similar enforcement powers over the Bank are possessed by the FDIC. The "prompt corrective action" provisions of federal law and regulation authorizes the Federal Reserve Board to restrict the payment of dividends by the Company for an insured bank which fails to meet specified capital levels.

In addition to the restrictions on dividends imposed by the Federal Reserve Board, the Michigan Business Corporation Act provides that dividends may be legally declared or paid only if after the distribution a corporation, such as the Company, can pay its debts as they come due in the usual course of business and its total assets equal or exceed the sum of its liabilities plus the amount that would be needed to satisfy the preferential rights upon dissolution of any holders of preferred stock whose preferential rights are superior to those receiving the distribution. The Company's Articles of Incorporation do not authorize the issuance of preferred stock and there are no current plans to seek such authorization.

The Bank

General. The Bank is a Michigan banking corporation and its deposit accounts are insured by the Bank Insurance Fund (the "BIF") of the FDIC. As a BIF-insured Michigan chartered bank, the Bank is subject to the examination, supervision, reporting and enforcement requirements of the Commissioner, as the chartering authority for Michigan banks, and the FDIC, as administrator of the BIF. These agencies and the federal and state laws applicable to the Bank and its operations, extensively regulate various aspects of the banking business including, among other things, permissible types and amounts of loans, investments and other activities, capital adequacy, branching, interest rates on loans and on deposits, the maintenance of non-interest bearing reserves on deposit accounts, and the safety and soundness of banking practices.

Deposit Insurance. As an FDIC-insured institution, the Bank is required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system under which all insured depository institutions are placed into one of nine categories and assessed insurance premiums, based upon their respective levels of capital and results of supervisory evaluation. Institutions classified as well-capitalized (as defined by the FDIC) and considered healthy pay the lowest premium while institutions that are less than adequately capitalized (as defined by the FDIC) and considered of substantial supervisory concern pay the highest premium. Risk classification of all insured institutions is made by the FDIC for each semi-annual assessment period.

The Federal Deposit Insurance Act ("FDIA") requires the FDIC to establish assessment rates at levels which will maintain the Deposit Insurance Fund at a mandated reserve ratio of not less than 1.25% of estimated insured deposits. Accordingly, the FDIC established the schedule of BIF insurance assessments for the first semi-annual assessment period of 1998, ranging from 0% of deposits for institutions in the lowest risk category to .27% of deposits for institutions in the highest risk category. For 1998, the Bank paid $27,750 in BIF insurance assessments, representing a premium of .01%.

The FDIC may terminate the deposit insurance of any insured depository institution if the FDIC determines, after a hearing, that the institution or its directors have engaged or are engaging in unsafe or unsound practices, or have violated any applicable law, regulation, order, or any condition imposed in writing by, or written agreement with, the FDIC, or if the institution is in an unsafe or unsound condition to continue operations. The FDIC may also suspend deposit insurance temporarily during the hearing process for a permanent termination of insurance if the institution has no tangible capital.

Commissioner Assessments. Michigan banks are required to pay supervisory fees to the Commissioner to fund the operations of the Commissioner. The amount of supervisory fees paid by a bank is based upon the bank's total assets, as reported to the Commissioner.

FICO Assessments. Pursuant to federal legislation enacted September 30, 1996, the Bank, as a member of the BIF, is subject to assessments to cover the payments on outstanding obligations of the Financing Corporation ("FICO"). FICO was created in 1987 to finance the recapitalization of the Federal Savings and Loan Insurance Corporation, the

predecessor to the FDIC's Savings Association Insurance Fund (the "SAIF") which insures the deposits of thrift institutions. Until January 1, 2000, the FICO assessments made against BIF members may not exceed 20% of the amount of FICO assessments made against SAIF members. Currently, SAIF members pay FICO assessments at a rate equal to approximately 0.063% of deposits while BIF members pay FICO assessments at a rate equal to approximately 0.013% of deposits. Between January 1, 2000 and the maturity of the outstanding FICO obligations in 2019, BIF members and SAIF members will share the cost of the interest on the FICO bonds on a pro rata basis. It is estimated that FICO assessments during this period will be less than 0.025% of deposits.

Capital Requirements. The FDIC has established the following minimum capital standards for state-chartered, FDIC-insured non-member banks, such as the Bank: a leverage requirement consisting of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly-rated banks with minimum requirements of 4% to 5% for all others, and a risk-based capital requirement consisting of a minimum ratio of total capital to total risk-weighted assets of 8%, at least one-half of which must be Tier 1 capital. Tier 1 capital consists principally of shareholders' equity. These capital requirements are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual institutions. For example, FDIC regulations provide that higher capital may be required to take adequate account of, among other things, interest rate risk and the risks posed by concentrations of credit, nontraditional activities or securities trading activities.

Federal law provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators' powers depends on whether the institution in question is "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," or "critically undercapitalized." Federal regulations define these capital categories as follows:
<TABLE>

<S>	Total Risk-Based Capital Ratio <C>	Tier 1 Risk-Based Capital Ratio <C>	Leverage Ratio <C>
Well capitalized	10% or above	6% or above	5% or above
Adequately capitalized	8% or above	4% or above	4% or above
Undercapitalized	Less than 8%	Less than 4%	Less than 4%
Significantly undercapitalized	Less than 6%	Less than 3%	Less than 3%
Critically undercapitalized	--	--	A ratio of tangible equity to total assets of 2% or less

</TABLE>

As of December 31, 1998, each of the Bank's ratios exceeded minimum requirements for the well capitalized category.

Depending upon the capital category to which an institution is assigned, the regulators' corrective powers include: requiring the submission of a capital restoration plan; placing limits on asset growth and restrictions on activities; requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; restricting transactions with affiliates; restricting the interest rate the institution may pay on deposits; ordering a new election of directors of the institution; requiring that senior executive officers or directors be dismissed; prohibiting the institution from accepting deposits from correspondent banks; requiring the institution to divest certain subsidiaries; prohibiting the payment of principal or interest on subordinated debt; and ultimately, appointing a receiver for the institution.

In general, a depository institution may be reclassified to a lower category than is indicated by its capital levels if the appropriate federal depository institution regulatory agency determines the institution to be otherwise in an unsafe or unsound condition or to be engaged in an unsafe or unsound practice. This could include a failure by the institution, following receipt of a less-than-satisfactory rating on its most recent examination report, to correct the deficiency.

Dividends. Under Michigan law, the Bank is restricted as to the maximum amount of dividends it may pay on its common stock. The Bank may not pay dividends except out of net profits after deducting its losses and bad debts. A Michigan state bank may not declare or pay a dividend unless the bank will have a surplus amounting to at least 20%

of its capital after the payment of the dividend. If the Bank has a surplus less than the amount of its capital, it may not declare or pay any dividend until an amount equal to at least 10% of net profits for the preceding one-half year (in the case of quarterly or semi-annual dividends) or full-year (in the case of annual dividends) has been transferred to surplus. A Michigan state bank may, with the approval of the Commissioner, by vote of shareholders owning 2/3 of the stock eligible to vote increase its capital stock by a declaration of a stock dividend, provided that after the increase the bank's surplus equals at least 20% of its capital stock, as increased. The Bank may not declare or pay any dividend until the cumulative dividends on preferred stock (should any such stock be issued and outstanding) have been paid in full. The Bank's Articles of Incorporation do not authorize the issuance of preferred stock and there are no current plans to seek such authorization.

Federal law generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its company if the depository institution would thereafter be undercapitalized. The FDIC may prevent an insured bank from paying dividends if the bank is in default of payment of any assessment due to the FDIC. In addition, the FDIC may prohibit the payment of dividends by the Bank, if such payment is determined, by reason of the financial condition of the Bank, to be an unsafe and unsound banking practice.

Insider Transactions. The Bank is subject to certain restrictions imposed by the Federal Reserve Act on any extensions of credit to the Company or its subsidiaries, on investments in the stock or other securities of the Company or its subsidiaries and the acceptance of the stock or other securities of the Company or its subsidiaries as collateral for loans. Certain limitations and reporting requirements are also placed on extensions of credit by the Bank to its directors and officers, to directors and officers of the Company and its subsidiaries, to principal shareholders of the Company, and to "related interests" of such directors, officers and principal shareholders. In addition, federal law and regulations may affect the terms upon which any person becoming a director or officer of the Company or one of its subsidiaries or a principal shareholder of the Company may obtain credit from banks with which the Bank maintains a correspondent relationship.

Safety and Soundness Standards. The federal banking agencies have adopted guidelines to promote the safety and soundness of federally insured depository institutions. These guidelines establish standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings. In general, the guidelines prescribe the goals to be achieved in each area, and each institution will be responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. The preamble to the guidelines states that the agencies expect to require a compliance plan from an institution whose failure to meet one or more of the standards is of such severity that it could threaten the safe and sound operation of the institution. Failure to submit an acceptable compliance plan, or failure to adhere to a compliance plan that has been accepted by the appropriate regulator, would constitute grounds for further enforcement action.

State Bank Activities. Under federal law and FDIC regulations, FDIC-insured state banks are prohibited, subject to certain exceptions, from making or retaining equity investments of a type, or in an amount, that are not permissible for a national bank. Federal law, as implemented by FDIC regulations, also prohibits FDIC-insured state banks and their subsidiaries, subject to certain exceptions, from engaging as principal in any activity that is not permitted for a national bank or its subsidiary, respectively, unless the bank meets, and continues to meet, its minimum regulatory capital requirements and the FDIC determines the activity would not pose a significant risk to the deposit insurance fund of which the bank is a member. Impermissible investments and activities must be divested or discontinued within certain time frames set by the FDIC in accordance with federal law. These restrictions are not currently expected to have a material impact on the operations of the Bank.

Consumer Protection Laws. The Bank's business includes making a variety of types of loans to individuals. In making these loans, the Bank is subject to State usury and regulatory laws and to various federal statutes, such as the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Real Estate Settlement Procedures Act, and the Home Mortgage Disclosure Act, and the regulations promulgated thereunder, which prohibit discrimination, specify disclosures to be made to borrowers regarding credit and settlement costs, and regulate the mortgage loan servicing activities of the Bank, including the maintenance and operation of escrow accounts and the transfer of mortgage loan servicing. In receiving deposits, the Bank is subject to extensive regulation under State and

federal law and regulations, including the Truth in Savings Act, the Expedited Funds Availability Act, the Bank Secrecy Act, the Electronic Funds Transfer Act, and the Federal Deposit Insurance Act. Violation of these laws could result in the imposition of significant damages and fines upon the Bank and its directors and officers.

Branching Authority. Michigan banks, such as the Bank, have the authority under Michigan law to establish branches anywhere in the State of Michigan, subject to receipt of all required regulatory approvals (including the approval of the Commissioner and the FDIC).

Effective June 1, 1997 (or earlier if expressly authorized by applicable state law), the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "IBBEA") allows banks to establish interstate branch networks through acquisitions of other banks, subject to certain conditions, including certain limitations on the aggregate amount of deposits that may be held by the surviving bank and all of its insured depository institution affiliates. The establishment of de novo interstate branches or the acquisition of individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) is allowed by IBBEA only if specifically authorized by state law. The legislation allowed individual states to "opt-out" of interstate branching authority by enacting appropriate legislation prior to June 1, 1997.

Michigan did not opt out of IBBEA, and now permits both U.S. and non-U.S. banks to establish branch offices in Michigan. The Michigan Banking Code permits, in appropriate circumstances and with the approval of the Commissioner, (i) the acquisition of all or substantially all of the assets of a Michigan-chartered bank by an FDIC- insured bank, savings bank, or savings and loan association located in another state, (ii) the acquisition by a Michigan-chartered bank of all or substantially all of the assets of an FDIC-insured bank, savings bank or savings and loan association located in another state, (iii) the consolidation of one or more Michigan-chartered banks and FDIC-insured banks, savings banks or savings and loan associations located in other states having laws permitting such consolidation, with the resulting organization chartered by Michigan, (iv) the establishment by a foreign bank, which has not previously designated any other state as its home state under the International Banking Act of 1978, of branches located in Michigan, and (v) the establishment or acquisition of branches in Michigan by FDIC-insured banks located in other states, the District of Columbia or U.S. territories or protectorates having laws permitting Michigan-chartered banks to establish branches in such jurisdiction. Further, the Michigan Banking Code permits, upon written notice to the Commissioner, (i) the acquisition by a Michigan-chartered bank of one or more branches (not comprising all or substantially all of the assets) of an FDIC-insured bank, savings bank or savings and loan association located in another state, the District of Columbia, or a U.S. territory or protectorate, (ii) the establishment by Michigan-chartered banks of branches located in other states, the District of Columbia, or U.S. territories or protectorates, and (iii) the consolidation of one or more Michigan-chartered banks and FDIC-insured banks, savings banks or savings and loan associations located in other states, with the resulting organization chartered by one of such other states.

Item 2. Properties.

The Bank operates from ten facilities, located in seven communities, in Kent, Ottawa and Allegan Counties, Michigan. The Bank's main office is located at 2445 84th Street, S.W., Byron Center, Michigan. This facility is a two story 30,000 square foot building constructed in 1988 and is owned by the Bank. The Bank's branch offices in Allendale, Dorr, Grand Rapids, Grandville, Hamilton, Hudsonville, Jamestown, Moline and Zeeland are all single story facilities ranging in size from 1,100 square feet to 10,000 square feet. The Bank owns its branch offices in Dorr, Grand Rapids, Grandville, Hudsonville and Moline. The Bank leases the facilities occupied by the Allendale, Hudsonville and Zeeland branches. The Bank is in the process of remodeling its Kentwood, Michigan office which was opened in February 1999.

Item 3. Legal Proceedings.

Neither the Company nor the Bank are involved in any legal proceedings other than routine litigation incidental to the ordinary conduct of the business of the Bank, none of which would result in a material impact on the Company or the Bank, individually or in the aggregate, in the event of an adverse outcome.

Item 4. Submission of Matters to Vote of Security Holders.

No matters were submitted to a vote of security holders during the fourth quarter of 1998.

Additional Item - Executive Officers

Executive officers of the Company are appointed annually by the Board of Directors. There are no family relationships among the officers and/or the directors of the Company, or any arrangement or understanding between any officer and any other person pursuant to which the officer was elected.

The following table sets forth certain information with respect to the Company's officers as of December 31, 1998:

Name	Age	Position with Company	Year Became an Officer
John A. Van Singel	44	President, CEO and director of the Company and the Bank	1976
Lois Smalligan	66	Director of the Company and the Bank, Vice President of the Bank	1975
John Peterson	50	Executive Vice President of the Bank	1983

Forrest Bowling	50	Vice President of the Bank	1988
Martin Braun	43	Vice President of the Bank	1988
Stanley Roberts	45	Vice President of the Bank	1998

</TABLE>

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PART II

Item 5. Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters.

There is no active market for the Company's Common Stock, and there is no published information with respect to its market price. There are occasional sales through brokers and direct sales by shareholders of which the Company's management is aware. It is the understanding of the management of the Company that over the last two years, the Company's Common Stock has sold at prices in excess of book value. From January 1, 1997, through December 31, 1998, there were, so far as the Company's management knows, 106 sales of shares of the Company's Common Stock, involving a total of 79,600 shares. The price was reported to management in only a few of these transactions, and management has no way of confirming the prices which were reported. During this period, the highest price known by management to be paid was $50.00 per share in the first quarter of 1999, and the lowest price was $28.00 per share in the first quarter of 1997. To the knowledge of management, the last sale of Common Stock occurred on January 29, 1999, involving the sale of 90 shares at a price of $50.00 per share. The per share information has been adjusted for the July 1, 1998, 2-for 1 stock split in the form of a dividend.

The following table sets forth the range of high and low sales prices of the Company's Common Stock during 1997 and 1998 and through February 10, 1999, based on information made available to the Company, as well as per share cash dividends declared during those periods. Although management is not aware of any transactions at higher or lower prices, there may have been transactions at prices outside the ranges listed below:
<TABLE>

	Sales Prices		Cash Dividends Declared
1997	High	Low	
<S>	<C>	<C>	<C>
First Quarter........................	$ 31.50	$ 28.00	$1.00 (1)
Second Quarter........................	32.50	31.50	$ .265
Third Quarter........................	34.00	31.50	
Fourth Quarter........................	35.00	34.00	$ .285
1998	High	Low	
First Quarter........................	$ 35.00	$ 34.50	$ .50 (2)
Second Quarter........................	35.00	35.00	$ .325
Third Quarter........................	42.00	32.00	
Fourth Quarter........................	50.00	42.00	$ .35
1999			
First Quarter........................	$50.00	$46.00	

</TABLE>

(1) A special dividend of $1.00 per share.

(2) A special dividend of $.50 per share.

On May 7, 1998, the Board of Directors declared a 2-for-1 split of the Corporation's common stock with an effective date of July 1, 1998 by means of a one-for-one stock dividend to shareholders of record on June 1, 1998. All references to per share amounts and prices of the shares have been restated to give retroactive effect to the stock split.

There are 4,000,000 shares of the Company's Common Stock authorized, of which 2,041,779 shares were issued and outstanding as of February 28, 1999. There were approximately 660 shareholders of record, including trusts and shares jointly owned, as of that date. No warrants or options exist for the purchase of additional common stock of the Company.

The holders of the Company's Common Stock are entitled to dividends when, as and if declared by the Board of Directors of the Company out of funds legally available for that purpose. Cash dividends have been paid on a semi-annual basis. In determining dividends, the Board of Directors considers the earnings, capital requirements and financial condition of the Company and the Bank, along with other relevant factors. The Company's principal source of funds for cash dividends is the dividends paid by the Bank. The ability of the Company and the Bank to pay dividends is subject to regulatory restrictions and requirements. See the discussion under "Business-Supervision and Regulation" above.

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Item 6. Selected Financial Data.

SUMMARY OF SELECTED CONSOLIDATED FINANCIAL DATA
(in thousands, except per share data)

<TABLE>

Year Ended December 31,	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Income Statement Data:					
Interest income	$ 21,134	$ 18,624	$ 17,502	$ 16,268	$ 14,082
Interest expense	8,916	7,693	7,181	6,637	5,371
Net interest income	12,218	10,931	10,321	9,631	8,711
Provision for loan losses	400	50	0	275	170
Noninterest income	2,659	1,542	1,075	919	665
Noninterest expenses	7,334	5,782	5,169	4,511	4,097
Income before federal income taxes	7,144	6,641	6,227	5,764	5,109
Net income	5,076	4,626	4,375	4,004	3,680
Per Share Data(1)(2):					
Net income	2.54	2.30	2.17	1.99	1.83
Cash dividends declared	1.18	1.55	.47	.41	.34
Book Value	19.98	18.37	17.66	16.12	13.76
Weighted average shares outstanding (1)	2,000	2,010	2,014	2,020	2,028
Balance Sheet Data:					
Total assets	$301,494	$243,088	$217,527	$210,880	$187,244
Loans, net of unearned income	222,133	168,953	145,069	142,813	127,286
Allowance for loan losses	2,879	2,565	2,376	2,305	2,056
Deposits	217,291	184,700	170,221	170,012	151,074
Stockholders' equity	39,953	36,915	35,544	32,559	27,900
Ratios:					
Tax equivalent net interest income to average earning assets	5.02%	5.24%	5.23%	5.42%	5.24%
Return on average equity	13.28%	13.08	12.89	13.21	13.64
Return on average assets	1.90%	2.03	2.03	2.07	2.02
Nonperforming loans to total loans	0.26%	0.14	0.82	0.66	0.24
Tier 1 leverage ratio	13.53%	15.03	15.97	15.42	15.36
Dividend payout ratio	46.30%	67.35	21.54	18.75	16.77
Equity to asset ratio	13.25%	15.19	16.34	15.44	14.90

</TABLE>

(1) At year end in thousands.
(2) As restated for a 2-for-1 common stock split in the form of a dividend in 1998.

ITEM 7.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

The following financial review presents management's discussion and analysis of consolidated financial condition and results of operations during the period of 1996 through 1998. The discussion should be read in conjunction with the Company's consolidated financial statements and accompanying notes thereto.

Summary

The Company and its subsidiary bank, Byron Center State Bank, consistently have been ranked as a high performance community bank by various bank rating companies. The Company's capital ratio of 13.25% as of December 31, 1998, makes it one of the strongest capitalized community banks in the State of Michigan.

To achieve this status, the Company has relied on years of continuous improvements in a business culture that emphasizes quality assets, managed in an efficient manner so as to minimize the cost of overhead. Technology has also been a key component to the Company's success and will remain an important tool that will help management deliver more services and manage more assets at a lower cost to support these functions.

The Company has a surplus of capital. The Board of Directors has made it a priority to make more efficient use of capital. The primary emphasis is re-leveraging capital through aggressive yet careful growth. This is expected to be accomplished through competitive, cost effective products and services, efficiently delivered without compromising the Bank's risk and underwriting standards. The Company has increased its cash dividend pay-out ratio over the years from 15% in 1993 to 46% in 1998, although there can be no assurance that the Company will maintain comparable pay-out ratios in the future.

Results of Operations

Table 1 Earnings Performance (in thousands, except per share data)
<TABLE>

	Year Ended December 31		
	1998	1997	1996
<S>	<C>	<C>	<C>
Net income....................................	$5,076	$4,626	$4,375
Per share of common stock...................	2.54	2.30	2.17
Earnings ratios:			
Return on average assets....................	1.90%	2.03%	2.03%
Return on average equity....................	13.28%	13.08%	12.89%

</TABLE>

Net Interest Income

The following schedule presents the average daily balances, interest income (on a fully taxable equivalent basis) and interest expense and average rates earned and paid for the Company's major categories of assets, liabilities, and stockholders' equity for the periods indicated:

Table 2 - Interest Yields and Costs (in thousands)
<TABLE>

	Year ended December 31,								
	1998			1997			1996		
	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost	Average Balance	Interest	Yield/ Cost
Assets									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Fed. funds sold	$ 375	$ 21	5.60%	$ 1,197	$ 67	5.60%	$ 2,483	$ 133	5.36%
Securities:									
Taxable	38,030	2,410	6.34	41,684	2,710	6.50	39,831	2,524	6.34
Tax-exempt	19,442	1,497	7.70	16,681	1,359	8.15	14,875	1,283	8.63
Loans(1)(2)	194,728	17,661	9.07	156,657	14,887	9.50	147,529	13,952	9.46
Total earning assets/total interest income	252,575	21,589	8.55	216,219	19,023	8.80	204,718	17,892	8.74
Cash and due from banks	6,507			4,956			4,474		
Unrealized gain	1,085			289			420		
All other assets	9,428			8,427			7,999		
Allowance for loan loss	(2,663)			(2,477)			(2,462)		
Total assets	$266,932			$227,414			$215,149		
Liabilities and Stockholders' Equity									
Interest bearing deposits:									
MMDA, Savings/NOW accounts	$ 71,658	$ 2,027	2.83%	$ 63,927	$ 1,927	3.01%	$ 62,076	$ 1,854	2.99%
Time	98,870	5,547	5.61	90,180	5,131	5.69	87,885	4,916	5.59
Fed Funds Purchased	15,767	685	4.35	9,038	369	4.08	8,004	301	3.76
Other Borrowed Money	10,966	656	5.99	4,443	266	5.99	1,893	110	5.81
Total interest bearing liabilities/total interest expense	197,261	8,915	4.52	167,588	7,693	4.59	159,858	7,181	4.49
Noninterest bearing deposits	29,324			22,764			19,762		
All other liabilities	2,136			1,773			1,543		
Stockholders' Equity:									
Accumulated other comprehensive income	716			191			277		
Common Stock, Paid-in Capital, Retained Earnings	37,495			35,098			33,709		

Total liabilities and stockholders' equity	$266,932			$227,414			$215,149	
	========			========			========	
Interest spread		$12,218	4.03%		$10,931	4.21%	$10,321	4.25%
			=====			=====		=====
Net interest income-FTE		$12,674			$11,330		$10,711	
		=======			=======		=======	
Net Interest Margin as a Percentage of Average Earning Assets - FTE			5.02%			5.24%		5.23%
			=====			=====		=====

</TABLE>

(1) Nonaccruing loans are not significant during theyears indicated, and for purposes of the computations above, are included in the average daily loan balances.
(2) Interest on loans includes net origination fees totaling $183,443 in 1998,$249,067 in 1997 and $263,376 in 1996.

Net interest income is the principal source of income for the Company. In the current year, tax equivalent net interest income increased $1,344,000 to $12,674,000, a 11.9% increase from the same period in 1997.

Net interest income is the difference between interest earned on loans, securities, and other earning assets and interest paid on deposits and borrowed funds. In Table 2 and Table 3 the interest earned on investments and loans is expressed on a fully taxable equivalent (FTE) basis. Tax exempt interest is increased to an amount comparable to interest subject to federal income taxes in order to properly evaluate the effective yields earned on earning assets. The tax equivalent adjustment is based on a federal income tax rate of 34%. Table 3 analyzes the reasons for the increases and decreases in interest income and expense. The change in interest due to changes in both balance and rate has been allocated to change due to balance and change due to rate in proportion to the relationship of the absolute dollar amounts of change in each.

Table 3 - Change in Tax Equivalent Net Interest Income (in thousands)
<TABLE>

	1998 Compared to 1997			1997 Compared to 1996		
	Amount of Increase/(Decrease) Due to Change In			Amount of Increase/(Decrease) Due to Change In		
	Volume	Average Rate	Net Amount of Increase/ (Decrease)	Volume		Net Amount of Increase/ (Decrease)
Interest Income						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Federal funds sold.............	$ (46)	$ 0	$ (46)	$ (72)	$ 6	$ (66)
Securities:						
Taxable......................	(232)	(54)	(286)	120	52	172
Tax Exempt...................	213	(89)	124	149	(59)	90
Loans..........................	3,453	(679)	2,774	867	68	935
	---------	----------	---------	-------	-------	--------
Total interest income..........	3,388	(822)	2,566	1,064	67	1,131
	---------	----------	---------	-------	-------	-------
Interest Expense						
Interest bearing deposits:						
Savings/NOW Accounts.........	219	(119)	100	56	17	73
Time.........................	488	(72)	416	131	84	215
Fed Funds Purchased..........	293	23	316	42	26	68
Other Borrowed Money.........	390	0	390	152	4	156
	----------	-----------	----------	----------	-----------	-------
Total Interest Expense.......	1,390	168	1,222	381	131	512
	---------	---------	---------	--------	----------	-------
Net interest income (FTE).......	$ 1,998	$ (654)	$ 1,344	$ 683	$ (64)	$ 619
	=========	========	========	=======	========	=======

</TABLE>

The Company's commitment to reinvesting in the communities it serves is evident in its ratios of loans to assets and loans to deposits, which are generally greater than the comparable ratios of the Company's peers. This in turn translates into above peer net interest margin. (Based on FFIEC uniform bank performance report.)

Net interest income as a percent of total interest income FTE was 58.7% , 59.6% and 59.9%, for 1998, 1997 and 1996, respectively. Net interest margin was 5.02%, 5.24% and 5.23% for the same years.

Interest from loans represents 81.8%, 78.3% and 78.0% of total interest income for 1998, 1997 and 1996, respectively. Net interest income is strongly influenced by results of the Bank's lending activities.

Total interest expense increased 15.9% from 1997 to 1998 and also increased 7.1% from 1996 to 1997; such variances are detailed in Table 3. Cost of funds are influenced by economic conditions and activities of the Federal Reserve. The Bank's asset/liability committee seeks to manage sources and uses of funds, and to monitor the gap in maturities of these funds to maintain a steady net interest margin in varying market conditions.

Table 4 - Composition of Average Earning Assets and Interest Paying Liabilities

	Year ended December 31		
	1998	1997	1996
As a percent of average earning assets			
Loans......................................	77%	72%	72%
Other earning assets.........................	23%	28%	28%
Average earning assets...................	100%	100%	100%
Savings and NOW accounts....................	36%	38%	39%
Time deposits...............................	50%	54%	55%
Other borrowings............................	14%	8%	6%
Average interest bearing liabilities......	100%	100%	100%
Earning asset ratio...........................	95%	95%	95%

Table 5 - Noninterest Income (in thousands)

	Year Ended December 31		
	1998	1997	1996
Service charges on deposit accounts	$ 588	$ 527	$ 529
Net gains on asset sales:			
Loans.....................................	1,367	414	133
Securities................................	204	66	13
Other income................................	500	535	400
Total noninterest income................	$2,659	$1,542	$1,075

Noninterest Income

Noninterest income consists of service charges on deposit accounts, service fees, gains from sales of investment securities available-for-sale and gains from sales of loans to the Federal Home Loan Mortgage Corporation (Freddie Mac). The Company retains the servicing rights on these loans. Noninterest income increased $1,117,000 or 72% for 1998 versus 1997. The increase was primarily due to a $953,000 increase in gains on real estate mortgage loan sales and a $138,000 increase on gains of securities available-for-sale.

Table 6 Net Gains on the Sale of Real Estate Mortgage Loans (in thousands)

	Year ended December 31		
	1998	1997	1996
Total Real estate mortgage loan originations..........................	$91,446	$39,112	$40,934
Real estate mortgage loan sales.............	72,075	20,567	21,784
Real estate mortgage loans servicing rights sold.............................	0	0	0
Net gains on the sale of real estate mortgage loans....................	1,367	414	133
Net gains as a percent of real estate mortgage loan sales...............	1.90%	2.01%	0.61%

Net gains on the sale of real estate mortgage loans totaled $1,367,000, $414,000 and $133,000 in 1998, 1997 and 1996, respectively. The increase from 1997 to 1998 of $953,000 was a result of a more favorable interest rate environment. The increase from 1996 to 1997 of $281,000 was a result of adopting SFAS No. 125 and a more favorable interest rate environment.

The Bank sells the majority of its fixed-rate obligations. Such loans are sold without recourse. The Bank retains servicing rights on real estate mortgage loans sold. The impact of new accounting standards in 1996 (see Discussion of SFAS No.'s 122 and 125 in Notes to Consolidated Financial Statements) has been and is expected to continue to be insignificant to the Company's consolidated financial position and results of operations.

Noninterest Expense

Table 7 - Noninterest Expense (in thousands)
<TABLE>

	Year ended December 31		
	1998	1997	1996
<S>	<C>	<C>	<C>
Salaries and employee benefits...............	$3,918	$3,028	$2,650
Occupancy and equipment......................	1,143	897	845
FDIC assessment..............................	28	27	17
Postage......................................	115	129	104
Printing and supplies........................	268	118	132
Marketing....................................	213	163	161
Michigan Single Business Tax.................	192	220	197
Other..	1,457	1,200	1,063
Total noninterest expense..................	$7,334	$5,782	$5,169

</TABLE>

Table 7 lists the Bank's most significant noninterest expenses.

Noninterest expense increased $1,552,000 or 26.8% for 1998 versus 1997. Salaries and employee benefits increased $890,000 to $3,918,000, a 29.4% increase which was the major factor for the increase in non-interest expense. The increase was primarily due to staffing three new branches.

Noninterest expense increased $613,000 or 11.9% in 1997 versus 1996. Salaries and employee benefits increased $378,000 to $3,028,000 a 14.3% increase which was the major factor for the increase in non-interest expense.

The 1997 increases in salary and employee benefit expense are related to increased staffing, annual hourly and salary pay adjustments and increased medical insurance expenses. The increased staffing is a long term initiative that will be utilized to improve asset quality, regulatory compliance and build and improve marketing and sales support.

Financial Condition--Summary

During 1998, total assets increased 24% to $301,493,990, deposits increased 17.6% to $217,290,807 and loans grew 31.5% to $222,133,200. The Bank is emphasizing relationship banking and has competed aggressively to obtain deposits and loans. A discussion of changes in balance sheet amounts by major categories follows:

The Loan Portfolio

The loan personnel of the Bank are committed to making quality loans that produce a competitive rate of return for the Bank and also serve the community by providing funds for home purchases, business purposes, and consumer needs. It is management's intent to maintain a loan to deposit ratio of at least 80%, enabling the Company to earn the highest interest rates available on loans. Loan demand in the Bank's service area is expected to remain strong to achieve that goal.

The majority of loans are made to businesses in the form of commercial loans and real estate mortgages. The Bank's consumer mortgage activity is substantial; however, only a small portion of these loans are retained for the Bank's own portfolio. The Bank does retain servicing rights on substantially all such sold loans. Over the past seven years the Bank has built an one hundred twenty-two million dollar servicing portfolio with the Federal Home Loan Mortgage Corporation ("FHLMC"). At December 31, 1998 and 1997, the Bank was servicing loans of $126,651,000 and $93,000,000, respectively, which relate primarily to residential mortgages originated by the Bank. The Bank originated $91,446,000 (1,073 loans) and $39,112,000 (441 loans) in mortgage loans in 1998 and 1997, respectively, and sold to FHLMC $72,676,000 (872 loans) in 1998 and $20,567,000 (233 loans) in 1997. Repayments and early payoffs were $17,768,000 in 1998 and $13,102,000 in 1997.

The loan portfolio mix at December 31, 1998 consists of 51% commercial real estate, 17% residential real estate, 18% commercial and 14% consumer installment. The growth rate of the lending portfolio was 16.5% from 1996 to 1997 and 31.5% from 1997 to 1998.

Nearly 80% of loans are placed within the area the Bank designates as its market for purposes of regulatory Community Reinvestment Act ("CRA") compliance. Nearly all loans are placed within the metropolitan area of Grand Rapids and surrounding communities.

Table 8 - Loan Portfolio Composition (in thousands)
<TABLE>

	Year ended December 31					
	1998		1997		1996	
	Amount	%	Amount	%	Amount	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial Real Estate......................	$114,248	51	$ 90,005	53	$ 72,280	50
Residential Real Estate.....................	36,554	17	38,886	23	33,443	23
Other Commercial............................	40,825	18	26,380	16	27,452	19
Installment.................................	30,506	14	13,682	8	11,894	8
Total loans.................................	222,133	100%	168,953	100%	145,069	100%
Less:						
Allowance for Loan Losses..................	(2,879)		(2,565)		(2,376)	
Total Loans Receivable, Net.................	$219,254		$166,388		$142,693	

</TABLE>

The lending policy of the Bank was written to reduce credit risk, enhance earnings and guide the lending officers in making credit decisions. There are 8 levels in the loan authorization procedure depending on the dollar amount of the loan request.

$1,800,001 to $4,500,000	Board of Directors
$ 750,001 to $1,800,000	Executive Loan Committee
0 to $ 750,000	Loan Committee
0 to $ 250,000	Class 1 Lender
0 to $ 150,000	Class 2 Lender
0 to $ 75,000	Class 3 Lender
0 to $ 30,000	Class 4 Lender
Student Loans Only	Class 5 Lender

The class of lender is approved by the Bank's Board of Directors. The Board of Directors has appointed a Chief Lending Officer who is responsible for the supervision of the lending activities of the Bank. The Board has also appointed a loan review officer who monitors the credit quality of the loan portfolio independent of the loan approval process. Periodic reviews are submitted by the loan review officers to the Chief Lending Officer and these reviews are submitted to the Audit/Compliance Committee on a quarterly basis. The Bank has no foreign loans and there were no concentrations greater than 10% of total loans that are not disclosed as a separate category in Table 8.

The extent of loan quality is demonstrated by the low ratios of nonperforming loans and charge offs as a percentage of the loan portfolio. As referenced in more detail in Table 10 below, the Bank's ratio of nonperforming loans to total loans at December 31, 1998 was only .26%. The Bank had net charge-offs of $86,000 in 1998 and net recoveries of $139,000 in 1997.

Nonperforming assets are comprised of loans for which the accrual of interest has been discontinued, accruing loans 90 days or more past due in payments, collateral for loans which have been in-substance foreclosed, and other real estate which has been acquired primarily through foreclosure and is awaiting disposition. Loans, including loans considered impaired under SFAS No. 118, are generally placed on a nonaccrual basis when principal or interest is past due 90 days or more and when, in the opinion of management, full collection of principal and interest is unlikely.

Table 9 Maturities and Sensitivities of Loans to Changes in Interest Rates

The following table shows the amount of total loans outstanding as of December 31, 1998 which, based on remaining scheduled repayments of principal, are due in the periods indicated.
<TABLE>

	Maturing (in thousands of dollars)			
	Within one Year	After one but within five years	After five years	Total
<S>	<C>	<C>	<C>	<C>
Residential Real Estate.............	$ 11,856	$ 21,269	$3,429	$ 36,554
Installment.........................	1,679	27,054	1,773	30,506
Commercial Real Estate..............	27,667	76,722	9,859	114,248
Other Commercial....................	23,021	17,428	376	40,825

Totals.........................	$64,223	$142,473	$15,437	222,133
Allowance for Loan Losses...........				(2,879)
Total Loans Receivable, Net..........				$219,254

</TABLE>

Below is a schedule of the amounts maturing or repricing which are classified according to their sensitivity to changes in interest rates.
<TABLE>

	Interest Sensitivity (in thousands of dollars)		
	Fixed Rate	Variable Rate	Total
Due within 3 months..................................	$ 7,443	$44,563	$ 52,006
Due after 3 months within 1 year......................	19,341	1,595	20,936
Due after one but within five years....................	135,349	0	135,349
Due after five years..................................	13,842	0	13,842
Total..	$175,975	$46,158	222,133
Allowance for loan losses.............................			(2,879)
Total loans receivable, net...........................			$219,254

</TABLE>

Table 10 - Nonperforming Assets (in thousands)
<TABLE>

	December 31 1998	1997	1996
Nonaccrual loans...	$ 353	$ 105	$1,080
90 days or more past due & still accruing......................	217	132	114
Total nonperforming loans.................................	570	237	1,194
Other real estate..	116	45	0
Total nonperforming assets................................	$ 686	$ 282	$1,194
Nonperforming loans as a percent of total loans................	0.26%	0.14%	0.82%
Nonperforming assets as a percent of total loans...............	0.31%	0.17%	0.82%
Nonperforming loans as a percent of the allowance for loan losses..	20%	9%	50%

</TABLE>

Nonperforming loans equal 20% of the Bank's allowance for loan losses as of December 31, 1998; management believes that the allowance for loan losses is adequate for these loans and the remainder of the lending portfolio. As of December 31, 1998 there were no other interest bearing assets which required classification. Management is not aware of any recommendations by regulatory agencies, which, if implemented, would have a material impact on the Company's liquidity, capital or results of operations.

It is expected that the $116,000 in other real estate will be liquidated without loss in 1999.

The table below presents the interest income that would have been earned on non-performing loans outstanding at December 31, 1998, 1997, and 1996 had those loans been accruing interest in accordance with the original terms of the loan agreement (pro forma interest) and the amount of interest income actually included in net interest income for those years.

Table 11 - Foregone Interest on Non-Performing Loans
<TABLE>

	For the Year Ended December 31 (in thousands)					
	1998		1997		1996	
	Non-accrual	Restructured	Non-accrual	Restructured	Non-accrual	Restructured
Pro forma interest	$33	$ -	$11	$25	$212	$ -
Interest earned	32	-	8	25	11	-
Foregone interest income	$ 1	$ -	$ 3	$ 0	$201	-

</TABLE>

Table 12 - Loan Loss Experience (in thousands)

The following is a summary of loan balances (excluding loans held for sale) at the end of each period and their daily average balances, changes in the allowance for loan losses arising from loans charged off and recoveries on loans previously charged off, and additions to the allowance which have been expensed.

<TABLE>

	Year ended December 31 1998	1997	1996
Loans:			
Average daily balance of loans for the year	$190,472	$155,286	$146,052
Amount of loans outstanding at end of period	$222,133	$168,953	$145,069
Allowance for loan losses			
Balance at beginning of year	$2,565	$ 2,376	$ 2,305
Loans charged off:			
Real estate	0	0	0
Commercial	90	0	108
Consumer	117	124	71
Total charge-offs	207	124	179
Recoveries of loans previously charged off			
Real estate	0	0	56
Commercial	33	224	157
Consumer	88	39	37
Total recoveries	121	263	250
Net (charge off) recoveries	(86)	139	71
Additions to allowance charged to operations	400	50	0
Balance at end of year	$ 2,879	$ 2,565	$ 2,376
Ratios:			
Net (charge offs) recoveries to average daily balance of loans for the year	(.05%)	.09%	.05%
Allowance for loan losses to loans outstanding at year end	1.30%	1.52%	1.64%

</TABLE>

Table 13 - Allocation of the Allowance for Loan Losses

The allowance for loan losses is analyzed quarterly by management. In so doing, management assigns a portion of the allowance to specific credits that have been identified as problem loans and reviews past loss experience. The local economy and particular concentrations are considered, as well as a number of other factors.

<TABLE>

	Year ended December 31 1998		1997		1996	
	Allowance Amount	% of each category to total loans	Allowance Amount	% of each category to total loans	Allowance Amount	% of each category to total loans
Commercial	$2,175	68.8%	$1,895	68.9%	$1,734	68.7%
Real estate mortgages	310	16.5	205	23.0	188	23.1
Consumer	378	13.7	179	8.1	158	8.2
Unallocated	16	.0	286	.0	296	.0
Total	$2,879	100.0%	$2,565	100.0%	$2,376	100.0%

</TABLE>

The above allocations are not intended to imply limitations on usage of the allowance. The entire allowance is available for any future loans without regard to loan type.

Investment Securities

Securities are purchased and classified as "available-for-sale." These securities may be sold to meet the Bank's liquidity needs or to improve the quality of the investment portfolio. The primary objective of the Company's investing activities is to provide for safety of the principal invested. Secondary considerations include earnings, liquidity, and the overall exposure to changes in interest rates. The Company's net holdings of investment securities decreased $5.4 million in 1998 and increased $3.7 million in 1997. The mortgage backed securities are issues of the Federal Home Loan Mortgage Corporation, GNMA, and FNMA which pay monthly amortized principal and interest payments.

Table 14 - Available-for-Sale Securities Portfolio

<TABLE>

Year Ended December 31

<S>	1998	1997	1996
U. S. Treasury and U.S. Government Agencies.....................	$32,453	$ 39,176	$ 40,048
State and political subdivisions...............................	21,007	19,604	15,880
Other..	2,887	3,013	2,143
	$56,347	$ 61,793	$ 58,071

</TABLE>

Excluding those holdings of the investment portfolio in U.S. Treasury and U.S. Government Agency Securities, there were no investments in securities of any one issuer which exceeded 10% of shareholders' equity.

Table 15 - Schedule of Maturities of Investment Securities and Weighted Average Yields

The following is a schedule of maturities and their weighted average yield of each category of investment securities as of December 31, 1998. The weighted average interest rates have been computed on a fully taxable equivalent basis, based on amortized cost. The rates shown on securities issued by states and political subdivisions are stated on a taxable equivalent basis using a 34% tax rate.

<TABLE>

Maturing (Dollars in Thousands)

<S>	Due Within One Year Fair Value	Due Within One Year Avg. Yield	One to Five Years Fair Value	One to Five Years Avg. Yield	Five to Ten Years Fair Value	Five to Ten Years Avg. Yield	After Ten Years Fair Value	After Ten Years Avg. Yield	Investments With No Contractual Maturity Fair Value	Investments With No Contractual Maturity Avg. Yield
Available for Sale:										
U.S. Treasury and U.S. Government Agencies	$1,383	6.52%	$21,835	6.75%	$ 7,471	6.66%	$1,764	6.04%	$ -	-
States and Political Subdivisions	1,760	10.30%	6,404	8.82%	9,372	7.48%	3,471	7.48%	-	-
Other Securities	-	-	-	-	-	-	-	-	2,887	7.13%
	$3,143	8.62%	$28,239	7.22%	$16,843	7.12%	$5,235	4.97%	$2,887	7.13%

</TABLE>

Deposits

Deposits are gathered from the communities the Bank serves. Recently the Bank has emphasized relationship marketing to reinforce the core nature of its deposit base.

Table 16 indicates a relatively stable base of deposits spread over the Bank's product lines. Average total deposits grew 13.0% from 1997 to 1998 and grew 4.2% from 1996 to 1997. The increase in 1997 resulted primarily from gaining market share and opening three branches.

The Bank is continually enhancing its deposit product. In addition to relationship pricing the Bank has instituted telephone and personal computer banking as new alternatives to customer access. The Bank operates nine automated teller machines, three of which are off-site.

Table 16 - Average Daily Deposits (in thousands)

<TABLE>

Average for the Year

<S>	1998 Amount	1998 % of Assets	1997 Amount	1997 % of Assets	1996 Amount	1996 % of Assets
Noninterest bearing demand...........	$ 29,324	11%	$ 22,764	10%	$ 19,762	9%
NOW accounts.........................	15,352	6	12,687	6	11,840	6
MMDA/Savings	56,306	21	51,240	22	50,236	23
Time.................................	98,870	37	90,180	40	87,885	41
Total Deposits....................	$199,852	75%	$176,871	78%	$169,723	79%

</TABLE>

Table 17 - Average Deposit Balances

The following table sets forth the average deposit balances and the weighted average rates paid thereon:

<TABLE>

	Average for the Year					
	1998		1997		1996	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Noninterest bearing demand..........	$29,324		$ 22,764		$ 19,762	
NOW Accounts........................	15,352	2.45%	12,687	2.44%	11,840	2.44%
MMDA/Savings........................	56,306	2.93	51,240	3.16	50,236	3.11
Time................................	98,870	5.61	90,180	5.69	87,885	5.99
Total Deposits...................	$199,852	3.79%	$176,871	3.99%	$169,723	3.99%

</TABLE>

Table 18 - Maturity Distribution of Time Deposits of $100,000 Or More

The following table summarizes time deposits in amounts of $100,000 or more by time remaining until maturity as of December 31, 1998:

<TABLE>

	Amount
Three months or less............................	$4,663
Over 3 months through 6 months..................	2,552
Over 6 months through 1 year....................	4,454
Over 1 year.....................................	3,007
	$14,676

</TABLE>

The Bank operates in a very competitive environment. Management monitors rates at other financial institutions in the area to ascertain that its rates are competitive with the market. Management also attempts to offer a wide variety of products to meets the needs of its customers. The Bank offers business and consumer checking accounts, regular and money market savings accounts, and certificates having many options in their terms.

Market Risk

The Bank complements its stable core deposit base with alternate sources of funds, which includes advances from the Federal Home Loan Bank and on a very limited basis, jumbo certificates of deposit from outside its market area. Management evaluates the funding needs and makes a decision based on current interest rates and terms whether to fund internally or from alternate sources. To date, the Bank has not employed the use of derivative financial instruments in managing the risk of changes in interest rates.

Capital

A financial institution's capital ratio is looked upon by the regulators and the public as an indication of its soundness. Table 19 summarizes the Company's regulatory capital and its capital ratios. Also shown are the capital requirements established by the regulatory agencies for adequately and well-capitalized institutions. The Bank's strong capital ratio puts it in the best classification on which the FDIC bases its assessment charge. As capital ratios continue to increase, management is challenged to find ways to effectively invest and administer the Bank's resources.

In 1998, the Company paid cash dividends totaling $2,350,000, approximately 46% of earnings. In 1997, the Company paid cash dividends totaling $3,115,620, approximately 67% of earnings. In 1996, the Company paid cash dividends of $942,389, approximately 22% of earnings.

On February 2, 1998, the Company paid a special $1.00 per share cash dividend. This distribution was in addition to the regular dividends for 1998. The Company remains in all the top regulatory categories for adequately and well-capitalized institutions after paying such dividends.

Table 19 - Capital Resources (in thousands)

<TABLE>

	Regulatory Requirements		December 31		
	Adequately Capitalized	Well Capitalized	1998	1997	1996
Tier 1 capital....................			$39,232	$35,689	$34,566
Tier 2 capital....................			2,879	2,293	1,976
Total qualifying capital.........			$42,111	$37,982	$36,542
Tier 1 leverage ratio.............	4%	5%	13.53%	15.03%	15.97%
Tier 1 risk-based capital..........	4%	6%	16.02%	19.48%	21.92%

Total risk-based capital..........	8%	10%	17.20%	20.74%	23.18%

</TABLE>

Asset/Liability Management

The Bank's Asset/Liability Management committee ("ALCO") meets regularly to evaluate the Bank's interest rate sensitivity position, address issues of liquidity, and review the interest margin, analyzing causes for changes in net interest income. During 1998, the Bank's one year gap position averaged a 43% negative gap.

Management was able to influence the gap by selling fixed rate mortgages, investments/sales of available-for- sale securities that met the criteria that filled the gap position decided by the Asset/Liability Committee.

The Company's sources of liquidity include principal payments received on loans, maturing investment securities, sale of securities held in the "available for sale" designation, customer deposits, borrowings from the Federal Home Loan Bank of Indianapolis, other bank borrowings, Federal Funds and the issuance of common stock. The Company has ready access to significant sources of liquidity on an almost immediate basis. Management anticipates no difficulty in maintaining liquidity at levels necessary to conduct the Bank's day-to-day business activity.

Table 20 - Asset/Liability Gap Position (in thousands)
<TABLE>

	December 31, 1998				
	0-3 Months	4-12 Months	1-5 Years	5+ Years	Total
Interest earning assets:					
<S>	<C>	<C>	<C>	<C>	<C>
Loans..................................	$52,006	$20,936	$135,349	$13,842	$222,133
Securities.............................	10,167	3,970	6,514	35,696	56,347
Loans held for sale....................	4,680	-	-	-	4,680
Total interest earning assets...........	$66,853	$24,906	$141,863	$49,538	$283,160
Interest bearing liabilities:					
Savings & NOW...........................	$28,241	$ -	$ -	$52,430	$ 80,671
Time..................................	23,547	51,307	26,264	-	101,118
Total deposits..........................	51,788	51,307	26,264	52,430	181,789
Other borrowings........................	30,126	4,000	8,000	-	42,126
Total interest bearing liabilities.....	$81,914	$55,307	$ 34,264	$52,430	$223,915
Rate sensitivity gap and ratios:					
Gap for period.........................	(15,061)	(30,401)	107,599	(2,892)	
Cumulative gap.........................	(15,061)	(45,462)	62,137	59,245	
Ratio for period as a % of assets.........	(5.0)%	(10.1)%	35.7%	(1.0)%	
Cumulative rate sensitive ratio as a % of assets.........................	(5.0)%	(15.1)%	20.6%	19.7%	

</TABLE>

The savings and NOW accounts are categorized in the above table based upon the Bank's historical experience.

Impact of Inflation

The majority of assets and liabilities of financial institutions are monetary in nature. Generally, changes in interest rates have a more significant impact on earnings of the Bank than inflation. Although influenced by inflation, changes in rates do not necessarily move in either the same magnitude or direction as changes in the price of goods and services. Inflation does impact the growth of total assets, creating a need to increase equity capital at a higher rate to maintain an adequate equity to assets ratio, which in turn reduces the amount of earnings available for cash dividends.

Year 2000

Because many computerized systems use only two digits to record the year in date fields (for example, the year 1998 is recorded as 98), such systems may not be able to accurately process dates ending in the year 2000 and after. The effects of the issue will vary from system to system and may adversely affect the ability of a financial institution's operations as well as its ability to prepare financial statements.

Company management has developed and the Board of Directors has approved a comprehensive Year 2000 Compliance Plan. The Company has an internal task force to assess Year 2000 compliance by the Company, its vendors, and major commercial loan customers. In addition, the Bank asks commercial borrowers about Year 2000 compliance as part of the loan application and review process.

To date, the Company has spent approximately $5,000 on Year 2000 compliance and expects to spend an additional $5,000 to complete this work.

The Company presently anticipates that it will complete its Year 2000 assessment and remediation by December 31, 1999. However, there can be no assurance that the Company will be successful in implementing its Year 2000 remediation plan according to the anticipated schedule. In addition, the Company may be adversely affected by the inability of other businesses whose systems interact with the Company to become Year 2000 compliant.

Although the Company expects its internal systems to be Year 2000 compliant as described above, the Company is in the process of preparing a contingency plan that will specify what it plans to do if important internal or external systems are not Year 2000 compliant in a timely manner.

Management does not anticipate that the Company will incur material operating expenses or be required to invest heavily in computer system improvements to be Year 2000 compliant. Nevertheless, the inability of the Company to successfully address Year 2000 issues could result in interruptions in the Company's business and have a material adverse effect on the Company's results of operations.

Forward Looking Statements

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995, and is including this statement for purposes of these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on the operations and future prospects of the Company and the subsidiaries include, but are not limited to, changes in: interest rates, general economic conditions, legislative/regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality or composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in the Company's market area and accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect the Company's financial results, is included in the Company's filings with the Securities and Exchange Commission.

ITEM 7A: Quantitative and Qualitative Disclosures About Market Risk

A derivative financial instrument includes futures, forwards, interest rate swaps, option contracts, and other financial instruments with similar characteristics. The Company currently does not enter into futures, forwards, swaps, or options. However, the Company is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates and may require collateral from the borrower if deemed necessary by the Company. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party up to a stipulated amount and with specified terms and conditions.

Commitments to extend credit and standby letters of credit are not recorded as an asset or liability by the Company until the instrument is exercised.

The Company's exposure to market risk is reviewed on a regular basis by the Asset/Liability Committee. Interest rate risk is the potential of economic losses due to future interest rate changes. These economic losses can be reflected as a loss of future net interest income and/or a loss of current fair market values. The objective is to measure the effect on net interest income and to adjust the balance sheet to minimize the inherent risk while at the same time maximize income. Management realizes certain risks are inherent and that the goal is to identify and minimize the risks. Tools used by management include the standard GAP report and a simulation model. The Company has no market risk sensitive instruments held for trading purposes. It appears the Company's market risk is reasonable at this time.

Item 8. Financial Statements and Supplementary Data.

O.A.K. FINANCIAL CORPORATION AND SUBSIDIARY

TABLE OF CONTENTS

REHMANN
ROBSON

CPA'S & CONSULTANTS - PC

Member of Summit International Associates, Inc.
Worldwide Association of Accounting Firms

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholders
O.A.K. Financial Corporation and Subsidiary
Byron Center, Michigan

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

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

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

/s/ Rehmann Robson, P.C.

Grand Rapids, Michigan
January 29, 1999

3230 Eagle Park Drive, N.W., Suite 201, - Grand Rapids, MI 49525 -
Phone (616) 975-4100 - FAX (616) 975-4400

O.A.K. FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

	December 31, 1998	December 31, 1997
ASSETS		
Cash and due from banks	$8,913,513	$5,367,937
Available-for-sale securities - amortized cost of $55,079,539 - 1998 ($60,999,414 - 1997)	56,346,568	61,792,674
Loans receivable, net	219,253,824	166,387,650
Loans held for sale	4,679,962	1,345,615
Accrued interest receivable	2,026,185	1,513,146
Premises and equipment, net	7,092,765	4,534,281
Other assets	3,181,173	2,146,617
Total assets	$301,493,990	$243,087,920
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Interest bearing	$181,789,253	$158,243,971
Noninterest bearing	35,501,554	26,456,357
Total deposits	217,290,807	184,700,328
Borrowed funds	27,752,803	11,300,000
Securities sold under agreements to repurchase	14,373,304	8,657,583
Other liabilities	2,124,091	1,515,231
Total liabilities	261,541,005	206,173,142
Stockholders' equity		
Common stock, $1 par value; 4,000,000 shares authorized; 2,000,000 shares issued and outstanding, (1,000,000 shares in 1997)	2,000,000	1,000,000
Additional paid-in capital	5,622,680	5,622,680
Retained earnings	31,494,055	29,768,536
Accumulated other comprehensive income	836,250	523,562
Total stockholders' equity	39,952,985	36,914,778
Total liabilities and stockholders' equity	$301,493,990	$243,087,920

The accompanying notes are an integral part of these consolidated financial statements.

O.A.K. FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31, 1998	1997	1996
Interest income			
Loans	$17,629,417	$14,858,954	$13,922,548
Available-for-sale securities	3,485,214	3,697,712	3,445,883
Federal funds sold	19,827	67,073	133,136
Total interest income	21,134,458	18,623,739	17,501,567
Interest expense			
Deposits	7,574,458	7,058,031	6,770,126
Borrowed funds	849,088	314,015	137,212

Securities sold under agreements to repurchase	492,626	320,519	273,350
Total interest expense	8,916,172	7,692,565	7,180,688
Net interest income	12,218,286	10,931,174	10,320,879
Provision for loan losses	400,000	50,000	0
Net interest income after provision for loan losses	11,818,286	10,881,174	10,320,879
Noninterest income			
Service charges	587,786	527,099	529,471
Net gain on sale of available-for-sale loans	1,367,075	414,364	133,000
Loan servicing fees	183,735	203,295	180,837
Net gain on sale of availiable-for-sale securities	204,076	66,190	13,071
Other	316,633	331,126	218,562
Total noninterest income	2,659,305	1,542,074	1,074,941
Noninterest expenses			
Salaries and employee benefits	3,917,992	3,028,338	2,649,626
Occupancy	465,271	384,237	361,280
Furniture and fixtures	678,055	512,896	483,930
Michigan single business tax	192,042	220,000	197,000
Printing and supplies	267,682	117,941	132,251
Other	1,813,030	1,518,062	1,344,441
Total noninterest expenses	7,334,072	5,781,474	5,168,528
Income before federal income taxes	7,143,519	6,640,974	6,227,292
Federal income taxes	2,068,000	2,015,000	1,852,000
Net income	$5,075,519	$4,625,974	$4,375,292
Net income per basic share of common stock	$2.54	$2.30	$2.17

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

O.A.K. FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<TABLE>

	Year Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Unrealized gains (losses) on available-for-sale securities arising during the year	$676,764	$491,830	($591,457)
Less reclassification adjustment for realized gains included in net income	204,076	66,190	13,071
Comprehensive income (loss) before income taxes	472,688	425,640	(604,528)
Related income taxes (benefit)	160,000	145,000	(205,000)
Other comprehensive income (loss)	312,688	280,640	(399,528)
Net income	5,075,519	4,625,974	4,375,292
Comprehensive income	$5,388,207	$4,906,614	$3,975,764

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

O.A.K. FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

<TABLE>

	Year Ended December 31,		
	1998	1997	1996

<S>	<C>	<C>	<C>
Shares of common stock issued and outstanding			
Balance, beginning of year	1,000,000	1,006,174	915,562
Common stock dividends	1,000,000	0	91,522
Repurchases and retirements	0	(6,174)	(910)
Balance, end of year	2,000,000	1,000,000	1,006,174
Common stock			
Balance, beginning of year	$1,000,000	$1,006,174	$915,562
Common stock dividends	1,000,000	0	91,522
Repurchase and retirement of common shares	0	(6,174)	(910)
Balance, end of year	2,000,000	1,000,000	1,006,174
Additional paid-in-capital			
Balance, beginning of year	5,622,680	6,036,338	6,084,056
Repurchase and retirement of common shares	0	(413,658)	(47,718)
Balance, end of year	5,622,680	5,622,680	6,036,338
Retained earnings			
Balance, beginning of year	29,768,536	28,258,182	24,916,801
Net income	5,075,519	4,625,974	4,375,292
Common stock dividends	(1,000,000)	0	(91,522)
Cash dividends	(2,350,000)	(3,115,620)	(942,389)
Balance, end of year	31,494,055	29,768,536	28,258,182
Accumulated other comprehensive income			
Balance, beginning of year	523,562	242,922	642,450
Other comprehensive income (loss)	312,688	280,640	(399,528)
Balance, end of year	836,250	523,562	242,922
Total stockholders' equity	$39,952,985	$36,914,778	$35,543,616

</TABLE>

The accompanying notes are an integral part of these consolidated financial statements.

O.A.K. FINANCIAL CORPORATION AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>

	Year Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities			
Net income	$5,075,519	$4,625,974	$4,375,292
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	553,789	459,915	441,655
Provision for possible loan losses	400,000	50,000	0
Proceeds from sales of loans held for sale	73,442,003	20,981,500	21,917,000
Originations of loans held for sale	(75,409,274)	(19,979,751)	(21,784,000)
Net gain on sale of available-for-sale securities	(204,076)	(66,190)	(13,071)
Net gain on sale of loans held for sale	(1,367,075)	(414,364)	(133,000)
Net amortization of investment premiums	203,231	196,390	211,107
Changes in operating assets and liabilities which (used) provided cash			
Accrued interest receivable	(513,039)	(59,748)	116,746
Other assets	(1,034,556)	(223,816)	(104,533)
Other liabilities	608,860	290,516	(147,407)
Net cash provided by operating activities	1,755,382	5,860,426	4,879,789
Cash flows from investing activities			
Available-for-sale securities			
Proceeds from maturities	11,773,936	10,278,679	9,466,608
Proceeds from sales	2,213,374	7,445,638	3,159,555
Purchases	(8,228,435)	(21,299,916)	(14,019,935)
Net increase in loans held for investment	(53,266,174)	(23,744,280)	(3,938,702)
Purchases of premises and equipment	(3,111,510)	(335,955)	(477,122)

Net cash used in investing activities	(50,618,809)	(27,655,834)	(5,809,596)
Cash flows from financing activities			
Net increase in non-interest bearing demand deposits, NOW accounts and savings deposits	25,040,906	3,256,194	8,792,535
Net increase (decrease) in time deposits	7,549,573	11,223,227	(8,583,471)
Net borrowed funds	16,452,803	8,099,006	1,200,000
Net increase in securities sold under agreements to repurchase	5,715,721	1,321,285	2,399,741
Dividends paid	(2,350,000)	(3,115,620)	(942,389)
Repurchase and retirement of common shares	0	(419,832)	(48,628)
Net cash provided by financing activities	52,409,003	20,364,260	2,817,788
Net increase (decrease) in cash and cash equivalents	3,545,576	(1,431,148)	1,887,981
Cash and cash equivalents, beginning of year	5,367,937	6,799,085	4,911,104
Cash and cash equivalents, end of year	$8,913,513	$5,367,937	$6,799,085

</TABLE>
The accompanying notes are an integral part of these consolidated financial statements.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business - O.A.K. Financial Corporation (the ACorporation") through its wholly owned subsidiary, Byron Center State Bank (the "Bank") provides a variety of financial services to individuals and businesses in the southern portion of the greater Grand Rapids, Michigan area through its seven branches located in Byron Center, Jamestown, Cutlerville, Hudsonville, Grandville, Moline and Dorr. Active competition, principally from other commercial banks and credit unions, exists in all of the Bank's principal markets. The Bank's results of operations can be significantly affected by changes in interest rates or changes in the local economic environment.

The Bank's primary deposit products are interest and noninterest bearing checking accounts, savings accounts and time deposits and its primary lending products are commercial loans, real estate mortgages, and consumer loans.

The Bank is a state chartered bank and a member of the Federal Deposit Insurance Corporation's ("FDIC") Bank Insurance Fund. The Bank is subject to the regulations and supervision of the FDIC, Federal Reserve Bank and the Financial Institutions Bureau and undergoes periodic examinations by these regulatory authorities (see Note 10).

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the fair value of certain financial instruments.

Accounting Policies - The accounting policies used in the preparation of the accompanying consolidated financial statements conform to predominant banking industry practices and are based on generally accepted accounting principles. The principles which materially affect the determination of the Corporation's consolidated financial position or results of operations are summarized as follows:

Principles of Consolidation

The consolidated financial statements include the accounts of the Corporation and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.

Comprehensive Income

In 1998, the Corporation adopted Statement of Financial Accounting Standards (SFAS) No. 130, Reporting Comprehensive Income. This statement establishes presentation standards for the reporting and display of comprehensive income and its components. Comprehensive income for the Corporation consists of net income and net unrealized gains and losses on available- for-sale securities and is presented in a separate Statement of Comprehensive Income. The adoption of SFAS No. 130 had no impact on net income or stockholders' equity. Prior year financial statements have been reclassified to conform to the SFAS No. 130 requirements.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold. Generally, federal funds are sold for a one-day period.

Available-For-Sale Securities

All securities are classified as available-for-sale and are recorded at fair value. Unrealized appreciation and depreciation, net of the effect of applicable income taxes, on available-for-sale securities are reported as a net amount in other comprehensive income. Realized gains or losses on securities sold are determined using the specific identification method. Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Loans held for Investment and Related Income

Loans held for investment are stated at their principal amount outstanding. Interest on loans is accrued over the term of the loan based on the principal amount outstanding. Management reviews loans delinquent 90 days or more to determine if interest accrual should be discontinued based on the estimated fair market value of the or the present value of estimated future cash flows. The carrying values of impaired loans are periodically adjusted to reflect cash payments, revised estimates of future cash flows, and increases in the present value of

expected cash flows due to the passage of time. Cash payments representing interest income are reported as such. Other cash payments are reported as reductions in carrying value, while increases or decreased due to changes in estimates of future payments and due to the passage of time are reported as reductions or increases in the provision for loan losses.

Loan fees net of direct loan origination costs are deferred and recognized as interest income over the term of the loan using the constant yield method.

Mortgage Banking Activities

Loans held for sale are carried at the lower of aggregate amortized cost or market value. Lower of cost or market value adjustments, as well as realized gains and losses, are recorded in current earnings. SFAS No. 122 as amended by SFAS No. 125 requires the Bank to recognize as separate assets the rights to service mortgage loans for others that have been acquired by purchase or the origination and subsequent sale of a loan with servicing retained. The fair value of capitalized originated mortgage servicing rights has been determined based upon market value quotes for similar servicing. The impact of adopting SFAS Nos. 122 and 125 on the Corporation's consolidated financial position and results of operations was not material.

Mortgage servicing rights are allocated between the loan (without the servicing rights) and the servicing rights, based on their relative fair values. The costs allocated to mortgage servicing rights are recorded as a separate asset and amortized in proportion to, and over the life of, the net servicing income. Gains and losses on the sale of loans, which are sold without recourse, are recognized when proceeds from the loan sales are received by the Bank and are measured by the difference between the net selling price and the carrying value of such loans. The carrying value of the mortgage servicing rights is periodically evaluated for impairment. Impairment is recognized using the fair value of individual stratum of servicing rights based on the underlying risk characteristics of the serviced loan portfolio, compared to an aggregate portfolio approach under existing accounting guidance.

Foreclosed Real Estate

Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at fair value at the date of foreclosure establishing a new cost basis.

Allowance for Loan Losses

An allowance for loan losses is recorded because some loans may not be repaid in full. The allowance is increased by a provision in the income statement and by recoveries on loans previously charged off. The allowance is decreased as loans are charged off. A charge-off, in whole or in part, occurs once a significant probability of loss has been determined, with consideration given to such factors as the customer's financial condition, underlying collateral and guarantees. Collection efforts continue and future recoveries may occur with respect to loans previously charged off.

Estimating the risk of loss and the amount of loss on any loan is necessarily subjective. Management's evaluation of the allowance is based upon periodic reviews of the loan portfolios. These reviews are performed by the responsible lending officers and internal loan review personnel who consider, among other factors, the Bank's past loan loss experience, the effects of current developments with respect to the borrowers, the estimated value of underlying collateral, changes in economic conditions, specific impaired loans, and results of examinations by bank regulatory authorities.

Impaired loans, as defined, are measured based on the present value of expected cash flows discounted at the loans effective interest rate or, as a practical expedient, at the loans observable market price or at the fair value of collateral if the loan is collateral dependent. Loans considered to be impaired are reduced to the present value of expected future cash flows or to the fair value of collateral, by allocating a portion of the allowance for loan losses to such loans. If these allocations cause the allowance for loan losses to increase, such increase is reported as additional provision for loan losses.

Smaller-balance homogeneous loans are residential first mortgage loans secured by one-to-four family residences, residential construction loans, automobile, home equity and second mortgage loans and are collectively evaluated for impairment. Commercial loans and first mortgage loans secured by other properties are evaluated individually for impairment. Management uses the Bank's normal credit analysis information, including delinquency reports, non-accrual listings and an internally prepared watch list, to identify loans which should be evaluated for impairment. A loan is considered impaired when management concludes it is probable that the borrower will not remit payments in accordance with the terms of the agreement. Loans, or portions thereof, are charged off when deemed uncollectible. The nature of disclosures for impaired loans is considered generally comparable to prior nonaccrual, past due, trouble debt restructuring and nonperforming asset disclosures.

In management's judgment, the allowance for loan losses is maintained at a level adequate to provide for estimated potential losses inherent in the loan portfolio. However, because of uncertainties inherent in the estimation process, it is possible that the allowance for loan losses may change in the near term.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using both the straight-line and accelerated methods over the related assets estimated useful lives which generally range from 5 to approximately 40 years. Maintenance, repairs and minor alterations are charged to current operations as expenditures occur and major improvements are capitalized. Management annually reviews these assets to determine whether carrying values have been impaired.

Net Income Per Share

Net income per basic share of common stock is calculated on the basis of the weighted average number of shares outstanding, which was approximately 2,000,000 in 1998, 2,010,000 in 1997 and 2,014,000 in 1996, as adjusted for the common stock split in 1998 effected in the form of a dividend (Note 17). Given the simple capital structure of the Corporation, only basic earnings per share is presented.

Federal Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of the taxes currently due plus deferred taxes. Deferred income taxes are recognized for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred income tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets or liabilities are recorded or settled. As changes in income tax laws or rates are enacted, deferred income tax assets and liabilities are adjusted through the provision for income taxes.

The Corporation and its subsidiary file a consolidated federal income tax return on a calendar year basis.

Reclassifications

Certain amounts as originally reported in the 1997 and 1996 financial statements have been reclassified to conform to the 1998 presentation.

2. AVAILABLE-FOR-SALE SECURITIES

The amortized cost, gross unrealized appreciation, gross unrealized depreciation and fair value of investment securities, all of which are classified as available-for-sale as of December 31, are as follows:
<TABLE>

1998	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Fair Value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury, government agencies and corporations	$32,109,957	$ 391,951	$48,809	$32,453,099
States and political subdivisions	20,083,303	927,464	3,577	21,007,190
Other	2,886,279	-	-	2,886,279
Total	$55,079,539	$1,319,415	$52,386	$56,346,568
1997				
U.S. Treasury, government agencies and corporations	$38,998,513	$349,221	$172,346	$39,175,388
States and political subdivisions	18,987,600	618,246	1,861	19,603,985
Other	3,013,301	-	-	3,013,301
Total	$60,999,414	$967,467	$174,207	$61,792,674

</TABLE>
The amortized cost and fair value of available-for-sale securities by contractual maturity at December 31, 1998 is shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.
<TABLE>

	Amortized Cost	Fair Value
<S>	<C>	<C>
Due in one year or less	$ 2,731,092	$ 2,775,450
Due after one year through five years	8,546,336	8,817,447
Due after five years through ten years	15,799,717	16,299,507
Due after ten years	3,311,763	3,470,779
Subtotal	30,388,908	31,363,183
Mortgage-backed securities	24,690,631	24,983,385
Total	$55,079,539	$56,346,568

</TABLE>
Investment income from taxable and nontaxable securities for the years ended December 31, is as follows:
<TABLE>

	1998	1997	1996
<S>	<C>	<C>	<C>
Taxable	$2,410,611	$2,709,564	$2,523,572
Nontaxable	1,074,603	988,148	922,311
Total	$3,485,214	$3,697,712	$3,445,883

</TABLE>

Proceeds from sales of available-for-sale securities during 1998, 1997 and 1996 were $2,213,374, $7,445,638 and $3,159,555 respectively. The gross gains and gross losses realized on sales for the years ended December 31, are as follows:
<TABLE>

	1998	1997	1996

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

Gross realized gains	$ 231,259	$ 87,375	$ 19,711
Gross realized losses	(27,183)	(21,185)	(6,640)
Net realized gain on sale of available-for-sale securities	$ 204,076	$ 66,190	$ 13,071

</TABLE>

Investment securities with a carrying value of approximately $34,943,000 and $23,396,000 at December 31, 1998 and 1997, respectively, were pledged to secure public deposits and for various other purposes as required or permitted by law. The fair value of these investments approximates carrying value.

3. LOANS

The Bank grants commercial, consumer and residential loans to customers primarily in a fifteen mile radius of its branches which are located south of Grand Rapids, Michigan. Substantially all of the consumer and residential loans are secured by various items of property, while commercial loans are secured primarily by business assets, and personal guarantees; a portion of loans are unsecured. The source of repayment of approximately 20% of the loan portfolio is generated from cash flows from developers and owners of commercial real estate.

Major classifications of loans held for investment at December 31 are as follows:
<TABLE>

	1998	1997
<S>	<C>	<C>
Commercial real estate	$114,248,448	$ 90,004,939
Residential real estate	36,554,021	38,885,996
Commercial	40,825,169	26,379,822
Consumer	30,505,562	13,682,323
Total loans receivable, net of deferred loan fees of $142,131 - 1998 and $213,259 - 1997	222,133,200	168,953,080
Less allowance for loan losses	2,879,376	2,565,430
Loans receivable, net	$219,253,824	$166,387,650

</TABLE>

At December 31, 1998, scheduled maturities of loans with fixed rates of interest are as follows:
<TABLE>

<S>	<C>
One year or less	$26,783,988
One to five years	135,349,071
Over five years	13,842,358
Total	$175,975,417

</TABLE>

Variable rate loans of $46,157,783 at December 31, 1998 reprice quarterly or more frequently.

The Bank extends loan commitments in the normal course of business to meet financing needs of its customers. These commitments to make loans and lines of credit are recorded when proceeds are disbursed. The Bank follows the same credit policy to make such commitments, including collateral, as is followed for those loans recorded in the financial statements; no significant losses are anticipated as a result of these commitments. At December 31, 1998, the Bank had commitments for standby letters of credit of approximately $2,532,000, loan commitments outstanding of approximately $46,556,000 and unused credit lines and revolving credit agreements of approximately $48,603,000.

Loans on which the accrual of interest has been discontinued and those loans past due 90 days or more amounted to $570,280 and $237,189 at December 31, 1998 and 1997, respectively. Interest income that would have been recorded under the original terms of such loans would have been approximately $1,000, $3,000 and $201,000 for the years ended December 31, 1998, 1997 and 1996, respectively.

At December 31, 1998 and 1997, the Bank was servicing loans for others amounting to approximately $127,000,000 and $93,000,000, respectively; such loans are not included in the accompanying consolidated balance sheets. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and taxing authorities, and foreclosure processing. Loan servicing income is recorded on an accrual basis and includes servicing fees from investors and certain charges collected from borrowers, such as late payment fees.

Certain directors, executive officers and their related interests were loan customers of the Bank. All such loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions and do not represent more than a normal risk of collectibility or present other unfavorable features. The total loans outstanding to these customers aggregated approximately $6,420,000 and $5,615,000 at December 31, 1998 and 1997, respectively; new loans and repayments during 1998 were approximately $3,767,000 and $2,962,000, respectively.

4. ALLOWANCE FOR LOAN LOSSES

The following is an analysis of changes in the allowance for loan losses for the years ended December 31:

	1998	1997	1996
Balance, beginning of year	$2,565,430	$2,375,970	$2,304,848
Provision for loan losses	400,000	50,000	
Recoveries	121,382	263,109	249,854
Loans charged off	(207,436)	(123,649)	(178,732)
Balance, end of year	$2,879,376	$2,565,430	$2,375,970

Information regarding impaired loans is as follows for the year ended December 31:

	1998	1997	1996
Balance of impaired loans at year-end	$570,280	$478,250	$1,079,602
Allowance for loan losses allocated to the impaired loan balance	202,021	47,716	75,000
Average investment in impaired loans	445,645	620,890	847,835
Interest income recognized on impaired loans (no interest income was recognized on the cash basis)	44,818	42,940	14,456

5. PREMISES AND EQUIPMENT

A summary of premises and equipment at December 31 follows:

	1998	1997
Land	$ 2,099,757	$ 880,376
Buildings and improvements	5,252,099	4,369,850
Furniture and equipment	3,714,796	2,760,477
Total premises and equipment	11,066,652	8,010,703
Less accumulated depreciation	3,973,887	3,476,422
Premises and equipment, net	$ 7,092,765	$ 4,534,281

6. DEPOSITS

The following is a summary of the distribution of deposits at December 31:

	1998	1997
Interest bearing		
NOW accounts	$ 17,182,308	$ 13,114,691

Savings	36,980,476	31,576,744
Money market demand	26,508,552	19,984,192
Time, $100,000 and over	14,676,281	11,367,451
Other time	86,441,636	82,200,893
Total interest bearing	181,789,253	158,243,971
Noninterest bearing demand	35,501,554	26,456,357
Total deposits	$217,290,807	$184,700,328

</TABLE>

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

<TABLE>

<S>	<C>
1999	$ 74,853,460
2000	19,750,295
2001	1,834,524
2002	2,246,032
2003	2,433,606
Total time deposits	$101,117,917

</TABLE>

Deposits of Bank directors, executive officers and their related interests were approximately $1,004,000 and $1,127,000 at December 31, 1998 and 1997, respectively.

Interest expense on time deposits issued in denominations of $100,000 or more was approximately $721,000 in 1998, $520,000 in 1997 and $270,000 in 1996.

7. BORROWED FUNDS

Borrowed funds at December 31, consist of the following obligations:

<TABLE>

<S>	1998 <C>	1997 <C>
Federal funds purchased	$14,200,000	$ 3,300,000
Federal Home Loan Bank advances	12,000,000	6,000,000
Treasury tax and loan note option	1,552,803	2,000,000
Total borrowed funds	$27,752,803	$11,300,000

</TABLE>

Federal funds are generally purchased for a one-day period. The Federal Home Loan Bank borrowings are collateralized by U.S. government agency securities with a fair value of approximately $12,749,000 and $6,892,000 at December 31, 1998 and 1997, respectively. The Federal Home Loan Bank advances at December 31, 1998 are comprised of six $2,000,000 advances with an average interest rate of 6.03%. These advances mature at dates ranging from December 14, 1999 through August 21, 2003. The Treasury Tax and Loan Note option is collateralized by U.S. Government agency securities with a fair value of approximately $2,714,000 and $2,822,000 at December 31, 1998 and 1997, respectively. The Treasury Tax and Loan Note option is a daily borrowing with the Federal Reserve Bank, due on demand, at 25 basis points below the national federal fund interest rate (4.75% at December 31, 1998).

8. SECURITIES SOLD UNDER AGREEMENTS TO REPURCHASE

Securities sold under agreements to repurchase at December 31, 1998 and 1997 mature within one day from the transaction date and have an average interest rate of 3.0% and 3.93%, respectively. The U.S. government agency securities underlying the agreements have a fair value of approximately $19,480,000 and $13,573,000 at December 31, 1998 and 1997, respectively. Such securities remain under the control of the Bank. The maximum amount outstanding at any month end during the years ended December 31, 1998 and 1997 was $17,272,000 and $9,661,000, respectively with the daily average balance being $12,195,000 and $8,158,000, respectively.

9. FEDERAL INCOME TAXES

The provision for federal income taxes for the years ended December 31 consists of:

<TABLE>

	1998	1997	1996
<S>	<C>	<C>	<C>
Current	$1,947,000	$1,953,700	$1,859,000
Deferred (benefit)	121,000	61,300	(7,000)
Federal income taxes	$2,015,000	$2,068,000	$1,852,000

</TABLE>

A reconciliation between federal income tax expense and the amount computed by applying the statutory federal income tax rate of 34% to income before taxes for the years ended December 31, is as follows:

<TABLE>

	1998	1997	1996
<S>	<C>	<C>	<C>
Statutory rate applied to income before income taxes	$2,428,756	$2,257,829	$2,117,279
Effect of tax-exempt interest income	(387,285)	(355,031)	(294,221)
Change in valuation allowance	-	64,000	25,000
Other - net	26,529	48,202	3,942
Federal income taxes	$2,068,000	$2,015,000	$1,852,000

</TABLE>

The net deferred income tax asset (liability) as of December 31, is comprised of the tax effect of the following temporary differences:

<TABLE>

	1998	1997
<S>	<C>	<C>
Deferred tax assets		
Allowance for loan losses	$ 878,000	$ 770,000
Deferred compensation plan	245,000	224,000
Deferred loan fees	3,000	7,000
Total deferred tax assets	1,126,000	1,001,000
Valuation allowance	(719,000)	(719,000)
Net deferred tax assets	407,000	282,000
Deferred tax liability		
Discount accretion	(25,000)	(19,000)
Loan servicing rights	(312,000)	(72,000)
Total deferred tax liabilities	(337,000)	(91,000)
Net deferred tax assets entering into the determination of the provision for federal income taxes	70,000	191,000
Additional deferred tax liability related to other comprehensive income	(430,000)	(270,000)
Net deferred tax liability included in other liabilities on the accompanying balance sheets	$ (360,000)	$ (79,000)

</TABLE>

10. REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by its primary regulator, the Federal Reserve Bank ("FRB"). Failure to meet minimum capital requirements can initiate certain mandatory and/or discretionary actions by the FRB. These actions could have a material effect on the Bank's financial statements. Under FRB capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting standards. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to regulatory qualitative judgments about components, risk weighting and other factors. Measurements established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total capital to risk weighted assets (as defined in the regulations), Tier 1 capital to risk weighted assets and Tier 1 capital to adjusted total assets (as defined). Management believes, as of December 31, 1998, that the Bank meets all capital adequacy requirements to which it is subject.

As of December 31, 1998 the most recent notification from the FRB categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the following table. The Bank's actual capital amounts and ratios are presented in the table (dollars in thousands). There are no conditions or events since the most recent notification that management believes has changed the Bank's category.

<TABLE>

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
As of December 31, 1998						
Total capital (to risk weighted assets)	$39,305	16.22%	$19,386	>=8.0%	$24,232	>=10.0%
Tier 1 capital (to risk weighted assets)	$36,426	14.97%	$ 9,733	>=4.0%	$14,600	>= 6.0%
Tier 1 capital (to average assets)	$36,426	13.60%	$10,714	>=4.0%	$13,392	>= 5.0%
As of December 31, 1997						
Total capital (to risk weighted assets)	$36,147	19.93%	$14,629	>=8.0%	$18,287	>=10.0%
Tier 1 capital (to risk weighted assets)	$33,880	18.68%	$ 7,256	>=4.0%	$10,884	>= 6.0%
Tier 1 capital (to average assets)	$33,880	14.13%	$ 9,591	>=4.0%	$11,989	>= 5.0%

</TABLE>

The Bank is required to deposit certain amounts with the Federal Reserve Bank. These reserve balances vary depending upon the level of certain customer deposits in the Bank. At December 31, 1998 and 1997, those required reserve balances were $1,737,000 and $986,000, respectively.

The Bank is also subject to limitations under the Federal Reserve Act on the amount of loans or advances that can be extended to the Corporation and dividends that can be paid to the Corporation. Approval is needed if total dividends declared in any calendar year exceed the retained "net profit" (as defined in the Federal Reserve Act) of that year plus the retained "net profit" of the preceding two years. The amount that was not subject to this restriction is approximately $7,400,000 at January 1, 1999.

11. RETIREMENT PLANS

Profit Sharing - The Bank maintains a profit sharing and a 401(k) plan for substantially all employees. Under the 401(k) plan, employees may make voluntary contributions based on a percentage of covered compensation. The Bank matches each employee contribution at a rate of up to 50% of the first 3% contributed by the employee. The profit sharing plan also allows the Bank, at the discretion of the Board of Directors, to provide an annual contribution. The Bank's contributions to these plans were $240,200, $203,055, and $191,459 for 1998, 1997 and 1996, respectively.

Deferred Compensation - The Bank sponsors a deferred compensation plan for all directors who wish to participate. The cost of the plan was $152,000, $109,000 and $105,000 in 1998, 1997 and 1996, respectively. The accrued benefit obligation for this plan was $717,578 and $659,448 as of December 31, 1998 and 1997, respectively, and is included in other liabilities. The Bank has purchased life insurance policies on participating directors.

12. CONTINGENCIES

The Bank is party to litigation arising in the normal course of business. In the opinion of management, based on consultation with legal counsel, liabilities from such litigation, if any, would not have a material effect on the

Corporation's consolidated financial statements. As a result of acquiring real estate from foreclosure proceedings, the Bank is subject to potential claims and possible legal proceedings involving environmental matters. No such claims have been asserted at December 31, 1998.

13. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Corporation utilized quoted market prices, where available, to compute the fair value of its financial instruments. In cases where quoted market prices were not available, the Bank used present value methods to estimate the fair values of its financial instruments. These estimates of fair value are significantly affected by the assumptions made and, accordingly, do not necessarily indicate amounts which could be realized in a current market exchange. The fair values of certain financial instruments and all nonfinancial instruments including, among other elements, the estimated earning power of core deposit accounts, the trained workforce, customer goodwill and similar items are not required to be determined. Accordingly, the aggregate net fair values are not necessarily indicative of the underlying value of the Bank.

The following methods and assumptions were used by the Corporation in estimating the fair value disclosures for financial instruments:

Cash and Cash Equivalents - The carrying amounts reported in the balance sheets for cash approximate those assets' fair values.

Investment Securities - Fair values for investment securities are based on quoted market prices.

Loans Receivable - For variable rate loans that reprice frequently and with no significant change in credit risk, fair values approximate carrying values. The fair values for other loans are estimated using discounted cash flow analysis, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. The resulting amounts are adjusted to estimate the effect of declines, if any, in the credit quality of borrowers since the loans were originated.

Loans Held for Sale - The fair value of loans held for sale, including the fair value of associated mortgage servicing rights, is estimated based on the present value of estimated future cash flows of the loan and related servicing rights using a discount rate commensurate with the risks associated with the respective financial instruments.

Deposit Liabilities - The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings, and money market accounts) are, by definition, equal to the amount payable on demand. The fair values of approximately 53% and 50% of the Bank's deposits at December 31, 1998 and 1997, respectively were equal to their carrying values. Fair values for fixed rate time deposits and other time deposits with stated maturities are based on the discounted value of contractual cash flows, using interest rates currently being offered for deposits of similar remaining maturities.

Securities Sold Under Agreements to Repurchase Fair value approximates the carrying value since the majority of these instruments were entered into at our near December 31, 1998 and 1997.

Borrowed Funds - The carrying amount is a reasonable estimate of fair value of other borrowings as these financial instruments are tied to floating rate indices such as prime and LIBOR, and reprice frequently.

Off-Balance-Sheet Instruments - Commitments to extend credit were evaluated and fair value was estimated using the fees currently charged to enter into similar agreements, taking into consideration the remaining terms of the agreements and the present credit worthiness of the counterparties. For fixed-rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. As the Bank does not charge fees for lending commitments, it is not practicable to estimate the fair value of these instruments.

The estimated fair values of the Bank's financial instruments at December 31, are as follows:
<TABLE>

1998	Carrying Amount	Fair Value
<S>	<C>	<C>
Financial assets		
Cash and cash equivalents	$ 8,913,513	$ 8,913,513
Available-for-sale securities	56,346,568	56,346,568

Loans receivable, net	219,253,824	223,293,988
Loans held for sale	4,679,962	4,679,962
Accrued interest receivable	2,026,185	2,026,185
Financial liabilities		
Deposits	217,290,807	218,071,445
Borrowed funds	27,752,803	27,913,887
Securities sold under agreements to repurchase	14,373,304	14,373,304
Other liabilities	2,124,091	2,124,091
1997		
Financial assets		
Cash and cash equivalents	$ 5,367,937	$ 5,367,937
Available-for-sale securities	61,792,674	61,792,674
Loans receivable, net	166,387,650	168,077,719
Loans held for sale	1,345,615	1,345,615
Accrued interest receivable	1,513,146	1,513,146
Financial liabilities		
Deposits	184,700,328	185,197,789
Borrowed funds	11,300,000	11,314,409
Securities sold under agreements to repurchase	8,657,583	8,657,583
Other liabilities	1,515,231	1,515,231

</TABLE>

14. SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION

Cash paid for interest and income taxes during the years ended December 31, is as follows:

<TABLE>

<S>	1998 <C>	1997 <C>	1996 <C>
Interest	$8,838,116	$7,583,946	$7,216,223
Income taxes	$1,795,773	$1,941,029	$1,916,713

</TABLE>

15. O.A.K. FINANCIAL CORPORATION (PARENT COMPANY ONLY) FINANCIAL INFORMATION

The following summarizes parent company financial information as of December 31, 1998 and 1997 and the related condensed statements of income and cash flows for each of the three years in the period ended December 31, 1998:

<TABLE>

Condensed Balance Sheets

<S>	1998 <C>	1997 <C>
Assets		
Cash	$ 416,959	$ 2,734
Investment in subsidiary	37,983,469	35,107,243
Available-for-sale securities	1,612,479	1,804,801
Total assets	$40,012,907	$36,914,778
Other liabilities	$ 59,922	$ -
Stockholders' equity	39,952,985	36,914,778
Total liabilities and stockholders' equity	$ 40,012,907	$36,914,778

</TABLE>
<TABLE>

Condensed Statements of Income

<S>	1998 <C>	1997 <C>	1996 <C>
Income			
Dividends from subsidiary	$2,362,500	$4,543,040	$1,211,471
Interest from available-for-sale securities	59,065	38,876	22,232
Net realized gain on sale of available-for-sale securities	209,722	-	-
Total income	2,631,287	4,581,916	1,233,703

Other expenses	119,305	38,876	22,232
Income before equity in undistributed net income of subsidiary	2,511,980	4,543,040	1,211,471
Equity in undistributed net income of subsidiary	2,563,539	82,934	3,163,821
Net income	$5,075,519	$4,625,974	$4,375,292

</TABLE>

<TABLE>

Condensed Statements of Cash Flows

<S>	1998 <C>	1997 <C>	1996 <C>
Cash flows from operating activities			
Net income	$ 5,075,519	$ 4,625,974	$ 4,375,292
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed earnings of subsidiary	(2,563,539)	(82,934)	(3,163,821)
Changes in other liabilities	59,922	-	-
Net cash provided by operating activities	2,571,902	4,543,040	1,211,471
Cash flows from investing activities			
Available-for-sale securities sold	204,823	-	-
Available-for-sale securities purchased	(12,500)	(1,011,272)	(220,453)
Net cash provided by (used in) investing activities	192,323	(1,011,272)	(220,453)
Cash flows from financing activities			
Repurchase and retirement of common shares	-	(419,832)	(48,628)
Dividends paid	(2,350,000)	(3,115,620)	(942,389)
Net cash used in financing activities	(2,350,000)	(3,535,452)	(991,017)
Net increase (decrease) in cash and cash equivalents	414,225	(3,684)	1
Cash and cash equivalents, beginning of year	2,734	6,418	6,417
Cash and cash equivalents, end of year	$ 416,959	$ 2,734	$ 6,418

</TABLE>

16. COMMITMENTS

The Bank has remaining construction contracts amounting to $2,700,000 on building construction.

17. STOCKHOLDERS EQUITY

On May 7, 1998, the Board of Directors declared a 2-for-1 split of the Corporation's common stock effected on July 1, 1998 in the form of a one-for-one stock dividend to shareholders of record on June 1, 1998. The par value of the common stock remained at $1 per share. As a result, $1,000,000, representing the total par value of the new shares issued, was transferred from retained earnings to common stock. All references in the consolidated financial statements to amounts per share and to the number of shares have been restated to give retroactive effect to the stock split.

18. SUBSEQUENT EVENTS

Acquisition

On February 1, 1999, the Bank established a subsidiary, Byron Acquisition

Company, which purchased an Insurance Agency. Total consideration exchanged consisted of 28,775 shares of the Corporation's stock valued at $1,439,000 in exchange for 40,000 shares of the Insurance Agency's stock.

Stock Option Plans

On January 28, 1999 the Corporation's Board of Directors adopted, subject to shareholder approval, a stock compensation plan for key employees and a stock option plan for directors. Together, a total of 200,000 shares of common stock are reserved for issuance under the plans.

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

None

PART III

Item 10. Directors and Executive Officers of the Registrant.

Directors

The information with respect to Directors and Nominees of the Registrant, set forth under the caption "Information About Directors and Nominees" on pages 4 through 5 of the Company's definitive proxy statement, as filed with the Commission and dated March 26, 1999, relating to the April 22, 1999 Annual Meeting of Shareholders, is incorporated herein by reference.

Executive Officers

The information called for by this item is contained in Part I of this Form 10-K Report.

Item 11. Executive Compensation.

The information set forth under the caption "Executive Compensation Summary" on page 6 of the Company's definitive proxy statement, as filed with the Commission and dated March 26, 1999, relating to the April 22, 1999 Annual Meeting of Shareholders, is incorporated herein by reference. Information under the caption "Committee Report on Executive Compensation" on page 6 of the definitive proxy statement is not incorporated by reference herein and is not deemed to be filed with the Securities and Exchange Commission.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information set forth under the caption "Voting Securities and Beneficial Ownership of Management" on page 3 of the Company's definitive proxy statement, as filed with the Commission and dated March 26, 1999, relating to the April 22, 1999 Annual Meeting of Shareholders, is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions.

The information set forth under the caption "Certain Transactions" on page 7 of the Company's definitive proxy statement, as filed with the Commission and dated March 26, 1999, relating to the April 22, 1999 Annual Meeting of Shareholders, is incorporated herein by reference.

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

(a) 1. Financial Statements

Independent Auditors' Report
Consolidated Financial Statements
- Consolidated Balance Sheet as of December 31, 1998 and 1997
- Consolidated Statements of Income for each of the Three Years Ended December 31, 1998, 1997 and 1996
- Consolidated Statements of Comprehensive Income for each of the Three Years Ended December 31, 998, 1997 and 1996
- Consolidated Statements of Changes in Stockholders' Equity for each of the Three Years Ended December 31, 1998, 1997 and 1996
- Consolidated Statements of Cash Flows for each of the Three Years Ended December 31, 1998, 1997 and 1996
- Notes to Consolidated Financial Statements

2. Financial Statement Schedules

Not applicable

3. Exhibits (Numbered in accordance with Item 601 of Regulation S-K) The Exhibit Index is located on the final page of this report on Form 10-K.

(b) Reports on Form 8-K

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, dated March 11 , 1999.

O.A.K. FINANCIAL CORPORATION

/s/John A. Van Singel
John A. Van Singel
President, Chief Executive Officer
(Principal Executive Officer)

/s/Martin R. Braun
Martin R. Braun
Vice President
(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the dates indicated. Each director of the Registrant, whose signature appears below, hereby appoints David G. Van Solkema and John A. Van Singel, and each of them severally, as his or her attorney-in-fact, to sign in his or her name and on his or her behalf, as a director of the Registrant, and to file with the Commission any and all Amendments to this Report on Form 10-K.

Signature	Date
/s/ Robert Deppe Robert Deppe	March 11, 1999
/s/ Norman Fifelski Norman Fifelski	March 11, 1999
Dellvan Hoezee	
Lois Smalligan	
/s/John A. Van Singel John A. Van Singel	March 11, 1999
/s/David Van Solkema David Van Solkema	March 11, 1999
/s/Gerald Williams Gerald Williams	March 11, 1999

EXHIBIT INDEX

The following exhibits are filed herewith, indexed according to the applicable assigned number:

Exhibit Number	
3.	Amendment to the Articles of Incorporation of Registrant filed April 28, 1998, increasing authorized shares of common stock from 2,000,000 to 4,000,000 shares.
21	Subsidiaries of Registrant
27	Financial Data Schedule

The following exhibits, indexed according to the applicable assigned number, were previously filed by the Registrant and are incorporated by reference in this Form 10-K Annual Report.

Exhibit Number	
3.1	Articles of Incorporation of the Registrant are incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form 10, as amended
3.2	Bylaws of the Registrant are incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form 10, as amended
4	Form of Registrant's Stock Certificate are incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form 10, as amended
10.1	1999 Stock Compensation Plan, incorporated by reference to Appendix A to the Registrant's Definitive Proxy Statement filed with respect to its April 22, 1999 annual meeting of shareholders.
10.2	1999 Directors' Stock Option Plan, incorporated by reference to Appendix B to the Registrant's Definitive Proxy Statement filed with respect to its April 22, 1999 annual meeting of shareholders.
10.3	1988 Director Deferred Compensation Plan is incorporated by reference to Exhibit 10 of the Registrant's Registration Statement on Form 10, as amended

Exhibit 3 - Amendment to Articles of Incorporation

CERTIFICATE OF AMENDMENT
TO THE ARTICLES OF INCORPORATION

Pursuant to the provisions of Act 284, Public Acts of 1972, as amended, the undersigned corporation executes the following Certificate:

1. The present name of the corporation is:

O.A.K. Financial Corporation

2. The identification number assigned by the Bureau is: 467-551

3. The location of the registered office is:

2445 - 84th Street, S.W.
Byron Center, MI 49315

4. The following amendment to the Articles of Incorporation was duly adopted on the 16th day of April, 1998. The amendment was duly adopted in accordance with Section 611(2) of the Act by the vote of the shareholders. The necessary votes were cast in favor of the amendment.

Article III of the Corporation's Articles of Incorporation is hereby amended in its entirety to read as follows:

ARTICLE III

The total authorized capital stock is 4,000,000 shares of a single class of common stock, par value $1.00 per share. Each such share shall be equal to every other such share.

Signed this 16th day of April, 1998.

By: /s/ John A. Van Singel
John A. Van Singel, President

Exhibit 21 - Subsidiaries of Registrant - 100% Owned

Byron Center State Bank
2445 84th Street, S.W.
Byron Center, MI 49315

O.A.K. Financial Services, Inc. (100% owned subsidiary of Byron Center State Bank)
2445 84th Street, S.W.

Byron Center, MI 49315

Dornbush Insurance Agency, Inc. (100% owned subsidiary of O.A.K. Financial Services, Inc.)
5445 32nd Avenue
Hudsonville, MI 49426

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