FORM 10KSB40

Annual and transition reports of small business issuers [Section 13 or 15(d), S-B Item 405]

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
SEC Accession No. 0000950152-99-002466

(HTML Version on secdatabase.com)

FILER

COMMERCIAL BANCSHARES INC \OH

CIK:**1009976**| IRS No.: **341787239** | State of Incorp.:**OH** | Fiscal Year End: **1231**
Type: **10KSB40** | Act: **34** | File No.: **000-27894** | Film No.: **99574504**
SIC: **6022** State commercial banks

Mailing Address
118 S SANDUSKY AVE
PO BOX 90
UPPER SANDUSKY OH 43351

Business Address
118 S SANDUSKY AVE
P O BOX 90
UPPER SANDUSKY OH 43351
4192945781

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

(Mark one)

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

[X] For the fiscal year ended December 31, 1998

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]
For the transition period from .... to..................

Commission File No. 0-27894

COMMERCIAL BANCSHARES, INC.
(Name of small business issuer in its charter)

OHIO	............34-1787239...............
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

118 S. SANDUSKY STREET Upper Sandusky, Ohio	43351
(Address of principal executive offices)	(Zip code)

(419) 294-5781
(Issuer's telephone number)

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

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

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

COMMON SHARES, NO PAR VALUE
(Title of class)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will 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-KSB or any amendment to this Form 10-KSB.[X]

Issuer's revenues for the year ended December 31, 1998 were: $16,047,622.

At March 9, 1999, there were issued and outstanding 1,049,999 of the Issuer's Common Shares.

The aggregate market value of the Issuer's voting stock held by nonaffiliates of the Issuer as of March 9, 1999 was $29,132,940.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Issuer's Definitive Proxy Statement for the 1999 Annual Meeting of Shareholders to be held April 14, 1999 are incorporated by reference into Part III.

Transitional Small Business Disclosure Form (check one):
Yes [ ] No. [X]

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FORM 10-KSB

<TABLE>
<CAPTION>

</TABLE>

PART I

ITEM 1 - DESCRIPTION OF BUSINESS

BUSINESS

In February 1995, Commercial Bancshares, Inc. (the "Corporation") received approval from the Board of Governors of the Federal Reserve System to become a bank holding corporation by acquiring all the voting shares of common stock of The Commercial Savings Bank (the "Bank"). The principal business of the Corporation presently is to operate the Bank, which is a wholly-owned subsidiary, and its principal asset. The Corporation and the main office of the Bank are located at 118 South Sandusky Avenue, Upper Sandusky, Ohio 43351. The Corporation's telephone number is (419) 294-5781. In May 1997, the Board of Directors approved the establishment of the Corporation's second wholly-owned subsidiary, a consumer finance company, and thereby chartered a new Ohio corporation by the name of Advantage Finance, Inc. (the "Finance Company"). On December 24, 1997, approval was granted by the Ohio Division of Financial Institutions for Advantage Finance, Inc. to do business. On April 13, 1998, the Finance Company opened for business at 117 North Greenwood, Suite 7, Marion, Ohio providing finance company services to customers in the Marion area.

Although wholly owned by the Corporation, the Bank functions as an independent community bank. The Bank was organized on April 20, 1920 as a state-chartered Bank and incorporated as "The Lewis Bank & Trust Corporation" under the laws and statutes of the State of Ohio. An amendment to the articles of incorporation on February 8, 1929 changed the name of the Bank to The Commercial Savings Bank. The Bank provides customary retail and commercial banking services to its customers, including acceptance of deposits for demand, savings and time accounts and servicing of such accounts; commercial, consumer and real estate lending, including installment loans; Individual Retirement Accounts (IRA's); safe deposit facilities and night depository facilities. The Bank is a nonmember of the Federal Reserve System, is insured by the Federal Deposit Insurance Corporation and is regulated by the Ohio Division of Financial Institutions.

The Bank grants residential, installment and commercial loans to customers located primarily in Wyandot, Marion and Hancock counties and the surrounding area. Commercial loans are primarily variable rate and include operating lines of credit and term loans made to small businesses primarily based on the ability to repay the loan from the cash flow of the business. Such loans are typically secured by business assets, such as equipment and inventory, and occasionally by the business owner's personal residence. When the borrower is not an individual, the Bank generally obtains personal guarantees of the business owner. Commercial real estate loans are primarily secured by borrower-occupied business real estate, and are dependent on the ability of the related business to generate adequate cash flow to service the debt. Such loans primarily carry adjustable interest rates. Residential real estate loans are made with primarily fixed rates and are secured by the borrower's residence. Such loans are made based on the borrower's ability to make repayment from employment and other income. The Bank generally makes these loans in amounts of 95% or less of the value of collateral. An appraisal is obtained from a qualified real estate appraiser for substantially all loans secured by real estate. Construction loans are secured by residential and business real estate that primarily will be borrower-occupied upon completion. The Bank usually makes the permanent loan at

the end of the construction phase. Installment loans to individuals include loans secured by automobiles and other consumer assets, including second mortgages on personal residences. Loans secured by automobiles are generated both by direct application from the customer and from the Bank's purchase of indirect retail installment contracts from the dealers. Credit card and overdraft protection loans are unsecured personal lines of credit to individuals. The Finance Company specializes in direct and indirect lending for consumer goods, 90-day and six-month same-as-cash loans, second mortgage and home equity loans, and installment loans.

Both the Bank and the Finance Company compete for business in the tri-county market of Wyandot, Hancock and Marion Counties, Ohio. The Company's competitors for business come from two primary sources: large regional firms such as BankOne, National City BancCorp, Fifth Third BancCorp, Associates Finance, Beneficial Finance and Sky Financial; and independent community banks and thrifts such as First Citizen's National Bank, Fahey Bank and Industrial Savings & Loan. The Bank finds that it competes favorably with the large regional banks by its ability to maintain decision-making officers within branch locations rather than centralizing decision-making in a corporate headquarters. Competition with the independent community banks is enhanced by creating product niches so as not to resort solely to pricing as a means to attract business.

Examples of the Bank's product niches include horse and cargo trailer financing, small-business lending and low-fee demand deposit accounts. The Finance Company has found a niche in indirect financing of retail consumer goods from regional retailers such as Quality Farm and Fleet and Simplicity Tractors.

The Corporation is not aware of any exposure to material costs associated with environmental hazardous waste cleanup. Bank loan procedures require EPA studies be obtained by Bank management before approving any commercial real estate loan with such potential risk.

SUPERVISION AND REGULATION

REGULATION OF THE CORPORATION: The Corporation is a registered bank holding company organized under the laws of the State of Ohio on March 22, 1994. As such, the Corporation is subject to the laws of the State of Ohio and is under the jurisdiction of the Securities Act of 1933, as amended, and various Securities and Exchange Commission rules and regulations relating to the offering and sale of its securities. Commercial Bancshares, Inc. is also subject to regulation under the Bank Holding Company Act of 1956, as amended. The Federal Reserve Board regulates bank holding companies and may examine or inspect the books and records of the Corporation and the Bank.

Commercial Bancshares, Inc. is not aware of any current recommendations by regulatory authorities that, if they were to be implemented, would have a material effect on the Corporation.

REGULATION OF THE BANK: The Bank is chartered in the State of Ohio and regulated by the Ohio Division of Financial Institutions. Further, the Bank's deposits are insured, within established limits, by the Federal Deposit Insurance Corporation. These regulatory agencies have the authority to examine the books and records of the Bank, and the Bank is subject to their rules and regulations.

ITEM 1 - DESCRIPTION OF BUSINESS (Continued)

REGULATION OF THE FINANCE COMPANY: The Finance Company is chartered in the State of Ohio and regulated by the Ohio Division of Financial Institutions and the Federal Reserve Board. These regulatory agencies have the authority to examine the books and records of the Finance Company and the Finance Company is subject to their rules and regulations.

EMPLOYEES

Currently, the Bank has 88 full-time employees and 14 part-time employees and Advantage Finance, Inc. has two full-time employees and no part-time employees. The Corporation does not have any full- or part-time employees.

STATISTICAL DISCLOSURES

The following statistical information for 1998 and 1997, which is included in the Corporation's 1998 Annual Report to Shareholders, is incorporated herein by reference (Exhibit 13).

<TABLE>
<CAPTION>

<S>	Page(s) <C>
Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential	5-6
Investment Portfolio	12
Loan Portfolio	7-11,28
Summary of Loan Loss Experience	7-8
Deposits	12-13
Return on Equity and Assets	2
Short-term Borrowings	N/A

</TABLE>

In addition, statistical information for other applicable periods is shown below.

DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY; INTEREST RATES AND INTEREST DIFFERENTIAL: The following table illustrates the impact on net interest income of changes in average balances and yields of the Corporation's assets and liabilities for 1996.

<TABLE>
<CAPTION>

	Average Balance (4)	Income/ Expense	Average Yield
Short-term investments	$ 2,516,161	$ 126,521	5.03%
Securities			
Taxable (1)	30,940,921	1,976,743	6.27
Tax exempt (1 and 2)	14,112,634	1,149,061	8.17
Loans (3)	108,816,451	9,969,926	9.16
Total earning assets	156,386,167	13,222,251	8.43%
Other assets	11,823,200		
Total assets	$ 168,209,367		

</TABLE>

ITEM 1 - DESCRIPTION OF BUSINESS (Continued)

<TABLE>
<CAPTION>

	Average Balance (4)	Income/ Expense	Average Yield
Deposits			
Interest-bearing demand deposits	$ 35,860,502	977,788	2.73%
Savings deposits	20,679,680	561,395	2.71
Time deposits	82,724,379	4,749,173	5.74
Short-term borrowed funds	807,820	47,157	5.84
Total interest bearing liabilities	140,072,381	6,335,513	4.52%
Noninterest bearing demand	13,267,940		
Other liabilities	822,670		
Shareholders' equity	14,046,376		
Total liabilities and shareholders' equity	$ 168,209,367		
Net interest income		$ 6,886,738	
As a percentage of earning assets:			
Interest income			8.43%
Interest expense			4.04
Net interest income			4.39%

</TABLE>

(1) Average balance is computed using the carrying value of securities. The average yield has been computed using the historical amortized cost average balance for available for sale securities.

(2) Income is computed on a fully-taxable equivalent basis using a 34% tax rate. The amount of such adjustments was $390,682 for 1996.

(3) Nonaccrual loans are included in the average balances presented.

(4) Average is a daily average balance.

INVESTMENT PORTFOLIO: The carrying value of available-for-sale and held-to-maturity securities as of December 31, 1996 is as follows:

<TABLE>
<CAPTION>

<S>	<C> Amortized Cost	<C> Fair Value
Securities available for sale		
U.S. Government obligations	$ 509,206	$ 494,940
Obligations of federal agencies	8,426,243	8,293,344
Obligations of state and political subdivisions	14,559,081	14,628,535
Corporate bonds	502,500	499,570
Mortgage-backed securities	24,346,113	23,945,623
Total debt securities available for sale	48,343,143	47,862,012
Equity investments	530,260	530,260
Total securities available for sale	$ 48,873,403	$ 48,392,272
Securities held to maturity		
Obligations of federal agencies	$ 2,723,488	$ 2,917,390

</TABLE>

ITEM 1 - DESCRIPTION OF BUSINESS (Continued)

LOAN PORTFOLIO: Year-end loans were as follows:

<TABLE>
<CAPTION>

<S>	<C> 1996	<C> 1995	<C> 1994
Commercial and other loans	$ 51,021,307	$ 53,708,832	$ 55,044,335
Real estate loans	22,979,126	21,376,721	24,332,310
Consumer and credit card loans	37,344,109	20,386,106	12,284,219
Home equity loans	4,810,246	3,259,872	3,467,645
Total loans	$ 116,154,788	$ 98,731,531	$ 95,128,509

</TABLE>

The following schedule summarizes nonperforming and impaired loans as of December 31, 1996, 1995 and 1994.

<TABLE>
<CAPTION>

(In thousands of dollars)	December 31,		
<S>	<C> 1996	<C> 1995	<C> 1994
Impaired loans	$ 45	$ 257	N/A
Loans accounted for on a nonaccrual basis	$ 45	$ 0	$ 176
Accruing loans which are contractually past due			

90 days or more as to interest or principal payments	0	0	69
Loans which are "troubled debt restructurings" as defined in Statement of Financial Accounting Standard No. 15 (exclusive of loans listed above)	0	0	--
Total nonperforming loans	$ 45	$ 0	$ 245

</TABLE>

At December 31, 1998, loans totaling $457,750 were identified as potential problem loans. Management has doubts about the borrowers' future ability to comply with present loan-repayment terms. These loans are not included as impaired, nonaccrual or troubled debt restructuring loans as disclosed in the Corporation's 1998 Annual Report to Shareholders.

ITEM 1 - DESCRIPTION OF BUSINESS (Continued)

SUMMARY OF LOAN LOSS EXPERIENCE: The following schedule presents an analysis of the allowance for loan losses, average loan data and related ratios for the years ended December 31, 1996, 1995 and 1994.

<TABLE>
<CAPTION>

(In thousands of dollars)	1996	1995	1994
<S>	<C>	<C>	<C>
Balance at beginning of period	$ 996	$ 960	$ 1,150
Loans charged off:			
Commercial	(72)	(147)	(517)
Real estate	(0)	(1)	--
Installment	(196)	(47)	(85)
Total loans charged off	(268)	(195)	(602)
Recoveries of loans previously charged off:			
Commercial	60	117	150
Real estate	0	--	2
Installment	25	14	25
Total loan recoveries	85	131	177
Net loans charged off	(183)	(64)	(425)
Provision charged to operating expense	206	100	235
Balance at end of period	$ 1,019	$ 996	$ 960
Ratio of net charge-offs to average loans outstanding for period	0.17%	0.07%	0.43%

</TABLE>

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

<TABLE>
<CAPTION>

	Allocation Of The Allowance For Loan Losses					
	Allowance Amount	Percentage of Loans in Each Category to Total Loans	Allowance Amount	Percentage of Loans in Each Category to Total Loans	Allowance Amount	Percentage of Loans in Each Category to Total Loans
(In Thousands Of Dollars)	December 31, 1996		December 31, 1995		December 31, 1994	

Commercial	$ 424	43.93%	$ 448	54.40%	$ 501	57.87%
Real estate	8	23.92	59	20.65	30	29.22
Consumer	445	32.15	340	24.95	179	12.91
Unallocated	142	N/A	149	N/A	250	N/A
Total	$ 1,019	100.00%	$ 996	100.00%	$ 960	100.00%

DEPOSITS: Information required for 1996 is included under the caption "Distribution of Assets, Liabilities and Shareholders' Equity; Interest Rates and Interest Differential" above.

RETURN ON EQUITY AND ASSETS: Information required for 1996 is included on page 2 of the Corporation's 1998 Annual Report.

SHORT-TERM BORROWINGS: No information is required to be reported, since the average balance of such borrowings for each applicable period was less than 30% of period-end shareholders' equity.

ITEM 2 - DESCRIPTION OF PROPERTY

The Corporation's headquarters and the Bank's main office are located at 118 South Sandusky Avenue, Upper Sandusky, Ohio, in Wyandot County. The building is used exclusively by the Corporation and the Bank.

All of the offices listed below are owned by the Bank and are free and clear of any encumbrances.

Location	Description
1. Main Office 118 S. Sandusky Ave. Upper Sandusky, OH 43351	Two-story building built in the early 1900's and remodeled in 1991.
2. North Drive-In 400 N. Sandusky Ave. Upper Sandusky, OH 43351	One story drive in office opened in 1981
3. Carey Office 128 S. Vance St. Carey, OH 43316	One story building built and opened in 1973.
4. Harpster Office 17480 Cherokee St. Harpster, OH 43323	One-story building purchased in 1978.
5. Marion Barks Road Office 170 Barks Road East Marion, OH 43302	One story building purchased, renovated and opened in 1988.
6. Marion Jamesway Office 279 Jamesway Marion, OH 43302	One story building constructed and opened in June 1997.
7. Findlay Office 1660 Tiffin Ave. Findlay, OH 45840	One story building purchased from Savings of America in 1992.

The Bank also operates an intermittent office inside the Rotary Towers Nursing Facility in Marion opened in June 1991. The Finance Company leases its office location at 177 North Greenwood, Suite 7, Marion, Ohio on a 2-year lease with two 2-year options to renew. The Corporation neither owns nor leases any properties related to these two operations.

ITEM 3 - LEGAL PROCEEDINGS

Corporation management is aware of no pending or threatened litigation in which the Corporation or its subsidiary Bank faces potential loss or exposure which will materially affect the consolidated financial statements or involves a claim for damages exceeding 10% of the current assets of the Bank.

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

No matter was submitted to a vote of security holders during the fourth quarter of the Corporation's fiscal year ended December 31, 1998.

PART II

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

The information set forth under the heading "Shareholder Information" on page 41 of the Corporation's 1998 Annual Report to Shareholder's is incorporated herein by reference (Exhibit 13).

ITEM 6 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The information set forth under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operation" on pages 3 through 15 of the Corporation's 1998 Annual Report to Shareholders is incorporated herein by reference (Exhibit 13).

ITEM 7 - FINANCIAL STATEMENTS

The information set forth under the headings listed below on pages 16 through 40 of the Corporation's 1998 Annual Report to Shareholders is incorporated herein by reference (Exhibit 13).

Consolidated Balance Sheets - December 31, 1998 and 1997
Consolidated Statements of Income - Years Ended December 31, 1998 and 1997
Consolidated Statements of Changes in Shareholders' Equity - Years Ended December 31, 1998 and 1997
Consolidated Statements of Cash Flows - Years Ended December 31, 1998 and 1997
Notes to Consolidated Financial Statements
Report of Independent Auditors

ITEM 8 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No changes in or disagreements with the Corporation's independent accountants on accounting and financial disclosure have occurred during the two most recent fiscal years.

PART III

ITEM 9 - DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

Information concerning Directors and Executive Officers of the Corporation appears on pages 4 through 9 under the captions "Election of Directors " and

"Executive Officers" in the Corporation's Definitive Proxy Statement dated March 12, 1999 for the Annual Meeting of Shareholders to be held on April 14, 1999 and is incorporated herein by reference.

ITEM 10 - EXECUTIVE COMPENSATION

Information concerning executive compensation appears on page 10 under the captions "Executive Compensation" and "Supplementary Executive Retirement Plan" in the Corporation's Definitive Proxy Statement dated March 12, 1999 for the Annual Meeting of Shareholders to be held on April 14, 1999 and is incorporated herein by reference.

ITEM 11 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning security ownership of certain beneficial owners and management is contained on pages 2 and 4 under the captions "Voting Securities and Principal Holders Thereof" and "Election of Directors" in the Corporation's Definitive Proxy Statement dated March 12, 1999 for the Annual Meeting of Shareholders to be held April 14, 1999 and is incorporated herein by reference.

ITEM 12 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions is contained on page 3 under the caption "Family Relationships" and "Related Transactions" in the Corporation's Definitive Proxy Statement dated March 12, 1999 for the Annual Meeting of Shareholders to be held on April 14, 1999 and is incorporated herein by reference.

ITEM 13 - EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS
<TABLE>
<CAPTION>

Regulation S-B Exhibit Number	Description Of Document	Reference to Prior Filing or Exhibit Number Attached Hereto	Page Number in This Form 10-KSB Report
<S> <C>	<C>	<C>	<C>
3.1	Amended Articles of Incorporation of the Corporation	* 1	Not Applicable
3.2	Code of Regulations of the Corporation	* 2	Not Applicable
4	Form of Shares Certificate of Common Shares	* 3	Not Applicable
10	Material Contracts	** 4	Not Applicable
13	Annual Report to Shareholders for the Year Ended 1998	5	14
21	Subsidiaries of the Registrant	6	15
23	Consent of Crowe, Chizek and Company LLP	7	16
27	Financial Data Schedule	8	17

</TABLE>

* Indicates documents which have been previously filed as part of the Issuer's Report on Form 8-K dated April 27, 1995. All of such previously filed documents are hereby incorporated by reference in accordance with Item 601 of Regulation S-B. Such documents are available to shareholders without charge upon request from the Issuer.

** Indicates documents which have been previously filed as part of the Issuer's Reports on Form S-8 dated August 1, 1997 and Form S-8 dated March 17, 1999. All of such previously filed documents are hereby incorporated by reference in accordance with Item 601 of Regulation S-B. Such documents are available to shareholders without charge upon request from the Issuer.

(b) REPORTS ON FORM 8-K

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

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the under signed, thereunto duly authorized.

March 26, 1999	COMMERCIAL BANCSHARES, INC.
Date	By: /s/ RAYMOND E. GRAVES
	Raymond E. Graves, President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 26, 1999.

<TABLE>
<CAPTION>

Signatures	Signatures
<S>	<C>
/S/ RAYMOND E. GRAVES Raymond E. Graves President (Principal Executive Officer) and Director	/S/ EDWIN G. EMERSON Edwin G. Emerson Director
/S/ JAMES A. DEER James A. Deer Executive Vice President, Principal Financial Officer, Principal Accounting Officer and Director	/S/ HAZEL FRANKS Hazel Franks Director
/S/ RICHARD SHEAFFER Richard Sheaffer Director, Chairman of the Board	/S/ DEBORAH J. GRAFMILLER Deborah J. Grafmiller Director
/S/ DANIEL E. BERG Daniel E. Berg Director	/S/ MICHAEL A. MASTRO Michael A. Mastro Director
	/S/ WILLIAM E. RUSE

/S/ LOREN H. DILLON

Loren H. Dillon
Director

/S/ MARK DILLON

Mark Dillon
Director

William E. Ruse
Director

/S/ DOUGLAS C. SMITH

Douglas C. Smith
Director

</TABLE>

EXHIBIT 13

COMMERCIAL BANCSHARES, INC.
Upper Sandusky, Ohio

ANNUAL REPORT
December 31, 1998

CONTENTS

COMPARATIVE SUMMARY OF SELECTED FINANCIAL DATA

<TABLE>
<CAPTION>

YEAR END BALANCES	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Total assets	$ 210,403,732	$ 181,366,767	$ 180,960,972	$ 166,296,169	$ 160,720,897
Total deposits	173,097,795	161,801,162	165,891,962	151,622,166	148,706,484
Loans, net	157,454,266	124,884,537	115,136,180	97,735,400	94,168,905
Total securities	38,256,547	38,264,931	51,115,760	54,780,151	49,253,011
Total shareholders' equity	17,047,628	15,688,343	14,313,245	14,095,728	11,512,387
Book value per outstanding share*	16.24	15.06	13.74	13.53	11.05
Outstanding shares at year end*	1,049,431	1,041,456	1,041,456	1,041,456	1,041,456
RESULTS OF OPERATIONS					
Interest income	$ 14,026,017	$ 14,021,102	$ 12,831,570	$ 12,466,360	$ 11,059,292
Interest expense	7,237,385	7,323,797	6,335,513	6,118,156	4,794,658
Net interest income	6,788,632	6,697,305	6,496,057	6,348,204	6,264,634

Provision for possible loan losses	(472,073)	(613,000)	(205,800)	(100,000)	(234,725)
Other income	2,021,605	2,006,696	1,117,620	1,076,972	728,174
Salaries and employee benefits	(2,979,289)	(2,600,750)	(2,525,990)	(2,287,775)	(2,127,051)
Other expenses	(3,315,757)	(3,046,170)	(3,129,591)	(2,788,217)	(2,683,006)
Income before income taxes	2,043,118	2,444,081	1,752,296	2,249,184	1,948,026
Applicable income taxes	(426,210)	(605,024)	(371,515)	(561,695)	(489,517)
NET INCOME	$ 1,616,908	$ 1,839,057	$ 1,380,781	$ 1,687,489	$ 1,458,509
PER SHARE DATA*					
Net income					
Basic	$ 1.55	$ 1.77	$ 1.33	$ 1.62	$ 1.40
Diluted	$ 1.53	$ 1.76	$ 1.33	$ 1.62	$ 1.40
Cash dividend paid	$ 0.74	$ 0.70	$ 0.67	$ 0.53	$ 0.53

</TABLE>

* Per share data is based on the weighted average number of shares outstanding during the year. Prior periods have been restated to reflect the 3-for-1 stock split in 1997 and the 25% stock split in 1996.

(Continued)

COMPARATIVE SUMMARY OF SELECTED FINANCIAL DATA (CONTINUED)

<TABLE>
<CAPTION>

FINANCIAL RATIOS	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Return on average total assets	0.86%	1.00%	0.82%	1.05%	0.94%
Return on average shareholders' equity	9.98%	12.49%	9.83%	13.31%	11.99%
Average shareholders' equity to average total assets	8.63%	7.98%	8.35%	7.88%	7.84%
Dividend payout	47.94%	39.64%	50.28%	32.96%	38.13%

</TABLE>

HISTORY OF STOCK SPLITS EFFECTED AS DIVIDENDS

February 1973	2-for-1 Stock Split
March 1975	2-for-1 Stock Split
February 1977	25% Stock Split
March 1980	25% Stock Split
March 1982	25% Stock Split
March 1983	25% Stock Split
May 1986	25% Stock Split
May 1990	25% Stock Split
March 1996	25% Stock Split
June 1997	3-for-1 Stock Split

(Continued)

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

FORWARD-LOOKING STATEMENTS

Certain statements contained in this report that are not historical facts are forward-looking statements that are subject to certain risks and uncertainties. When used herein, the terms "anticipates," "plans," "expects," "believes" and similar expressions as they relate to the Corporation or its management are intended to identify such forward-looking statements. The Corporation's actual results, performance or achievements may materially differ from those expressed or implied in the forward-looking statements. Risks and uncertainties that could cause or contribute to such material differences include, but are not limited to, general economic conditions, interest rate environment, competitive conditions in the financial services industry, changes in law, unforeseen business risks related to Year 2000 computer systems issues, government policies and regulations and rapidly changing technology affecting financial services.

RESULTS OF OPERATIONS

Net income of $1,616,908 in 1998 represents a 12.1% decrease from the net income of $1,839,057 in 1997. Diluted earnings per share decreased proportionately from $1.76 in 1997 to $1.53 in 1998. The major factors that have influenced these results are discussed below.

NET INTEREST INCOME

Net interest income, the primary source of earnings for the Commercial Bancshares, Inc. (the "Corporation"), is the amount by which interest and fees on loans and investments exceed the interest cost of deposits and other borrowings to fund them. Changes in mix and volume of earning assets and interest-bearing liabilities and their related yields and interest rates have a major impact on earnings. Management attempts to manage the repricing of assets and liabilities to achieve a stable level of net interest income and minimize the effect of significant changes in the market level of interest rates. Management is active in pricing and promotion of loan and deposit products as well as closely monitoring Corporate investment securities classified as available for sale.

The interest rate sensitivity gap (GAP) table on the next page indicates that, as of December 31, 1998, rate sensitive assets exceed rate sensitive liabilities in the one year or less time horizon by approximately $1,486,000. Management believes this places the Corporation in a desirable position for 1999 as the Company's interest margin should not be significantly impacted by moderate fluctuations in interest rates. For purposes of the GAP table, management has included passbook savings and NOW checking accounts in the one through five-year and over-five-year periods. These deposits were not historically considered rate sensitive, however, with the dramatic decrease in rates in 1992 and 1993 management did adjust the rates paid on these accounts and began to include these deposits in the one year time window which has a significant impact on the GAP position. If rates rise in the future these deposit products will rise but only to historical levels which have been among the most inexpensive products offered by the Bank. In addition, these deposit products are not tied to an external index, which gives management flexibility in timing future rates increases to these products.

(Continued)

NET INTEREST INCOME (Continued)

INTEREST RATE SENSITIVITY GAPS AS OF DECEMBER 31, 1998

<TABLE>
<CAPTION>

<S>	One Year Or Less <C>	One through Five Years <C>	Over five Years <C>	Total <C>
Assets				
Loans (a)	$ 64,658	$ 41,382	$ 52,735	$ 158,775
Securities (a)	11,676	1,220	25,366	38,262

Rate-sensitive assets (RSA)	76,334	42,602	78,101	197,037
Liabilities				
Interest-bearing demand (b)	3,031	32,694	7,416	43,141
Savings (b)		15,679	3,920	19,599
Interest-bearing time	64,097	30,245	219	94,561
Federal funds purchased	7,720	11,500		19,220
Rate sensitive liabilities (RSL)	74,848	90,118	11,555	176,521
Period GAP (c)	$ 1,486	$ (47,516)	$ 66,546	$ 20,516
Cumulative GAP	$ 1,486	$ (46,030)	$ 20,516	
% of total assets	0.71%	(22.58)%	31.63%	
% rate sensitive assets/rate sensitive liabilities	101.99%	47.27%	675.91%	

</TABLE>

(a) Loans and mortgage-backed securities are assumed to adjust based on their contractual terms, with no assumptions as to repayments.

(b) Management has included these accounts in the one through five and over five years time horizons based on past experience with rate adjustments on these accounts.

(c) GAP is defined as rate sensitive assets less rate sensitive liabilities and may be expressed in dollars or as a percentage.

While the volume of both earning assets and interest-bearing liabilities increased in 1998, differences in rates and deposit mix served to offset the impact to net interest income. The average yield on earning assets decreased from 8.33% in 1997 to 8.26% in 1998. The major factors were a decrease in the yield on securities and a slight decrease in the yields on loans. Management continued its emphasis on commercial loans, which is reflected in the portfolio growth of approximately $18,491,000. To remain competitive, loans were priced very aggressively and an overall decline in loan pricing was seen in 1998. In addition, the installment loan portfolio increased $7,863,000 in 1998. The increase was primarily in the indirect loan portfolio. This increase is due to a change in management's focus from lower-yielding automobile loans to loans on horse trailers, which generally have higher yields and longer maturities. Charge offs on installment loans have been high in the past; however, management does not anticipate an increased level of charge offs to continue. The Bank has strategically targeted managed growth in the commercial and indirect areas for 1999. Alternative lower cost sources of funds such as Federal Home Loan Bank advances and federal funds purchased are available, if needed, to fund this growth.

(Continued)

NET INTEREST INCOME (Continued)

Management continues to closely monitor net interest income, while maintaining competitive loan and deposit rates in the markets served. Although no one can accurately predict future movement in interest rates, management expects a continued stable to slightly lower rate environment for 1999.

(Continued)

NET INTEREST INCOME (Continued)

The following tables further illustrate the impact on net interest income of changes in average balances and yields of the Corporation's assets and liabilities.

DISTRIBUTION OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY

	1998 Average Balance (4)	1998 Income/ Expense	1998 Average Yield	1997 Average Balance (4)	1997 Income/ Expense	1997 Average Yield
Short-term investments	$ 2,231,342	$ 117,104	5.25%	$ 1,484,288	$ 77,472	5.22%
Securities						
Taxable (1)	23,921,057	1,337,496	5.53	32,585,903	2,072,713	6.28
Tax exempt (1 and 2)	17,837,730	1,284,859	7.08	14,890,047	1,142,958	7.68
Loans (3)	130,470,193	11,723,410	8.99	123,577,448	11,116,565	9.00
Total earning assets	174,460,322	14,462,869	8.26%	172,537,686	14,409,708	8.33%
Other assets	13,235,640			11,970,957		
Total assets	$ 187,695,962			$ 184,508,643		
Deposits						
Interest-bearing demand deposits	$ 39,985,521	$ 1,100,019	2.75%	$ 35,508,530	963,126	2.71%
Savings deposits	19,246,791	491,928	2.56	19,900,106	534,422	2.69
Time deposits	94,662,246	5,418,913	5.72	98,642,740	5,735,511	5.81
Borrowed funds	5,668,847	226,525	4.00	1,587,509	90,738	5.72
Total interest bearing liabilities	159,563,405	7,237,385	4.54%	155,638,885	7,323,797	4.71%
Noninterest bearing demand	11,744,718			13,176,789		
Other liabilities	192,285			974,417		
Shareholders' equity	16,194,854			14,718,552		
Total liabilities and shareholders' equity	$ 187,695,962			$ 184,508,643		
Net interest income		$ 7,225,484			$ 7,085,911	
As a percentage of earning assets:						
Interest income			8.26%			8 33%
Interest expense			4.13			4.23
Net interest income			4.13%			4.10%

(1) Average balance is computed using the carrying value of securities. The average yield has been computed using the historical amortized cost average balance for available for sale securities.

(2) Income is computed on a fully-taxable equivalent basis using a 34% tax rate. The amount of such adjustments was $436,852 and $388,606 for 1998 and 1997, respectively.

(3) Nonaccrual loans are included in the average balances presented.

(4) Average is a daily average balance.

(Continued)

NET INTEREST INCOME (Continued)

INTEREST RATES AND INTEREST DIFFERENTIAL

<TABLE>
<CAPTION>

	1998 Compared to 1997 Increase/(Decrease)			1997 Compared to 1996 Increase/(Decrease)		
	Total Change	Change due to Volume	Change due to Rate	Total Change	Change due to Volume	Change due to Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Short-term investments	$ 39,632	$ 39,204	$ 428	$ (49,049)	$ (53,691)	$ 4,642
Investment and mortgage-backed securities						
Taxable	(735,217)	(505,325)	(229,892)	95,970	93,355	2,615
Tax exempt (1)	141,901	215,632	(73,731)	(6,103)	64,310	(70,413)
Loans (2)	606,845	619,362	(12,517)	1,146,639	1,330,748	(184,109)
Total earning assets	53,161	368,873	(315,712)	1,187,457	1,434,722	(247,265)
Deposits						
Interest-bearing demand deposits	136,893	122,988	13,905	(14,662)	(9,564)	(5,098)
Savings deposits	(42,494)	(17,202)	(25,292)	(26,973)	(20,986)	(5,987)
Time deposits	(316,598)	(228,855)	(87,743)	986,338	924,832	61,506
Short-term borrowed funds	135,787	170,443	(34,656)	43,581	44,585	(1,004)
Total interest bearing liabilities	(86,412)	47,374	(133,786)	988,284	938,867	49,417
Net interest income	$ 139,573	$ 321,499	$ (181,926)	$ 199,173	$ 495,855	$ (296,682)

</TABLE>

For purposes of these tables, the changes in interest due to both volume and rate have been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the changes in each.

(1) Tax exempt income is adjusted to a fully tax equivalent basis using a 34% tax rate.

(2) Nonaccrual loan balances are included for purposes of computing the rate and volume effects although interest on these balances has been excluded.

(Continued)

ALLOWANCE AND PROVISION FOR POSSIBLE LOAN LOSS

The allowance for possible loan losses on December 31, 1998 was $1,182,848 or 0.75% of total loans. This compares to $1,075,385 or .85% of total loans in 1997. The Corporation's policy is to charge off loans when, in management's opinion, collection is in doubt. All loans charged off are subject to continuing review and concerted efforts are made to maximize recovery.

The Corporation provided $472,000 to the allowance for loan losses in 1998 to maintain the allowance balance at an adequate level following charge-offs of $467,000 and recoveries of $103,000. The provision for allowance for loan losses was $141,000 lower than 1997 due to management's decreased activity in the riskier, indirect automobile market.

The following schedule presents analysis of the allowance for loan losses, average loan data, and related ratios for the years ended December 31, 1998 and 1997.

<TABLE>
<CAPTION>

(In thousands of dollars)	1998	1997

<S>

Balance at beginning of period	$ 1,075	$ 1,019
Loans changed off:		
Commercial	(45)	(42)
Real estate	(0)	(0)
Installment	(422)	(601)
Total loans charged off	(467)	(643)
Recoveries of loans previously charged off:		
Commercial	5	30
Real estate	0	0
Installment	98	56
Total loan recoveries	103	86
Net loans charged off	(364)	(557)
Provision charged to operating expense	472	613
Balance at end of period	$ 1,183	$ 1,075
Ratio of net charge-offs to average loans outstanding for period	0.28%	0.45%

</TABLE>

The allowance for possible loan losses is maintained by management at a level considered adequate to cover probable losses that are currently anticipated based on past loss experience, general economic conditions, information about a specific borrower including their financial position and collateral values, and other factors and estimates which are subject to change over time. To maintain an adequate allowance management also considers the historical trend of delinquencies and nonperforming loans as well as changes in the composition and mix of the loan portfolio.

ALLOWANCE AND PROVISION FOR POSSIBLE LOAN LOSS (Continued)

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

<TABLE>
<CAPTION>

(In Thousands Of Dollars)	Allocation Of The Allowance For Loan Losses			
	Allowance Amount	Percentage of Loans in Each Category to Total Loans	Allowance Amount	Percentage of Loans in Each Category to Total Loans
	December 31, 1998		December 31, 1997	
Commercial	$ 509	49.91%	$ 530	48.17%
Real estate	93	23.61	95	24.72
Consumer	559	26.48	442	27.11
Unallocated	22	N/A	8	N/A
Total	$ 1,183	100.00%	$ 1,075	100.00%

</TABLE>

Nonaccrual loans totaled $1,168,537 at December 31, 1998 as compared to $1,073,000 at December 31, 1997. Management believes nonaccrual loans are adequately reserved for and no additional loss is expected. The policy for placing loans on nonaccrual status is to cease accruing interest on loans when management believes that the collection of interest is doubtful, or when loans are past due as to principal and interest ninety days or more, except that in certain circumstances interest accruals are continued on loans deemed by management to be fully collectible. In such cases, the loans are individually evaluated in order to determine whether to continue income recognition after ninety days beyond the due dates. When loans are charged off, any accrued interest recorded in the fiscal year is charged against interest income. The remaining balance is treated as a loan charged-off.

The Corporation considers loans impaired if full principal and interest payments are not anticipated. Impaired loans are carried at the present value of expected cash flows discounted at the loan's effective interest rate or at the fair value of the collateral if the loan is collateral dependent. A portion of the allowance for loan losses is allocated to impaired loans.

Commercial loans and commercial real estate loans that are classified as substandard or doubtful through the internal loan review process, and loans that have been placed on nonaccrual status are evaluated for impairment on a loan-by-loan basis. Smaller balance homogeneous loans are evaluated for impairment in total. Such loans included residential first mortgage loans, home equity, automobile and credit card loans.

ALLOWANCE AND PROVISION FOR POSSIBLE LOAN LOSS (Continued)

The following schedule summarizes nonperforming and impaired loans as of December 31, 1997 and 1998.

	December 31	
(In thousands of dollars)	1998	1997
Impaired loans	$ 1,068	$ 1,405
Loans accounted for on a nonaccrual basis (most of which are also impaired)	$ 1,169	$ 1,073
Accruing loans which are contractually past due 90 days or more as to interest or principal payments	91	289
Loans which are "troubled debt restructurings" as defined in Statement of Financial Accounting Standard No. 15 (exclusive of loans listed above)	--	--
Total nonperforming loans	$ 1,260	$ 1,362

No interest income was recognized on impaired loans in 1998 and 1997.

Another factor associated with asset quality is Other Real Estate Owned ("OREO"). OREO represents properties acquired by the Corporation through loan defaults by customers. At December 31, 1998, the balance in OREO was $921,500, representing the acceptance of a deed in lieu of foreclosure in late 1994. Other real estate is carried at the lower of cost or estimated fair market value less estimated expenses to be incurred to sell the property.

NONINTEREST INCOME

Total noninterest income of $2,021,605 was 0.74% higher than the 1997 figure of $2,006,696. Noninterest income for 1997 included a gain on the sale of the property, equipment and deposits of the Kenton branch. This was offset in 1998 by an increase in overdraft fees and loan servicing income for loans sold. An additional contributor to noninterest income was a $184,709 increase in net gains on sale of securities and an increase of $360,871 in net gains on loan sales due to increased activity in this area.

NONINTEREST EXPENSE

Total noninterest expense increased $648,126 in 1998. Customary merit increases of employee salaries; the addition of three executive officers; and increases in professional fees were offset by a reduction in data processing expense.

INCOME TAXES

Income tax expense of $426,210 in 1998 represents 20.9% of income before taxes compared to 24.8% in 1997. These effective tax rates are both lower than the statutory rate of 34%, primarily resulting from the Bank's investment in tax-exempt obligations from states and political subdivisions. Tax exempt income from securities represented 6.05% and 5.38% of total interest income in 1998 and 1997.

FINANCIAL CONDITION

TOTAL ASSETS

Total assets increased to $210,403,732, or 16.01%, at December 31, 1998 from $181,366,767 at December 31, 1997. Net loans increased $32,569,729 or 26.08% while securities did not significantly change. Cash and cash equivalents decreased 5.89% from 1997.

The Corporation received approval from the appropriate regulatory agencies in 1997 to form a finance company, Advantage Finance, Inc. (Advantage), in Marion, Ohio. The purpose of Advantage is to provide financing for higher-risk borrowers not meeting the more stringent underwriting criteria of the Bank. Operations began in the second quarter of 1998, with Advantage operating as a subsidiary of the Corporation. In January 1999, the Corporation received regulatory approval to establish Advantage as a subsidiary of the Bank to facilitate its future operations. At December 31, 1998, Advantage had loans made to customers of $496,000.

Management has purchased a building to establish an additional branch in Marion, Ohio and has plans to expand and remodel several existing branches in 1999. Capital expenditures are expected to approximate $500,000 related to these projects. As these projects are completed and staffed, management expects that occupancy expense, salaries and benefits and other expenses related to operations will increase.

LOANS

Consumer and credit card loans increased $7,862,730 or 23.02% from 1997 levels. The Corporation was active in the indirect loan business, specifically loans for horse trailers, which accounted for substantial consumer loan growth in 1998. Commercial loans were increased 30.47% in 1998 through the Corporation's Business Development Team and strategically lower interest rates. Management is committed to strengthening business relationships and providing incentives for loan growth.

LOANS (Continued)

Real estate loans showed an increase of $5,657,954, or 22.56%, which primarily represents one-to four-family loans. Loans originated for sale in the secondary market and still retained by the Bank at year end are classified as loans held for sale and are carried at the lower of cost or fair value and were approximately $2,276,000 and $5,191,000 at December 31, 1998 and 1997. With the demand for mortgage loans continuing to be in the fixed rate area, the Corporation will continue to sell fixed rate mortgage loans to the Federal Home Loan Mortgage Corporation (FHLMC) as the Bank is an authorized seller/servicer for the FHLMC. Management anticipates the amount of fixed rate loans sold to FHLMC with servicing retained by the Bank to continue with the low-interest-rate environment. Loans sold to the FHLMC for which the Bank retains servicing rights totaled $46,931,540 as of December 31, 1998, compared to $23,411,756 as of December 31, 1997. At December 31, 1997, other assets include a receivable of approximately $3,508,000 for loans sold.

The Bank's loan portfolio represents it largest and highest yielding earning assets. It also contains the most risk of loss. This risk is due primarily to changes in borrowers' primary repayment capacity, and to collateral values that are subject to change over time. These risks are managed with specific underwriting guidelines, loan review procedures and training of personnel.

The following is a schedule of maturities of fixed rate loans based on contract terms, excluding real estate mortgage and installment loans, rounded to the nearest thousand, as of December 31, 1998.

<TABLE>
<CAPTION>

	One Year Or Less	One Through Five Years	Over Five Years
<S>	<C>	<C>	<C>
Total fixed rate Commercial Loans	$ 3,223,000	$ 5,720,000	$ 26,971,000

</TABLE>

The following is a schedule of the repricing frequency of variable rate loans, excluding real estate mortgage and installment loans, rounded to the nearest thousand, as of December 31, 1998.

<TABLE>
<CAPTION>

	Three Months Or Less	Over Three Months
<S>	<C>	<C>
Total variable rate Commercial Loans	$ 25,855,000	$ 17,400,000

</TABLE>

INVESTMENT AND MORTGAGE-BACKED SECURITIES

Mortgage-backed securities increased $556,000 or 2.99%; obligations of federal agencies decreased $1,600,000 or 37.83%; and obligations of state and political subdivisions increased $2,469,000 or 22.30% in 1998. Securities were sold to fund the Bank's increased loan demand.

In order to provide additional liquidity for loan growth in 1998, management sold its remaining obligations of federal agencies classified as held to maturity. Management does not anticipate classifying securities as held to maturity in the foreseeable future.

INVESTMENT AND MORTGAGE-BACKED SECURITIES (Continued)

As of December 31, 1998, there are no concentrations of securities of any one issuer, other than U.S. Government and Government Agencies, whose carrying value exceeds 10% of shareholders' equity.

The following is a schedule, by carrying value, of maturities for each category of debt securities and the related weighted average yield of such securities as of December 31, 1998:

<TABLE>
<CAPTION>

(In thousands of dollars)	Maturing							
	One Year or Less		After One Year Through Five Years		After Five Years Through Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Available for sale								
Obligations of federal agencies					$ 2,686,644	5.98%		
Obligations of state and political subdivisions					1,053,306	4.99	$ 12,428,325	4.73%
Corporate bonds			$ 928,931	5.64%	1,027,981	6.30		
Mortgage-backed securities					3,573,327	5.50	15,612,073	5.35
Total	$ --	--%	$ 928,931	5.64%	$ 8,341,258	5.69%	$ 28,040,398	5.04%

========   ======   =========== ====   ==============   ====   ============= ====
</TABLE>

The weighted average interest rates are based on coupon rates for investment and mortgage-backed securities purchased at par value and on effective interest rates considering amortization or accretion if the investment and mortgage-backed securities were purchased at a premium or discount. The weighted average yield on tax exempt obligations has not been determined on a tax equivalent basis. Equity securities consist of Federal Home Loan Bank stock that bears no stated maturity or yield and is not included in this analysis. Maturities are reported based on stated maturities and do not reflect principal prepayment assumptions. Available-for-sale yields are based on amortized cost balances.

DEPOSITS

Total deposits increased $11,297,000, or 6.98%. Management concentrated on producing a sales culture in the Corporation during 1998. The increase in deposits is primarily the result of sales goals and incentives at the branches instead of rate specials.

DEPOSITS (Continued)

The following is a schedule of maturities of time certificates of deposit in amounts of $100,000 or more as of December 31, 1998:

(In thousands of dollars)

<TABLE>

<S>	<C>
Three months or less	$ 3,018,294
Over three months through six months	4,325,030
Over six through twelve months	9,442,871
Over twelve months	5,347,267
Total	$ 22,133,462

</TABLE>

CAPITAL RESOURCES

Total shareholders' equity at December 31, 1998 was $17,047,628 an increase of $1,359,285 or 8.66% from total shareholders equity of $15,688,343 at December 31, 1997. The increase is primarily due to 1998 net income of $1,616,908 offset by the Corporation's dividend payout which amounted to $775,173 for the year ended December 31, 1998. An additional contributor to the increase in shareholders' equity was the higher market value of the Bank's available-for-sale investment portfolio, which shows an unrealized gain of $142,983 (net of tax) at December 31, 1998 compared to an unrealized loss of $226,210 (net of tax) at December 31, 1997.

Banking regulations have established minimum capital requirements for banks including risk-based capital ratios and leverage ratios. As of December 31, 1998, risk-based capital regulations require all banks to have a minimum total risk-based capital ratio of 8%, with half of the capital composed of core capital. Minimum leverage ratios range from 3% to 5% of total assets. Conceptually, risk-based capital requirements assess the riskiness of a financial institution's balance sheet and off-balance sheet commitments in relation to its capital. Core capital, or Tier 1 capital, includes common equity, perpetual preferred stock and minority interests that are held by others in consolidated subsidiaries minus intangible assets. Supplementary capital, or Tier 2 capital, includes core capital and such items as mandatory convertible securities, subordinated debt and the allowance for loans and lease losses, subject to certain limitations. Qualified Tier 2 capital can equal up to 100% of an institution's Tier 1 capital with certain limitations in meeting the total risk-based capital requirements.

At December 31, 1998, the Bank's total risk-based capital ratio and leverage ratio were 11.6% and 8.1%, thus exceeding the minimum regulatory requirements. At December 31, 1997, the ratios were 13.2% and 8.4%.

The Corporation has similar capital requirements on a consolidated basis as described in Note 12 of the consolidated financial statements.

CAPITAL RESOURCES (Continued)

The Corporation's Board of Directors declared cash dividends of $.37 per share in May, $.18 per share in August and $.19 per share in November of 1998, paying a total of $775,173. The Corporation's 1998 return on average shareholder equity was 10.62% compared to 12.49% in 1997. Total cash dividends paid in 1998 represented 47.94% of 1998 net income. This compares to a dividend payout ratio of 39.64% in 1997.

LIQUIDITY

Liquidity management for the Bank centers around the assurance funds are available to meet the loan and deposit needs of its customers and the Bank's other financial commitments.

Cash and noninterest bearing deposits with banks, federal funds sold and other short-term investments totaled $6,692,802 at December 31, 1998 and $7,111,986 at December 31, 1997. These assets provide the primary source of liquidity for the Bank. In addition, the Bank has designated its investment portfolio as available for sale to provide an additional source of liquidity.

A measure of liquidity is the relationship of loans to deposits and borrowed funds. Lower ratios indicate greater liquidity. At December 31, 1998 and 1997, the ratio of loans (net of unearned income) to deposits and borrowed funds was 82.49% and 76.42%, respectively, considered an acceptable level of liquidity by management.

IMPACT OF INFLATION

The financial data included herein has been prepared in accordance with generally accepted accounting principals (GAAP), which generally does not recognize changes in the relative value of money due to inflation or recession.

In management's opinion, changes in interest rates affect the financial condition of a financial institution to a far greater degree than changes in the inflation rate. While interest rates are greatly influenced by changes in the inflation rate, they do not change at the same rate or in the same magnitude as the inflation rate. Rather, interest rate volatility is based on changes in monetary and fiscal policy. A financial institution's ability to be relatively unaffected by changes in interest rates is a good indicator of its capability to perform in today's volatile economic environment. The Bank seeks to insulate itself from interest rate volatility by ensuring that rate-sensitive assets and rate-sensitive liabilities respond to changes in interest rates in a similar period and to a similar degree.

YEAR 2000

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

The Corporation is aware of the potential Year 2000 related problems that may affect the computers that control or operate the Corporation's operating systems, facilities and infrastructure. In 1997, the Corporation began a process of identifying any Year 2000 related problems that may be experienced by its computer-operated or computer-dependent systems. Each application has been identified as "Mission Critical" or "Nonmission Critical." The Corporation has contacted the companies that supply or service the Corporation's computer-operated or computer-dependent systems to obtain confirmation that each system that is material to the operations of the Corporation is either currently Year 2000 compliant or is expected to be Year 2000 compliant. With respect to systems that cannot presently be confirmed as Year 2000 compliant, the Corporation will continue to work with the appropriate supplier or servicer to ensure all such systems will be rendered compliant in a timely manner, with minimal expense to the Corporation or disruption of the Corporation's operations. All of the identified computer systems affected by the Year 2000 issue are currently in the renovation, validation or implementation phase of the process of becoming Year 2000 compliant. As a contingency plan, however, the Corporation has determined that if the Corporation's systems fail the Corporation would implement manual systems until such systems could be re-established. The Corporation does not anticipate that such short-term manual systems would have a material adverse effect on the Corporation's operations. At this time, however, the expense that may be incurred by the Corporation in connection with system failure related to the Year 2000 issue cannot be determined.

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

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Shareholders
Commercial Bancshares, Inc.
Upper Sandusky, Ohio

We have audited the accompanying consolidated balance sheets of Commercial Bancshares, Inc. as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Commercial Bancshares, Inc. as of December 31, 1998 and 1997, and the results of its operations and cash flows for the years then ended in conformity with generally accepted accounting principles.

Crowe, Chizek and Company LLP

Columbus, Ohio
January 22, 1999

COMMERCIAL BANCSHARES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 1998 and 1997

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
ASSETS		
Cash and cash equivalents	$ 6,692,802	$ 7,111,986
Securities available for sale	38,256,547	35,508,713
Securities held to maturity (Fair value - $2,974,830)		2,756,218
Total loans	158,637,114	125,959,922
Allowance for possible loan loss	(1,182,848)	(1,075,385)
Loans - net	157,454,266	124,884,537
Premises and equipment, net	3,957,927	3,655,643
Other real estate, net	921,500	1,065,000
Accrued interest receivable	1,054,578	1,164,985
Other assets	2,066,112	5,219,685
Total assets	$ 210,403,732	$ 181,366,767
LIABILITIES		
Deposits		
Noninterest-bearing demand	$ 16,800,775	$ 14,624,943
Interest-bearing demand	39,985,521	34,457,007
Savings and time deposits	94,178,037	91,673,757
Time deposits $100,000 and greater	22,133,462	21,045,455
Total deposits	173,097,795	161,801,162
Accrued interest payable	422,085	440,260
Borrowed funds	19,220,000	3,030,000
Other liabilities	616,224	407,002
Total liabilities	193,356,104	165,678,424
SHAREHOLDERS' EQUITY		
Common stock, no par value, 4,000,000 shares authorized, 1,049,431 and 1,041,456 issued and outstanding in 1998 and 1997	7,963,870	7,815,513
Retained earnings	8,940,775	8,099,040
Unrealized gain (loss) on securities available for sale	142,983	(226,210)
Total shareholders' equity	17,047,628	15,688,343
Total liabilities and shareholders' equity	$ 210,403,732	$ 181,366,767

</TABLE>

See accompanying notes to consolidated financial statements.

COMMERCIAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 1998 and 1997

	1998	1997
INTEREST INCOME		
Loans, including fees	$11,723,410	$11,116,565
Securities		
Taxable	1,337,496	2,072,713
Tax exempt	848,007	754,352
Other and dividends	117,104	77,472
Total interest income	14,026,017	14,021,102
INTEREST EXPENSE		
Deposits	7,010,860	7,233,059
Other borrowings	226,525	90,738
Total interest expense	7,237,385	7,323,797
NET INTEREST INCOME	6,788,632	6,697,305
Provision for possible loan loss	472,073	613,000
Net interest income after provision for possible loan loss	6,316,559	6,084,305
NONINTEREST INCOME		
Service fees and overdraft charges	856,789	769,083
Security gains, net	335,874	151,165
Loan sale gains, net	585,096	224,225
Gain on branch sale		656,300
Other income	243,846	205,923
Total noninterest income	2,021,605	2,006,696
NONINTEREST EXPENSES		
Salaries and employee benefits	2,979,289	2,600,750
Occupancy, furniture and equipment	569,017	559,832
State taxes	289,225	278,123
Data processing	552,386	603,846
FDIC deposit insurance	28,989	28,694
Professional fees	162,419	86,909
Other operating expenses	1,713,721	1,488,766
Total noninterest expenses	6,295,046	5,646,920
Income before income taxes	2,043,118	2,444,081
Income tax expense	426,210	605,024
NET INCOME	$ 1,616,908	$ 1,839,057
Basic earnings per common share	$ 1.55	$ 1.77
Diluted earnings per common share	$ 1.53	$ 1.76

See accompanying notes to consolidated financial statements.

COMMERCIAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years Ended December 31, 1998 and 1997

	Common Stock	Paid-in Capital	Retained Earnings	Unrealized Gain (Loss) on Securities Available For Sale	Total Shareholders' Equity
Balance, January 1, 1997	$ 4,339,400	$ 3,476,113	$ 6,989,002	$ (491,270)	$ 14,313,245
Comprehensive income:					
Net income			1,839,057		1,839,057
Change in net unrealized gain (loss) on securities available for sale, net of reclassification and tax effects				265,060	265,060
Total comprehensive income					2,104,117
Cash dividends declared ($0.70 per common share)			(729,019)		(729,019)
Change to no par common stock	3,476,113	(3,476,113)			
Balance, December 31, 1997	7,815,513	0	8,099,040	(226,210)	15,688,343
Comprehensive income:					
Net income			1,616,908		1,616,908
Change in net unrealized gain (loss) on securities available for sale, net of reclassification and tax effects				369,193	369,193
Total comprehensive income					1,986,101
Cash dividends declared ($.74 per common share)			(775,173)		(775,173)
Stock Options Exercised (7,675 shares)	148,357				148,357
Balance, December 31, 1998	$ 7,963,870	$ 0	$ 8,940,775	$ 142,983	$ 17,047,628

See accompanying notes to consolidated financial statements.

COMMERCIAL BANCSHARES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended December 31, 1998 and 1997

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,616,908	$ 1,839,057
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	305,563	349,060
Provision for loan loss	472,073	613,000
Deferred income taxes	219,015	(22,762)
Gain on sale of securities	(335,874)	(151,165)
Gain on sale of loans	(585,096)	(224,225)
Gain on sale of branch premises and equipment		(29,167)
Gain on sale of branch deposits		(627,133)
Loss on other real estate owned	143,500	85,000
Stock dividends on FHLB stock	(33,600)	(38,900)
Net amortization on investments	350,071	142,996
Amortization of intangible assets	31,031	67,028
Changes in		
Loans held for sale	3,499,538	(5,888,380)
Interest receivable	110,407	180,632
Interest payable	(18,175)	(17,425)
Other assets and liabilities	3,000,145	(156,439)
Net cash from operating activities	8,775,506	(3,878,823)
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities held to maturity		
Sales	3,000,000	
Securities available for sale		
Purchases	(48,794,196)	(31,414,262)
Maturities and repayments	6,516,889	5,947,196
Sales	39,786,890	38,754,663
Net change in loans	(35,956,243)	(7,759,099)
Proceeds from sale of premises and equipment		274,387
Bank premises and equipment expenditures	(607,847)	(90,169)
Net cash from investing activities	(36,054,507)	5,712,716
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change in deposits	11,296,633	5,808,585
Sale of branch deposits, net		(9,130,923)
Net change in borrowed funds	16,190,000	3,030,000
Cash dividends paid	(775,173)	(729,019)
Options exercised	148,357	
Net cash from financing activities	26,859,817	(1,021,357)
Net change in cash and cash equivalents	(419,184)	812,536
Cash and cash equivalents at beginning of year	7,111,986	6,299,450
Cash and cash equivalents at end of year	$ 6,692,802	$ 7,111,986

</TABLE>

See accompanying notes to consolidated financial statements.

COMMERCIAL BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION: The consolidated financial statements include the accounts of Commercial Bancshares, Inc. (Corporation) and its wholly owned subsidiaries, The Commercial Savings Bank (Bank) and Advantage Finance, Inc. (Advantage). All significant intercompany balances and transactions have been eliminated in consolidation.

INDUSTRY SEGMENT INFORMATION: Commercial Bancshares, Inc. is a bank-holding corporation whose banking subsidiary, The Commercial Savings Bank, is engaged in the business of commercial and retail banking, with operations conducted through its main office and branches located in Upper Sandusky, Ohio and neighboring communities. Advantage Finance, Inc. is a consumer finance company operating in Marion, Ohio. These market areas provide the source of substantially all of the Corporation's deposit and loan activities, although some indirect loans are made to borrowers outside the Corporation's immediate market area. Substantially all of the Corporation's income is derived from commercial and retail lending and investments activities.

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

CASH AND CASH EQUIVALENTS: Cash and cash equivalents include cash, noninterest bearing demand deposits with banks and federal funds sold. Net cash flows are reported for customer loan and deposit transactions. During 1998 and 1997, the Corporation paid $7,275,410 and $7,370,171 in interest and $400,000 and $445,000 for income taxes.

SECURITIES: Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported separately in shareholders' equity, net of tax. Securities are classified as trading when held for short-term periods in anticipation of market gains, and are carried at fair value. Securities are written down to fair value when a decline in fair value is not temporary. At year-end 1998 and 1997, no securities were classified as trading.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

LOANS HELD FOR SALE: Certain residential mortgage loans are originated for sale in the secondary-mortgage loan market. These loans are included in real estate loans and are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses are recognized through a valuation allowance by charges to income. To mitigate interest rate risk, fixed commitments may be obtained at the time loans are originated or identified for sale.

LOANS RECEIVABLE: Loans are reported at the principal balance outstanding, net of deferred loan fees and costs, allowance for loan losses, and charge offs. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term.

Interest income is not reported when full loan repayment is in doubt, typically when payments are past due over 90 days. Payments received on such loans are reported as principal reductions.

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

A loan is considered impaired when management believes full collection of principal and interest is not probable. Often this is associated with a significant delay or shortfall in payments. Smaller-balance homogeneous loans are evaluated for impairment in total. Such loans include residential first mortgage loans secured by one-to-four family residences and consumer automobile, home equity and credit card loans with balances less than $200,000. In addition, loans held for sale are excluded from consideration of impairment.

The Corporation reduces the carrying value of impaired loans to the present value of expected future cash flows, or to the fair value of collateral if the loan is collateral dependent, by allocating a portion of the allowance for loan losses to such loans. If these allocations should require an increase, such increase is reported as bad debt expense.

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 decreases due to changes in future payments and due to the passage of time are reported as part of the provision for loan losses.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CONCENTRATIONS OF CREDIT RISK: The Corporation, through its subsidiary Bank, grants commercial, real estate, consumer and home equity loans to customers mainly in Wyandot, Marion and Hancock Counties of Ohio. Commercial loans include loans secured by business assets and agricultural loans secured by crops and equipment. Commercial loans make up approximately 50% and 48% of the loan portfolio at year-end 1998 and 1997 and the loans are expected to be repaid from cash flow from operations of the borrower. Real estate mortgages make up approximately 23% and 25% of the loan portfolio at year-end 1998 and 1997 and are secured primarily by first and second mortgages on residential real estate, business real estate and agricultural real estate. Loans related to the agricultural industry represented 9% of total loans at year-end 1998 and 1997. Consumer loans include new and used automobile and other consumer purpose loans. Consumer loans make up approximately 25% and 26% of total loans at year-end 1998 and 1997. The Bank also originates consumer-oriented purchase-money loans indirectly through various automobile, motorcycle, boat, horse trailer, recreational vehicle and other dealerships. Indirect loans represented 77% and 92% of consumer loans and 20% and 24% of total loans at year-end 1998 and 1997. Unsecured loans represented 1% and 2% of total loans at year-end 1998 and 1997.

At year-end 1998 and 1997, the Bank had due from bank balances and overnight federal funds sold to National City Bank totaling $3,975,000 and $4,680,000, respectively.

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

OTHER REAL ESTATE: Real estate acquired in settlement of loans is initially reported at estimated fair value at acquisition. After acquisition, a valuation allowance reduces the reported amount to the lower of the initial amount or fair value less costs to sell. Expenses incurred are charged to operations. Gains and losses on disposition, and changes in the valuation allowance are reported in net gain or loss on other real estate.

GOODWILL AND IDENTIFIED INTANGIBLES: Goodwill is the excess of purchase price over identified net assets in business acquisitions. Goodwill is expensed on the straight-line method over a period of 15 years. Identified intangibles represent the value of depositor relationships purchased and is expensed on an accelerated method over a period of 15 years. Goodwill and identified intangibles are assessed for impairment based on estimated undiscounted cash flows, and written down if necessary.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill and identified intangibles are included in other assets and are summarized as follows at year-end 1998 and 1997, net of accumulated amortization:

	1998	1997
Core deposit intangible	$ 69,982	$ 80,065
Goodwill	70,816	79,426
Total intangible assets	$ 140,798	$ 159,491

Amortization expenses totaled $18,693 in 1998 and $54,680 in 1997. Core deposit intangible and goodwill related to the Kenton branch were considered in the basis of the net liabilities sold as part of the sale of this branch in 1997.

LOAN SERVICING: The Company has sold various loans to the Federal Home Loan Mortgage Corporation (FHLMC) while retaining the servicing rights. Gains and losses on loan sales are recorded at the time of the sale.

Mortgage servicing rights acquired through either the purchase or the origination of mortgage loans which are subsequently sold with servicing rights retained are determined by allocating the total cost of the mortgage loans to mortgage servicing rights and to loans (without the mortgage servicing rights) based on their relative fair values. Mortgage servicing rights recorded as a separate asset are amortized in proportion to, and over the period of, estimated net servicing income. Impairment is evaluated based on the fair value of the rights, using groupings of the underlying loans as to interest rates and then, secondarily, as to geographic and prepayment characteristics. Any impairment of a grouping is reported as a valuation allowance. Mortgage servicing rights totaled $534,069 at year-end 1998 and $193,417 at year-end 1997, and are included in "Other assets," on the accompanying balance sheet.

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

COMPREHENSIVE INCOME: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale, which are also recognized as separate components of equity. The accounting standard that requires reporting comprehensive income first applies for 1998, with prior information restated to be comparable.

EARNINGS PER SHARE: Basic and diluted earnings per share are computed under a new accounting standard effective in the quarter ended December 31, 1997. All prior amounts have been restated to be comparable. Basic earnings per share is based on net income divided by 1,045,973 and 1,041,456 weighted average shares outstanding during the years ended December 31, 1998 and 1997. Diluted earning per share reflects the effect of additional common shares issuable under stock options using the treasury stock method. The weighted average number of shares used for determining diluted earnings per share were 1,056,939 in 1998 and 1,043,391 in 1997.

In May 1997, the Board of Directors declared a three-for-one stock split, resulting in the issuance of 694,304 shares. The weighted average number of shares outstanding and the per share data for prior periods has been restated to retroactively reflect this stock split.

FINANCIAL STATEMENT PRESENTATION: Some items in prior financial statements have been reclassified to conform to the current presentation.

(Continued)

NOTE 2 - SECURITIES

Year-end securities were as follows:
<TABLE>
<CAPTION>

	1 9 9 8			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<S>	<C>	<C>	<C>	<C>
Securities available for sale				
Obligations of federal agencies	$ 2,618,533	$ 10,552		$ 2,629,085
Obligations of state and political subdivisions	13,163,346	380,141	$ (4,297)	13,539,190
Corporate bonds	1,956,732	3,281	(3,100)	1,956,913
Mortgage-backed securities	19,355,335	25,084	(195,020)	19,185,399
Total debt securities available for sale	37,093,946	419,058	(202,417)	37,310,587
Equity investments	945,960			945,960

Total securities available for sale	$ 38,039,906	$ 419,058	$ (202,417)	$ 38,256,547

</TABLE>

<TABLE>
<CAPTION>

	1 9 9 7			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale				
U.S. Government obligations	$ 506,963		$ (6,183)	$ 500,780
Obligations of federal agencies	4,241,812	$ 7,286	(20,354)	4,228,744
Obligations of state and political subdivisions	11,013,697	142,579	(85,631)	11,070,645
Corporate bonds	501,766	675	(466)	501,975
Mortgage-backed securities	18,781,559	26,592	(179,042)	18,629,109
Total debt securities available for sale	35,045,797	177,132	(291,676)	34,931,253
Equity investments	577,460			577,460
Total securities available for sale	$ 35,623,257	$ 177,132	$ (291,676)	$ 35,508,713
Securities held to maturity				
Obligations of federal agencies	$ 2,756,218	$ 218,612	$ 0	$ 2,974,830

</TABLE>

(Continued)

NOTE 2 - SECURITIES (Continued)

Mortgage-backed securities available for sale at year-end 1998 and 1997 are summarized below. At year-end 1998, the fair value of fixed and variable rate mortgage-backed securities available for sale totaled $6,495,883 and $12,689,516.

<TABLE>
<CAPTION>

	1998		1997	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
FHLMC REMICS	$ 1,523,584	$ 1,509,013	$ 3,269,307	$ 3,222,783
FNMA REMICS	1,067,387	1,049,120	2,980,761	2,944,606
FNMA certificates	7,093,041	7,021,452	5,807,483	5,766,414
FHLMC certificates	3,154,345	3,130,760	2,233,770	2,223,472
GNMA certificates	6,516,978	6,475,054	4,490,238	4,471,834
	$ 19,355,335	$ 19,185,399	$ 18,781,559	$ 18,629,109

</TABLE>

The amortized cost and approximate fair value of debt securities available for sale at year-end 1998, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Debt securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

<TABLE>
<CAPTION>

	Amortized Cost	Fair Value
Securities available for sale		
Due after one year through five years	$ 5,087,302	$ 5,107,875
Due after five years through ten years	5,787,912	5,928,795
Due after ten years	6,863,397	7,088,518
Mortgage-backed securities	19,355,335	19,185,399
	$ 37,093,946	$ 37,310,587

</TABLE>

Sales of available for sale securities were:

<TABLE>
<CAPTION>

	1998	1997
Proceeds	$ 39,786,890	$ 38,754,663
Gross gains	403,741	194,535
Gross losses	67,867	43,370

</TABLE>

In order to provide additional liquidity for loan growth, management sold its remaining obligations of federal agencies classified as held to maturity. The Corporation currently has no securities classified as held to maturity and management does not anticipate classifying securities as held to maturity in the foreseeable future.

NOTE 2 - SECURITIES (Continued)

At year-end 1998 and 1997, debt securities with a carrying value of $9,731,000 and $15,888,000 were pledged to secure public deposits and other deposits and liabilities as required or permitted by law.

NOTE 3 - LOANS

Year-end loans were as follows:

<TABLE>
<CAPTION>

	1998	1997
Commercial and other loans	$ 79,168,621	$ 60,677,339
Real estate loans	30,739,831	25,081,877
Consumer and credit card loans	42,012,388	34,149,658
Home equity loans	6,716,274	6,051,048
Total loans	$ 158,637,114	$ 125,959,922

</TABLE>

The Bank is an authorized seller/servicer for the Federal Home Loan Mortgage Corporation (FHLMC). Loans sold to FHLMC for which the Bank has retained servicing totaled $46,931,540 and $23,411,756 at year-end 1998 and 1997. Real estate loans originated and held for sale at year-end 1998 and 1997 totaled approximately $2,276,000 and $5,191,000.

At December 31, 1998 and 1997, total loans included loans to farmers for agricultural purposes of approximately $14,440,000 and $11,878,000.

The balance of impaired loans was $1,068,036 and $1,404,983 at year-end 1998 and 1997. Of this amount, $0 and $37,006 in impaired loans required no allowance for loan loss allocation. The remaining impaired loans of $1,068,036 and $1,367,977 had $213,607 and $307,323 of the allowance for loan losses allocated to them, although the entire allowance remains available for charge-offs of any loan.

The average balance of impaired loans was $1,237,532 for 1998 and $440,744 for 1997. No interest income was recognized on impaired loans during 1998 and 1997.

NOTE 4 - ALLOWANCE FOR POSSIBLE LOAN LOSS

Activity in the allowance for possible loan loss was as follows:

	1998	1997
Beginning balance	$ 1,075,385	$ 1,018,608
Provision for possible loan loss	472,073	613,000
Loans charged off	(467,574)	(642,813)
Recoveries of previous charge-offs	102,964	86,590
Ending balance	$ 1,182,848	$ 1,075,385

NOTE 5 - PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

	1998	1997
Land	$ 673,336	$ 661,033
Buildings	3,754,064	3,748,089
Furniture and equipment	2,241,675	1,629,041
Total	6,669,075	6,038,163
Accumulated depreciation	2,711,148	2,382,520
Premises and equipment, net	$ 3,957,927	$ 3,655,643

NOTE 6 - DEPOSITS

At year-end 1998, scheduled maturities of time deposits were as follows:

1999	$ 64,097,681
2000	16,220,720
2001	14,894,450

2002	934,207
2003	336,120
Thereafter	219,431
	$ 96,702,609

</TABLE>

(Continued)

NOTE 7 - FHLB ADVANCES AND FEDERAL FUNDS PURCHASED

Borrowed funds consisted of the following at year-end:

<TABLE>
<CAPTION>

	Current Interest Rate	1998	1997
Federal Home Loan Bank (FHLB) variable rate advances; due on or before February 1999 and March 1998, respectively	5.02%	$ 7,320,000	$ 2,500,000
FHLB fixed rate advance, with monthly interest payments; due October 2008	4.59	6,500,000	
FHLB fixed rate advanced, with monthly interest payments; due October 2008	4.62	5,000,000	
Federal funds purchased; due January 1999 and January 1998, respectively	5.75	400,000	530,000
Total borrowed funds		$ 19,220,000	$ 3,030,000

</TABLE>

FHLB advances are collateralized by all shares of FHLB stock owned by the Bank and by the Bank's qualified mortgage loan portfolio.

NOTE 8 - INCOME TAXES

The provision for income taxes consists of:

<TABLE>
<CAPTION>

	1998	1997
Current provision	$ 207,195	$ 627,786
Deferred provision	219,015	(22,762)
Total income tax expense	$ 426,210	$ 605,024

</TABLE>

(Continued)

NOTE 8 - INCOME TAXES (Continued)

Year-end deferred tax assets and liabilities consist of:
<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Items giving rise to deferred tax assets		
Allowance for loan losses in excess of tax reserve	$ 69,371	$ 32,569
Basis reduction of other real estate owned	48,790	45,900
Unrealized loss on investment securities available for sale		116,532
Deferred tax credits and other	63,281	26,066
Total	181,442	221,067
Items giving rise to deferred tax liabilities		
Depreciation	(91,793)	(85,254)
Mortgage servicing rights	(181,583)	(65,762)
Deferred loan fees and costs	(345,258)	(176,170)
FHLB stock dividend	(38,114)	(26,622)
Unrealized gain on investment securities available for sale	(73,657)	
Other	(3,131)	(1,951)
Total	(733,536)	(363,957)
Net deferred tax liability	$ (552,094)	$ (142,890)

</TABLE>

The Bank has sufficient taxes paid in prior years to support the recognition of deferred tax assets without recording a valuation allowance.

Income tax expense attributable to continuing operations is reconciled between the financial statement provision and amounts computed by applying the statutory federal income tax rate of 34% to income before income taxes as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>
Tax at statutory rates	$ 694,660	$ 830,988
Increase (decrease) in tax resulting from:		
Tax-exempt interest	(240,746)	(214,909)
Other	(27,704)	(11,055)
Total income tax expense	$ 426,210	$ 605,024

</TABLE>

The income tax expense related to investment security gains totaled $173,026 and $51,396 for 1998 and 1997.

(Continued)

NOTE 9 - STOCK OPTION PLAN

The Commercial Bancshares, Inc. Incentive Stock Option Plan was approved by shareholders in April 1997. The plan enables the Board of Directors to grant stock options to executive officers of the Corporation and its subsidiaries. A total of 150,000 options on common shares are available to be granted pursuant to the plan. Stock options may be granted at a price not less than the fair market value of the Corporation's common shares at the date of grant for terms up to, but not exceeding ten years from the grant date. Vesting occurs after five years. Exceptions to the vesting schedule based on financial performance can operate to shorten the vesting time and were approved by the Board of Directors with the initial grant in June 1997. In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation," which encourages the use of a fair value-based method to account for stock-based compensation plans such as the Corporation's stock option plan. As allowed by SFAS No. 123, however, the Corporation has elected to continue to follow prior standards in accounting for its stock options. Under these standards, because the exercise price of the Corporation's stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

If compensation expense is not recorded, pro forma information regarding net income and earnings per share is required by SFAS No. 123, and has been determined as if the Corporation had accounted for its stock options under the fair value method of that Statement. The fair value for these options was estimated at the date of grant using an option-pricing model with the following assumptions:

	1998	1997
Risk-free interest rate	4.73%	6.42%
Dividend yield	3.00	3.50
Market price volatility factor	18.10	16.05
Weighted average expected life of options	8 years	10 years

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' five-year vesting period. The Corporation's pro forma information for the year ended December 31, 1998 and 1997 follows:

	1998	1997
Income as reported	$ 1,616,908	$ 1,839,057
Pro forma net income	1,586,416	1,821,316
Pro forma earnings per share		
Basic	1.52	1.75
Diluted	1.50	1.74

(Continued)

NOTE 9 - STOCK OPTION PLAN (Continued)

A summary of the Corporation's stock options activity and related information follows:

	1998		1997	
	Options	Average Exercise Price	Options	Average Exercise Price

Outstanding - beginning of year	60,000	$22.67	0	$22.67
Granted	36,500	31.50	60,000	
Forfeited				
Exercised	(7,675)	19.33		
Outstanding - end of year	88,825	$26.58	60,000	$22.67
Exercisable - end of year	7,325		15,000	
Weighted average fair value of options granted during the year		$6.45		$4.97

</TABLE>

During 1997, the Corporation met one of the exceptions to the vesting schedule resulting in 15,000 options from the initial grant of 30,000 shares becoming exercisable.

NOTE 10 - SALARY DEFERRAL - 401(k) PLAN

The Corporation maintains a 401(k) plan covering substantially all employees who have attained the age of 21 and have completed thirty days of service with the Corporation. This is a salary deferral plan, which calls for matching contributions by the Corporation based on a percentage (50%) of each participant's voluntary contribution (limited to a maximum of six percent (6%) of a covered employee's annual compensation). In addition to the Corporation's required matching contribution, a contribution to the plan may be made at the discretion of the Board of Directors. The Corporation's matching and discretionary contributions were $96,124 and $66,646 for the years ended December 31, 1998 and 1997.

NOTE 11 - COMMITMENTS, OFF-BALANCE SHEET RISK AND CONTINGENCIES

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

(Continued)

NOTE 11 - COMMITMENTS, OFF-BALANCE SHEET RISK AND CONTINGENCIES (Continued)

Some financial instruments are used in the normal course of business to meet the financing needs of customers. These financial instruments include commitments to extend credit and standby letters of credit which involve, to varying degrees, credit and interest-rate risk in excess of the amount reported in the financial statements.

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

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

The following is a summary of commitments to extend credit at year-end 1998 and 1997:

	1998	1997
Fixed rate	$ 2,517,671	$ 410,889
Variable rate	29,107,375	16,062,897
	$ 31,625,046	$ 16,473,786

At year-end 1998 and 1997, reserves of $901,000 and $718,000 were required as deposits with the Federal Reserve or as cash on hand. These reserves do not earn interest.

NOTE 12 - REGULATORY MATTERS

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

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

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

At year-end 1998, actual capital levels (in thousands) and minimum required levels for the Corporation and the Bank were:

	Actual	Minimum Required For Capital Adequacy Purposes	Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations

	Amount	Ratio	Amount	Ratio	Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total capital (to risk weighted assets)						
Corporation	$ 17,933	11.7%	$ 12,234	8.0%	$ 15,292	10.0%
Bank	$ 17,723	11.6%	$ 12,225	8.0%	$ 15,281	10.0%
Tier 1 capital (to risk weighted assets)						
Corporation	$ 16,750	11.0%	$ 6,117	4.0%	$ 9,175	6.0%
Bank	$ 16,560	10.8%	$ 6,112	4.0%	$ 9,169	6.0%
Tier 1 capital (to average assets)						
Corporation	$ 16,750	8.2%	$ 8,211	4.0%	$ 10,263	5.0%
Bank	$ 16,560	8.1%	$ 8,192	4.0%	$ 10,241	5.0%

</TABLE>

NOTE 12 - REGULATORY MATTERS (Continued)

At year-end 1997, actual capital levels (in thousands) and minimum required levels for the Corporation and the Bank were:

<TABLE>
<CAPTION>

	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Total capital (to risk weighted assets)						
Corporation	$ 16,763	13.3%	$ 10,072	8.0%	$ 12,589	10.0%
Bank	$ 16,650	13.2%	$ 10,069	8.0%	$ 12,587	10.0%
Tier 1 capital (to risk weighted assets)						
Corporation	$ 15,688	12.5%	$ 5,036	4.0%	$ 7,554	6.0%
Bank	$ 15,574	12.4%	$ 5,035	4.0%	$ 7,552	6.0%
Tier 1 capital (to average assets)						
Corporation	$ 15,688	8.5%	$ 7,398	4.0%	$ 9,247	5.0%
Bank	$ 15,574	8.4%	$ 7,385	4.0%	$ 9,231	5.0%

</TABLE>

The Corporation and Bank at year-end 1998 and 1997 were categorized as well capitalized. Management believes that no events have occurred since the last regulatory determination that would change the capital category at December 31, 1998.

Dividends paid by the Bank are the primary source of funds available to the Corporation for payment of dividends to shareholders and for other working capital needs. The payment of dividends by the Bank to the Corporation is subject to restrictions by regulatory authorities. These restrictions generally limit dividends by the Bank to the current and prior two year's retained earnings as defined by regulations. At year-end 1998, approximately $2,638,000 of the Bank's retained earnings was available for dividends to the Corporation under these guidelines. In addition to these restrictions, as a practical matter, dividend payments cannot reduce regulatory capital levels below the Corporation's regulatory capital requirements and minimum regulatory guidelines. These restrictions do not presently limit the Corporation from paying normal dividends.

NOTE 13 - RELATED PARTY TRANSACTIONS

Certain directors, executive officers and principal shareholders of the Corporation, including their immediate families and companies in which they are principal owners, were loan customers during 1998 and 1997.

(Continued)

COMMERCIAL BANCSHARES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 1998 and 1997

NOTE 13 - RELATED PARTY TRANSACTIONS (Continued)

A summary of activity on these borrower relationships with aggregate debt greater than $60,000 is as follows:

	1998	1997
Beginning balance	$ 1,425,310	$ 1,778,981
New loans and advances	473,200	261,000
Payments	(536,466)	(614,671)
Ending balance	$ 1,362,044	$ 1,425,310

A director of the Corporation is a partner with a law firm that rendered various legal services for the Corporation. Another director of the Corporation is co-owner of an appraisal company that performs real estate appraisals for the Corporation. Legal and appraisal fees paid in 1998 were not significant.

NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	1998		1997	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Cash and equivalents	$ 6,692,802	$ 6,693,000	$ 7,111,986	$ 7,112,000
Securities available for sale	38,256,547	38,257,000	35,508,713	35,509,000
Securities held to maturity			2,756,218	2,975,000
Loans, net of allowance for possible loan losses	157,454,266	158,919,000	124,884,537	124,006,000
Accrued interest receivable	1,054,578	1,055,000	1,164,985	1,165,000
Cash surrender value of life insurance	1,013,696	1,014,000	987,603	988,000
Mortgage servicing rights	534,069	534,000	193,417	193,000
Financial liabilities				
Demand and savings deposits	(76,395,186)	(76,395,000)	(68,348,715)	(68,349,000)
Time deposits	(96,702,609)	(97,883,000)	(93,452,447)	(94,000,000)
Borrowed funds	(19,220,000)	(18,050,000)	(3,030,000)	(3,030,000)
Accrued interest payable	(422,085)	(422,000)	(440,260)	(440,000)

(Continued)

NOTE 14 - FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

The following assumptions were used for purposes of the previous disclosures of estimated fair value. The carrying amount is considered to estimate fair value for cash and cash equivalents, for cash surrender value of life insurance, for mortgage servicing rights, for loans that contractually reprice at intervals of less than twelve months, for demand and savings deposits, borrowed funds and for accrued interest. Securities fair values are based on quoted market prices for the individual securities or for equivalent securities. The fair values of fixed-rate loans, loans that reprice less frequently than each six months, and time deposits are estimated using a discounted cash flow analysis using year-end market interest rates for the estimated life and credit risk. The estimated fair value of commitments is not material.

While these estimates of fair value are based on management's judgment of the most appropriate factors, no assurance can be given that, were the Bank to have disposed of such items at year-end 1998 or 1997, the estimated fair values would necessarily have been achieved at these dates, since market values may differ depending on various circumstances. The estimated fair values at year-end, 1998 and 1997 should not necessarily be considered to apply at subsequent dates.

Nonfinancial instruments may have value but are not included in the above disclosures, such as property and equipment. In addition, nonfinancial instruments typically not recognized in these financial statements nevertheless may have value, but are not included in the above disclosures. These include, among other items, the estimated earnings power of core deposit accounts, the earnings potential of loan servicing rights, the value of a trained work force, customer goodwill and similar items.

NOTE 15 - OTHER COMPREHENSIVE INCOME

Other comprehensive income components and related taxes were as follows.

	1998	1997
Unrealized holding gains and losses on available-for-sale securities	$ 895,258	$ 552,771
Less reclassification adjustments for gains and losses later recognized in income	(335,874)	(151,165)
Net unrealized gains and losses	559,384	401,606
Tax effect	(190,191)	(136,546)
Other comprehensive income	$ 369,193	$ 265,060

(Continued)

NOTE 16- PARENT CORPORATION STATEMENTS

The following are condensed financial statements of Commercial Bancshares, Inc.:

CONDENSED BALANCE SHEETS
December 31, 1998 and 1997

	1998	1997
ASSETS		
Cash on deposit with subsidiary	$ 46,885	$ 34,323
Investment in common stock of subsidiaries	16,888,501	15,629,429
Other assets	113,708	26,057
Total assets	$17,049,094	$15,689,809
LIABILITIES AND SHAREHOLDERS' EQUITY		
Other liabilities	$ 1,466	$ 1,466
Shareholders' equity	17,047,628	15,688,343
Total liabilities and shareholders' equity	$17,049,094	$15,689,809

CONDENSED STATEMENTS OF INCOME
Year ended December 31, 1998 and 1997

	1998	1997
INCOME		
Dividends from bank subsidiary	$ 820,173	$ 874,019
Other income		1,238
Total income	820,173	875,257
EXPENSES		
Amortization	12,348	12,348
Other	36,245	65,732
Total expenses	48,593	78,080
Income before equity in undistributed earnings of subsidiaries	771,580	797,177
Equity in undistributed earnings of subsidiaries	845,328	1,041,880
NET INCOME	$ 1,616,908	$ 1,839,057

(Continued)

CONDENSED STATEMENTS OF CASH FLOW
Years ended December 31, 1998 and 1997

	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,616,908	$ 1,839,057

Adjustments to reconcile net income to net cash from operating activities		
Equity in undistributed earnings of subsidiaries	(845,328)	(1,041,880)
Amortization and other	12,798	12,348
Net cash from operating activities	784,378	809,525
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital infusion to new subsidiary	(45,000)	(55,000)
Purchase of certificate of deposit	(100,000)	
Net cash from investing activities	(145,000)	(55,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Stock options exercised	148,357	
Cash dividends paid	(775,173)	(729,019)
Net cash from financing activities	(626,816)	(729,019)
Net change in cash	12,562	25,506
Cash at beginning of period	34,323	8,817
CASH AT END OF PERIOD	$ 46,885	$ 34,323

</TABLE>

SHAREHOLDER INFORMATION

The common stock of the Corporation, and of the Bank preceding formation of the Corporation, trades infrequently and is not traded on any established securities market. Parties interested in buying or selling the Corporation's stock are generally referred to Community Banc Investments, New Concord, Ohio (CBI) or Sweney Cartwright & Co., Columbus, Ohio (Sweney).

For 1998 and 1997, bid and ask quotations were obtained and compared from CBI and Sweney. The quotations are inter-dealer prices, without retail markup, markdown, or commission and may not represent actual transactions.

<TABLE>
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1998	Dividends Declared	Low Bid	High Bid	Low Ask	High Ask
1st Qtr.		$25.00	$26.00	$27.00	$28.00
2nd Qtr.	$ .37	25.50	28.25	28.00	31.00
3rd Qtr.	.18	27.75	30.00	29.00	33.00
4th Qtr.	.19	29.00	31.50	31.00	33.00

</TABLE>

<TABLE>
<CAPTION>

1997 (1)	Dividends Declared	Low Bid	High Bid	Low Ask	High Ask
1st Qtr.		$18.33	$19.17	$19.33	$19.67
2nd Qtr.	$ .35	19.17	20.00	20.00	20.00
3rd Qtr.		20.00	23.75	21.00	28.00
4th Qtr.	.35	23.75	26.00	25.25	29.00

</TABLE>

(1) Amounts have been restated for the effect of the 3-for-1 stock split paid on June 30, 1997.

Management does not have knowledge of the prices paid in all transactions and has not verified the accuracy of those prices that have been reported. Because of the lack of an established market for the Corporation's stock, these prices may not reflect the prices at which the stock would trade in an active market.

On May 14, 1997 the Board of Directors of Commercial Bancshares, Inc. approved a 3-for-1 stock split, effected as a dividend, payable on June 30, 1997 to shareholders of record on June 15, 1997, issuable from the Corporation's authorized shares.

The Corporation has 1,049,431 outstanding shares of common stock held by approximately 1,417 shareholders as of December 31, 1998. In 1997, the Corporation paid cash dividends in June and December resulting in a total amount of $0.70 per share. In 1998, the Corporation paid cash dividends in June, September and December totaling $0.74 per share.

BOARD OF DIRECTORS

Richard Sheaffer - Chairman (1)	President of R. A. Sheaffer, Inc. Morral, Ohio
Raymond E. Graves (1)(2)	President and CEO of Commercial Bancshares, Inc. and The Commercial Savings Bank Upper Sandusky, Ohio
Daniel E. Berg(1)(2)	Ohio Business Leader of Tower Automotive Upper Sandusky/Bluffton, Ohio
James A. Deer (1)(2)	Secretary/Treasurer of Commercial Bancshares, Inc. and Executive Vice President of The Commercial Savings Bank Upper Sandusky, Ohio
Loren H. Dillon (1)	President and General Manager, of Crow Motor Sales, Inc. Upper Sandusky, Ohio
Mark Dillon (1)	President and CEO of Fairborn U.S.A., Inc. Upper Sandusky, Ohio
Edwin G. Emerson (1)	Partner, Shumaker, Loop & Kendrick, LLP Toledo, Ohio
Hazel Franks (1)	Retired, Trucking Firm Owner Upper Sandusky, Ohio
Deborah J. Grafmiller (1)	Executive Vice President of Bill Gillen Realty, Inc. Co-owner of Certified Appraisal Service Upper Sandusky, Ohio
Philip W. Kinley (2)	Vice President of Commercial Bancshares, Inc. and Vice President/ Chief Operations Officer of The Commercial Savings Bank Upper Sandusky, Ohio
Michael A. Mastro (1)(2)	President, TLM Management, Inc. Marion, Ohio
Tracy L. Morgan (2)	Managing Officer, Advantage Finance, Inc. Marion, Ohio
William E. Ruse (1)	President of Blanchard Valley Health Services Findlay, Ohio
Douglas C. Smith (1)	Senior Executive of Baja Marine Corporation Bucyrus, Ohio

(1) Directors of Commercial Bancshares, Inc. and The Commercial Savings Bank
(2) Directors of Advantage Finance, Inc.

DIRECTORS EMERITUS

B. E. Beaston
David Crow
William T. Gillen
Jack Griffith
Harmon Nickless
Frederick Reid

COMMERCIAL BANCSHARES, INC.

EXECUTIVE OFFICERS

Richard Sheaffer, Chairman of the Board
Raymond E. Graves, President and Chief Executive Officer
James A. Deer, Secretary/Treasurer
Philip W. Kinley, Vice President

COMMERCIAL SAVINGS BANK OFFICERS

EXECUTIVE OFFICERS

Raymond E. Graves, President and Chief Executive Officer
James A. Deer, Executive Vice President
Ronald M. Wilson, Senior Vice President
Philip W. Kinley, Vice President/Chief Operations Officer
Alicia A. Wagenblast, Vice President/Chief Financial Officer
Bruce J. Beck, Vice-President/Lending
Susan E. Brown, Vice-President/Retail

ADVANTAGE FINANCE, INC.

EXECUTIVE OFFICERS

Raymond E. Graves, President and Chief Executive Officer
James A. Deer, Executive Vice President
Philip W. Kinley, Vice President/Chief Operations Officer
Tracy L. Morgan, Managing Officer

TRANSFER AGENT, REGISTRAR & DIVIDEND DISBURSING AGENT

The Commercial Savings Bank
118 South Sandusky Avenue
P.O. Box 90
Upper Sandusky, Ohio 43351
(419) 294-5781
E-Mail: csbank@bright.net
Mr. David J. Browne, Esq., Staff Counsel

ANNUAL MEETING

The annual shareholder's meeting will be held Wednesday, April 14, 1999 at 4:30 p.m. in the main office of The Commercial Savings Bank, 118 South Sandusky Avenue, Upper Sandusky, Ohio.

EXHIBIT 21

COMMERCIAL BANCSHARES, INC.

Subsidiary	State of Incorporation	Percentage of Securities Owned
The Commercial Savings Bank (1)	Ohio	100%
Advantage Finance, Inc. (2)	Ohio	100%

(1) The subsidiary's principal office is located in Upper Sandusky, Ohio.

(2) The subsidiary's principal office is located in Marion, Ohio.

EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements on Forms S-8 (No. 333-32599 and No. 333-74611) of Commercial Bancshares, Inc. of our report dated January 22, 1999 relating to the consolidated balance sheets of Commercial Bancshares, Inc. as of December 31, 1998 and 1997, and the related statements of income, shareholders' equity and cash flows for the years then ended, which report is included in this Annual Report on Form 10-KSB of Commercial Bancshares, Inc. for the year ended December 31, 1998.

/s/ Crowe, Chizek And Company LLP

Crowe, Chizek and Company LLP

Columbus, Ohio
March 26, 1999

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