FORM 10-K405

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

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FILER

EMPIRE BANC CORP

CIK:**810830**| IRS No.: **382727982** | State of Incorp.:**MI** | Fiscal Year End: **1231**
Type: **10-K405** | Act: **34** | File No.: **000-15839** | Film No.: **99573561**
SIC: **6021** National commercial banks

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1

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1998. Commission file Number 0-15839

EMPIRE BANC CORPORATION	MICHIGAN
(Exact name of registrant as specified in its charter)	(State or other jurisdiction of incorporation or organization)
1227 E. FRONT STREET TRAVERSE CITY, MICHIGAN	49686 (Zip code)
(Address of principal executive offices)	
38-2727982	(616) 922-2111
(IRS Employer Identification Number)	(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12 (b) of the Act: None
Securities registered pursuant to Section 12 (g) of the Act:
Common stock, no par value
(title of class)

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

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

The aggregate market value of the voting stock held by non-affiliates of the registrant as of February 18, 1999, computed by reference to the average of the closing bid and asked price for such stock on that date was $77,644,000. For this purpose only, the affiliates of the registrant have been assumed to be the executive officers, directors and 10% or more shareholders.

As of February 18, 1999, there were outstanding 3,011,790 shares of the registrants' no par common stock.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the proxy statement for the annual shareholders meeting to be held May 13, 1999 are incorporated by reference into Part III.

The Exhibit Index is located on page number 61.

PART I
Item 1 - Business.

Empire Banc Corporation (the "Corporation") is incorporated in Michigan and is a bank holding company. The Empire National Bank of Traverse City (the "Bank"), is a wholly-owned subsidiary of the Corporation.

The Bank was established in 1912 in Empire, Michigan and is a national banking association. The Bank's deposits are insured by the Bank Insurance Fund, administered by the Federal Deposit Insurance Corporation, and the Bank is regulated by the U.S. Comptroller of the Currency.

The Bank is engaged in the general commercial banking business, providing a full range of consumer and business loan and deposit products. The Bank also operates a trust department providing fiduciary, investment and other related trust services. The Bank has contracted with a full-service securities brokerage firm to make available a variety of investment products to the Bank's customers. This program operates from two of the Bank's branch offices.

The principal source of revenue for the Corporation is dividends from the Bank. The Bank's principal source of revenue is interest and fees on loans. The Bank's revenue for the three most recent years is as follows.

<TABLE>
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Interest and fees on loans	65%	67%	67%
Other interest income	16%	16%	17%
Non-interest income	19%	17%	16%
	100%	100%	100%

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

The Bank's primary market area is the northwestern portion of the lower peninsula of Michigan. The Bank is headquartered in Traverse City, Michigan, County of Grand Traverse. The Bank maintains offices in Grand Traverse, Leelanau, Kalkaska, and Crawford counties. The population of these counties combined is approximately 100,000. The Bank operates ten full service offices, provides drive-in convenience at seven locations and has automatic teller machines operating at eleven locations. The Bank has no foreign operations.

As of December 31, 1998, the Bank employed 210 full-time and 28 part-time employees.

Banking is a highly competitive business. The Bank competes primarily with other financial institutions in its market areas for loans, deposits, and trust accounts. In its primary market, which includes the Grand Traverse, Kalkaska and Leelanau counties, the Bank maintains the second largest deposit base, or approximately 25 percent of the deposit market share. The majority of banking institutions with offices in this market area are members of holding companies with substantially more assets than the Corporation.

The Bank is the only independent community bank in the Crawford County market. The Bank is the third largest in terms of deposits in the Crawford County market and competes with three financial institutions that are members of holding companies with substantially more assets than the Corporation.

In addition to these other banks, the Bank also competes for loans and deposits with savings and loan associations, credit unions, investment firms and money market funds. In order to successfully compete, management has developed a sales and service culture, stresses and rewards excellent customer service and designs products to meet the needs of the customer. The Bank also utilizes its ability to sell loans in the secondary market.

The Bank makes mortgage, commercial and installment loans to customers primarily in northwestern lower Michigan. Fees may be charged for these services. Commitments to make loans and unused lines of credit outstanding are detailed in the Notes to Consolidated Financial Statements.

Historically, the Bank has predominantly sold its secondary-market-conforming residential mortgage loans. The mortgage loan portfolio serviced by the Bank for others, primarily the Federal Home Loan Mortgage Corporation, at December 31, 1998 totaled over $293 million. Mortgage banking activity is detailed in the Notes to Consolidated Financial Statements.

The Bank supports the growth of the service industry, with its year round resort and related businesses, manufacturing, the medical community, and many other activities important to growth in the greater Grand Traverse area. Designated as a Preferred Lender by the Small Business Administration (SBA), the Bank underwrites government guaranteed business loans, contributing to the economic growth in northern Michigan. The Bank also arranges loan relationships with national and regional participating banks, increasing the amount of funds available for local businesses to grow.

The Bank is a member of the Federal Home Loan Bank of Indianapolis, which is an additional source of liquidity and long-term funds. Membership in the Federal Home Loan Bank also provides access to additional advantageous lending programs. The Community Investment Program makes advances to be used for funding community-oriented mortgage lending, and the Affordable Housing Program grants advances to fund lending for long-term low- and moderate-income owner occupied and affordable rental housing at subsidized interest rates. Using the Affordable Housing Program, the

Bank has sponsored the construction of two low-income homes with Habitat for Humanity.

The economy of the market areas of the Bank is affected by summer and winter tourism activities and, accordingly, the Bank experiences seasonal consumer and commercial deposit growth, with substantial growth increases from May to September. The Bank regularly assesses its ability to raise funds through the issuance of certificates of deposit in denominations of $100,000 or more in the local and regional market area and has established conservative guidelines for the total funding to be provided by these deposits. These deposits were less than three percent of total deposits at December 31, 1998 and 1997, respectively. The Bank also uses federal funds purchased from correspondent banks and the Federal Reserve Bank to respond to deposit fluctuations and temporary loan demands.

As of December 31, 1998, the Bank had no risks attendant to foreign sources. Compliance with federal, state and local statutes and/or ordinances relating to the protection of the environment is not expected to have material effect upon the Bank's capital expenditures, earnings or competitive position.

SUPERVISION AND REGULATION

Banking is a highly regulated industry, with numerous federal and state laws and regulations governing the organization and operation of banks, bank holding companies, and their affiliates. The following summary of certain laws and regulations affecting the Corporation and the Bank is qualified in its entirety by such laws and regulations, which are subject to change based on pending and future legislation and action by regulatory agencies.

As a bank holding company under the Bank Holding Company Act of 1956, the Corporation is regulated and examined by the Federal Reserve Board. This Act requires that the Corporation obtain prior Federal Reserve Board approval for bank and nonbank acquisitions and restricts the permissible activities of the Corporation. Under the Reigle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Act"), the Federal Reserve Board generally is authorized to approve bank acquisitions by out-of-state bank holding companies whether or not such acquisition is prohibited by state law. The Interstate Act also provides for the nationwide interstate branching of banks. Both national and state-chartered banks are permitted to branch and merge across state lines. The State of Michigan allows interstate branching authority, subject to the existence of reciprocal legislation in the state of the bank wishing to acquire or establish a branch in Michigan.

Federal law also regulates transactions between the Corporation and the Bank, including the amount and nature of loans or other extensions of credit. The Bank is also subject to regulation and examination by the Comptroller of the Currency.

The Comptroller of the Currency has guidelines for appropriate levels of capital for the Bank. The Federal Reserve Board has similar guidelines for the Corporation. Such guidelines can limit the amount of dividends which the Bank can pay to the Corporation and thus the amount of dividends the Corporation can pay to its shareholders.

The banking industry is also affected by the monetary and fiscal policies of the federal government, including the Federal Reserve Board, which exerts considerable influence over the cost and availability of funds obtained for lending and investing.

Under the Federal Deposit Insurance Corporation Improvement Act of 1991, "FDICIA", the FDIC has implemented risk based premiums for deposit insurance, the premiums paid by a depository institution are based on the probability that the applicable insurance fund will incur a loss in respect of such institution. The effective assessment rate ranged from 0 basis points for well-capitalized institutions displaying little risk, to 27 basis points for under capitalized institutions displaying high risk. Both BIF insured banks and SAIF insured thrifts are also required to pay interest on Financing Corporation (FICO) bonds issued in connection with the federal government's bail out of the thrift industry.

FDICIA also prescribes various supervisory or "prompt corrective" actions by federal regulatory agencies based on an insured institution's level of capital. These prescribed actions increase restrictions on and heighten regulatory scrutiny of the institution as its capital declines. The Bank is rated in the lowest risk category under regulatory guidelines, as detailed in the Notes to Consolidated Financial Statements.

Proposals to change the laws and regulations governing the operations and taxation of banks, and companies which control banks and other financial institutions, are frequently raised in Congress. The likelihood of any major changes and the impact such changes might have on the Corporation are, however, impossible to predict.

Management is not aware of any existing trends, events, uncertainties or current recommendations by regulatory authorities that are expected to have a material impact on the Corporation's operating results or financial condition.

Information furnished in accordance with Exchange Act Guide 3: Statistical Disclosure by Bank Holding Companies is included in Management's Discussion and Analysis of Financial Condition and Results of Operations, Item 7, and Financial Statements and Supplementary Data, Item 8.

Information about the executive officers of the Corporation is set forth below.
<TABLE>
<CAPTION>

Name and Age	Position
<S>	<C>
James E. Dutmers, Jr. (55)	Chairman and Chief Executive Officer of the Corporation and Empire National Bank
Robert L. Israel (55)	President and Chief Operating Officer of the Corporation and Empire National Bank
William T. Fitzgerald, Jr. (53)	Vice President, Secretary/Treasurer of the Corporation; Division Vice President and Chief Financial Officer of Empire National Bank
Marilyn J. McCool (52)	Vice President of the Corporation; Division Vice President and Director of Personnel of Empire National Bank
James M. Merenda (54)	Vice President of the Corporation; Division Vice President and Senior Trust Officer of Empire National Bank
Bruce W. Reavely (50)	Vice President of the Corporation; Division Vice President and Senior Operations Officer of Empire National Bank
Daniel G. Stoudt (52)	Vice President of the Corporation; Division Vice President and Senior Loan Officer of Empire National Bank

</TABLE>

Item 2 - Properties.

The executive offices of the Corporation and the Bank are maintained at the main office of the Bank, 1227 East Front St., Traverse City, Michigan. The Bank leases its main office and seven additional branch and automated teller machine locations. The leases expire at various times through the year 2011 and all include renewal periods. Net aggregate annual rentals for banking facilities in 1998 were $460,000.

In addition, the Bank owns and operates six additional branch facilities, none of which are encumbered. The Bank operates drive-thru facilities at most of its office locations and has on location remote automated teller machines for customer use in its market area.

Item 3 - Legal Proceedings.
The Bank is routinely engaged in litigation, both as plaintiff and defendant, which is incident to its business. In certain proceedings, claims or counter-claims have been asserted against it. Management, after consultation with legal counsel, does not anticipate that the ultimate liability, if any, arising out of such litigation and threats of litigation will have a material effect on the financial statements of the Corporation.

Item 4 - Submission of Matters to a Vote of Security Holders.
No matters were submitted during the fourth quarter of fiscal 1998 to a vote of the Corporation's security holders.

PART II
Item 5 - Market for Corporation's Common Equity and Related Stockholder Matters.
The common stock of Empire Banc Corporation is traded on the OTC Bulletin Board, symbol EMBM. The primary market is the state of Michigan. Principal market makers of common stock transactions are F.J. Morrisey & Co., First of Michigan Corp., Howe Barnes & Co., McDonald & Co., Robert W. Baird & Co., Roney & Co. and Stifel Nicolaus & Co. There were 531 holders of the Corporation's common stock as of December 31, 1998.

Quarterly cash dividends were declared during 1998 and 1997 totaling $0.98 and $0.87 per common share per year. Note 19 of the Consolidated Financial Statements details regulatory guidelines regarding payment of dividends. The following table sets forth, for the periods indicated, the high and low sale prices per share of the Corporation's common stock. All of the prices are adjusted for a three for two stock split declared in the second quarter of 1998.

<TABLE>
<CAPTION>

Quarter	Price Range High	Low	Dividends
1998			
Fourth	$39.50	$39.13	$.250
Third	45.00	37.25	.250
Second	45.00	35.50	.250
First	35.50	30.67	.233
1997			
Fourth	30.67	27.27	.233
Third	27.27	24.70	.212
Second	24.70	23.64	.212
First	23.64	22.43	.212

Amounts retroactively adjusted for stock splits and dividends.

</TABLE>

Item 6 - Selected Financial Data - Empire Banc Corporation

<TABLE>
<CAPTION>
(in thousands, except share data)

	1998	1997	1996	1995	1994
Summary of Operations:					
Interest income	$ 36,559	$ 33,419	$ 30,599	$ 28,606	$ 23,628
Interest expense	16,435	15,189	14,066	13,231	9,839
Net interest income	20,124	18,230	16,533	15,375	13,789
Provision for loan losses	1,215	1,459	1,686	745	796
Non-interest income	8,759	6,809	5,850	5,017	4,843
Non-interest expense	18,539	15,737	13,861	13,494	12,241
Income before taxes	9,129	7,843	6,836	6,153	5,595
Federal income taxes	3,032	2,598	2,259	2,007	1,841
Net income	$ 6,097	$ 5,245	$ 4,577	$ 4,146	$ 3,754
Per Share:					
Earnings	$ 2.06	$ 1.81	$ 1.60	$ 1.46	$ 1.33
Diluted earnings	1.93	1.68	1.48	1.36	1.24
Dividends	0.98	0.87	0.73	0.59	.53
Book value	13.78	12.42	11.34	10.50	9.32
Ratios Based on Net Income:					
Return on average equity	15.85%	15.36%	14.72%	14.81%	14.72%
Return on average assets	1.33	1.26	1.20	1.18	1.17
Dividend payout ratio	47.71	48.08	45.90	40.30	39.93
Average shareholders' equity					

as a percent of average assets	8.37	8.23	8.14	7.96	7.92
Balance Sheet:					
Assets	$477,964	$442,953	$400,819	$372,426	$336,951
Loans	325,774	302,469	272,182	259,102	243,583
Securities	120,399	98,754	98,578	84,312	64,231
Deposits	410,139	386,670	344,354	319,540	297,989
Shareholders' equity	40,756	36,199	32,673	30,005	26,332

Per share amounts have been adjusted for stock splits and dividends.
</TABLE>

Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management's Discussion and Analysis is designed to provide readers with a comprehensive review of the results of operations and financial position. This discussion should be read in conjunction with the Consolidated Financial Statements and related footnotes.

Summary of Earnings
In 1998, the Corporation achieved record earnings of $6,097,000, an increase of $852,000, or 16.2 percent, over the $5,245,000 earned in 1997. In 1997, net income increased $668,000, or 14.6 percent.

Earnings Per Share
Earnings per share were $2.06 for 1998, compared to $1.81 in 1997 and $1.60 in 1996. Diluted earnings per share were $1.93, compared to $1.68 in 1997 and $1.48 in 1996.

Return on Average Shareholders' Equity
Return on average shareholders' equity measures how profitably the shareholders' invested capital is employed. Return on average equity was 15.8 percent for 1998, compared to 15.4 percent and 14.7 percent in 1997 and 1996.

Return on Average Assets
Return on average assets, a measure of profitability, was 1.33 percent in 1998, compared to 1.26 percent and 1.20 percent in 1997 and 1996.

Book Value Per Share
Book value per share of common stock increased 11 percent to $13.78 at December 31, 1998, compared to $12.42 and $11.34 at December 31, 1997 and 1996.

Summary of Operating Results
The following is a summary of the major components of the consolidated operating results:
<TABLE>
<CAPTION>

(in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Net interest income	$20,124	$18,230	$16,533
Add: Taxable equivalent (TE) adjustment	144	135	127
Net interest income - (TE)	20,268	18,365	16,660
Provision for loan losses	1,215	1,459	1,686
Non-interest income	8,759	6,809	5,850
Non-interest expense	18,539	15,737	13,861
Income before tax - (TE)	9,273	7,978	6,963
Income taxes, including TE adjustment	3,176	2,733	2,386
Net income	$ 6,097	$ 5,245	$ 4,577

</TABLE>

Net Interest Income

Net interest income is the difference between interest and fees earned on earning assets (loans and investments) and the interest paid on deposits and other interest-bearing funds. It is the major component of earnings for a financial institution. For analytical purposes, to evaluate the effective yields earned on earning assets, interest earned is expressed on a taxable-equivalent (TE) basis by increasing tax-exempt interest income to an amount comparable to interest subject to income taxes. The taxable-equivalent adjustment is based on a federal income tax rate of 34 percent.

Net interest income is influenced by changes in the balance and mix of earning assets and interest-bearing liabilities, the proportion of earning assets funded by demand deposits and equity capital and market interest rates.

Conditions beyond management's control may have a significant impact on changes in net interest income from one period to another. Examples of such external factors are Federal Reserve Board monetary policy, introduction of new deposit products by bank and non-bank competitors and the fiscal and debt management policies of the federal government.

The table on the following page details the key determinants of net interest income: the average daily balance sheet for each year (including the components of earning assets and supporting liabilities) the related interest income on a TE basis and interest expense, as well as the average rates earned and paid.

Net Interest Income
Average Balance Sheet, Interest Income/Expense, Average Rates

<TABLE>
<CAPTION>

(in thousands, taxable equivalent)	1998 Average Balance	1998 Interest	1998 Average Rate	1997 Average Balance	1997 Interest	1997 Average Rate	1996 Average Balance	1996 Interest	1996 Average Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Assets									
Loans, including fees*	$309,664	$29,269	9.45%	$289,828	$27,081	9.34%	$261,251	$24,552	9.40%
Taxable securities	100,571	6,227	6.19%	89,331	5,728	6.41%	86,783	5,397	6.22%
Tax-exempt securities*	5,507	379	6.89%	5,213	369	7.08%	4,989	361	7.24%
Securities	106,078	6,606	6.23%	94,544	6,097	6.45%	91,772	5,758	6.27%
Federal funds sold	15,483	828	5.27%	6,882	376	5.46%	7,882	416	5.28%
Earning assets	431,225	36,703	8.51%	391,254	33,554	8.58%	360,905	30,726	8.51%
Cash and due from banks	17,465			14,950			13,318		
Other assets	10,937			8,578			7,733		
Total assets	$459,627			$414,782			$381,956		
Liabilities and Equity									
CDs over $100,000	$ 10,603	547	5.09%	$ 10,690	566	5.29%	$ 11,204	595	5.31%
Savings and interest checking	71,155	1,564	2.17%	64,526	1,427	2.21%	61,987	1,351	2.18%
Money market deposits	113,435	4,953	4.37%	98,357	4,321	4.39%	77,578	3,214	4.14%
Time deposits	139,969	8,362	5.97%	134,480	8,119	6.04%	130,359	7,908	6.07%
Interest-bearing Deposits	335,162	15,426	4.60%	308,053	14,433	4.69%	281,128	13,068	4.65%
Federal funds purchased	233	13	5.54%	651	37	5.68%	461	27	5.86%
FHLB advances	16,507	996	6.03%	12,219	719	5.88%	16,262	971	5.97%
Interest-bearing Liabilities	351,902	16,435	4.67%	320,923	15,189	4.73%	297,851	14,066	4.72%
Demand deposits	60,589			52,794			46,844		
Other liabilities	8,677			6,918			6,172		
Shareholders' equity	38,459			34,147			31,089		
Total liabilities and equity	$459,627			$414,782			$381,956		
Net interest income (TE)		$20,268			$18,365			$16,660	
Net interest spread (TE)			3.84%			3.85%			3.79%
Net interest margin (TE)			4.70%			4.69%			4.62%

*Interest income on tax-exempt securities and certain tax-exempt loans have been adjusted to a tax equivalent basis.
</TABLE>

An analysis of the changes in net interest income is presented in the following table. This analysis highlights the relative effect of changes in the average balances and interest rates.

Analysis of Changes in Net Interest Income

<TABLE>
<CAPTION>

(in thousands, taxable equivalent)	1998 vs. 1997 Average Balance	1998 vs. 1997 Rate	1998 vs. 1997 Net	1997 vs. 1996 Average Balance	1997 vs. 1996 Rate	1997 vs. 1996 Net
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest income						
Loans, including fees	$1,820	$ 368	$2,188	$2,561	$ (32)	$2,529
Taxable securities	701	(202)	499	157	174	331
Tax-exempt securities	20	(10)	10	16	(8)	8
Securities	721	(212)	509	173	166	339
Federal funds sold	460	(8)	452	(56)	16	(40)
Changes in interest income	3,001	148	3,149	2,678	150	2,828
Interest expense						
CDs over $100,000	(5)	(14)	(19)	(29)	--	(29)
Savings and interest checking	143	(6)	137	53	23	76
Money market deposits	658	(26)	632	904	203	1,107
Consumer CDs	329	(86)	243	249	(38)	211
Interest-bearing deposits	1,125	(132)	993	1,177	188	1,365
FHLB advances and other	236	17	253	(227)	(15)	(242)
Changes in interest expense	1,361	(115)	1,246	950	173	1,123
Changes in net interest income	$1,640	$ 263	$1,903	$1,728	$ (23)	$1,705

Any variance attributable jointly to volume and rate changes is allocated to volume and rate in proportion to the relationship of the absolute dollar amount of the changes in volume and rate.

</TABLE>

The following table allocates net interest income on earning assets by the interest spread earned on assets funded by interest-bearing liabilities and the amount funded by non-interest-bearing liabilities and equity capital. The interest spread on earning assets funded by interest-bearing liabilities is the difference between the average rate earned on total earning assets and the average cost of interest-bearing liabilities. The interest spread on earning assets funded by non-interest-bearing liabilities and equity capital is the rate earned on earning assets.

<TABLE>
<CAPTION>

(in thousands, taxable equivalent)	1998			1997			1996		
	Average Earning Assets	Interest Spread	Net Interest Income	Average Earning Balance	Interest Spread	Net Interest Income	Average Earning Assets	Interest Spread	Net Interest Income
Source of funding									
Interest-bearing liabilities	$351,902	3.84%	$13,518	$320,923	3.85%	$12,331	$297,851	3.79%	$11,288
Non-interest-bearing liabilities and equity capital	79,323	8.51%	6,750	70,331	8.58%	6,034	63,054	8.51%	5,372
	$431,225		$20,268	$391,254		$18,365	$360,905		$16,660

</TABLE>

Net interest income (TE) increased $1.9 million, or 10 percent, in 1998 as average earning assets increased $40 million, or 10 percent, and the net interest margin (net interest income as a percentage of average earning assets) remained stable at 4.70 percent. Earning assets funded with interest-bearing liabilities increased $31 million, or 10 percent, adding $1.2 million in net interest income. Earning assets funded with non-interest-bearing liabilities and equity capital increased $9 million, or 13 percent, and the earning asset rate decreased 7 basis points, contributing an additional $716,000 to the increase in net interest income.

The increase in average earning assets was principally due to growth in the loan portfolio, which increased $20 million, or 7 percent, and the average rate increased 11 basis points. Mortgage loans increased $2 million, or 2 percent, and commercial loans increased $10 million, or 7 percent and average consumer loans increased $8 million, or 10 percent, in 1998. Investment securities increased $12 million, or 12 percent, and the average rate earned on the security portfolio decreased 22 basis points. Overnight federal funds sold increased on average $9 million and the rate earned on these funds decreased 19 basis points from 1997 following a trend of declining rates in the overall economy.

The primary funding source is interest-bearing deposits. Interest-bearing deposits increased $27 million, or 9 percent, and the average rate decreased 9 basis points from 1997. The increase in average interest-bearing deposits was primarily in money market investment accounts, which increased $15 million, or 15 percent. Average short-term time certificates in denominations of $100,000 or more approximated 3 percent of average total deposits in 1998, 1997 and 1996, significantly below the levels of banks of comparable size. Federal Home Loan Bank advances on average increased $4 million during 1998.

In 1997, net interest income increased $1.7 million, or 10 percent, as average earning assets increased $29 million, or 8 percent, and the net interest margin increased 7 basis points. The increase in earning assets funded with interest-bearing liabilities, at a increased interest spread, accounted for $1.1 million of the increase in net interest income. The increase in earning assets funded with non-interest-bearing liabilities, at an increased rate, added $662,000 in net interest income.

Loan Portfolio Management and Non-Performing Assets

Portfolio Quality

Loan portfolio quality, diversification of the portfolio and the monitoring of potential problem loans are the primary functions of loan portfolio management. The Bank has established written loan policies and procedures. Management has established a loan review process which provides for frequent review of the loan portfolio in order to monitor loan portfolio quality and performance. In addition, management conducts a review of loan concentrations which could have an impact on the financial condition of the Bank. As of December 31, 1998, loans to borrowers in the industries of "Offices of Physicians" (13.7%) and "Lessors of Non-Residential Buildings" (10.3%) comprised more than ten (10) percent of total loans. The medical community in the Corporation's service area is led by a highly rated regional provider of health services. The growth potential of the medical community and the strong personal earnings and financial strength of medical professionals is a source of future loan, deposit and trust asset management growth for the Corporation.

Loans outstanding at year-end for the five years ended December 31, are shown in the following table according to the type of loan:

<TABLE>
<CAPTION>

(in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Commercial	$153,115	$132,310	$122,322	$120,369	$106,447
Mortgage	77,432	80,641	71,346	63,809	56,009
Consumer	64,069	61,850	59,031	63,328	71,023
Revolving Credit	31,158	27,668	19,483	11,596	10,104
	$325,774	$302,469	$272,182	$259,102	$243,583

</TABLE>

Maturity and Rate Sensitivity of Selected Loans

The following table presents the remaining maturity of total loans outstanding (excluding residential real estate mortgage and consumer loans) at December 31, 1998, according to scheduled repayments of principal.

<TABLE>
<CAPTION>

(in thousands)	Within One Year	After One But Within Five Years	After Five Years	Total
<S>	<C>	<C>	<C>	<C>
Total loans	$40,954	$196,865	$87,955	$325,774
Less:				
Residential mortgage and consumer loans	13,567	98,494	60,598	172,659
	$27,387	$ 98,371	$27,357	$153,115
Loans maturing with:				
Fixed interest rates	$15,622	$ 90,165	$12,317	$118,104
Variable interest rates	11,765	8,206	15,040	35,011
	$27,387	$ 98,371	$27,357	$153,115

</TABLE>

Non-Performing Assets and Problem Loans

The following table is a summary of non-performing assets as of December 31:

<TABLE>
<CAPTION>

(in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Non-accrual loans	$1,283	$ 893	$2,131	$ 867	$1,228
Renegotiated loans	408	210	408	606	644
Total non-performing loans	1,691	1,103	2,539	1,473	1,872
Other real estate	221	177	--	280	53
Total non-performing assets	$1,912	$1,280	$2,539	$1,753	$1,925
Non-performing assets as a percent of total loans	.59%	.42%	.93%	.68%	.79%
Accruing loans 90 days or more past due	$ 189	$ 367	$ 172	$ 72	$ 128

</TABLE>

In 1998, total non-performing assets increased $632,000, or 49 percent. Non-accrual loans increased $390,000, renegotiated loans $198,000 and other real estate increased $44,000 from year-end 1997. The ratio of non-performing assets as a percent of total loans was 0.59 percent of total loans at December 31, 1998. In addition to loans classified as non-performing, or 90 days past due, there are other loans totaling $2.4 million at December 31, 1998, on which management closely monitors the borrowers' ability to comply with payment terms.

Management regularly reviews the loan portfolio to identify loans about which there are concerns that the borrower will be unable to satisfy existing payment terms. Management reports monthly to the board of directors information regarding significant past-due and problem loans, non-accrual loans and other real estate owned. Non-performing assets are carried at estimated realizable values and the known losses of principal have been recognized. Management cannot predict which, if any, loans will eventually result in losses.

Interest accrual is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts, that collection of interest is doubtful. The gross interest income that would have been recorded in 1998 on the $1,283,000 of non-accrual loans amounted to $113,000 if the loans would have been current in accordance with their original terms. The amount of interest income included in net income on these loans amounted to $16,000.

All loans classified for regulatory purposes as loss, doubtful, or substandard have been included in the above disclosures. There were no other interest bearing assets at December 31, 1998 that would be required to be disclosed as non-performing or potential problem loans.

There were no foreign loans outstanding at December 31, 1998.

Provision for Loan Losses

The following table summarizes the provision for loan losses, net loan losses and the allowance for loan losses over the last three years:

<TABLE>
<CAPTION>

(in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Provision for loan losses	$1,215	$1,459	$1,686	$ 745	$ 796
Net loan losses	515	859	1,361	445	526
Year-end allowance for loan losses	4,825	4,125	3,525	3,200	2,900
Allowance as a percent of year-end loans	1.48%	1.36%	1.30%	1.24%	1.19%
Net loan losses to average loans outstanding	.17%	.30%	.52%	.18%	.23%

</TABLE>

In 1998, the allowance for loan losses increased $700,000 to 1.48 percent of loans. Management believes this increase in the allowance for loan losses is prudent with the continued growth in the loan portfolio - $23 million in 1998 - coupled with the sustained period of national and local economic growth. The allowance was 252 percent of non-performing assets at year-end, compared to 322 percent and 139 percent at December 31, 1997 and 1996. Net loan losses in 1998 declined to 0.17 percent of average loans outstanding.

Summary of Loan Loss Experience

Additional information relative to the allowance for possible loan losses is presented in the following table. Factors which influence management's judgement in determining the provision for loan losses each period include establishing specific loss allowances for selected loans (including large loans, non-accrual loans, and problem and delinquent loans) and consideration of historical loss information and local economic conditions.

<TABLE>
<CAPTION>

(in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Allowance for possible loan losses, beginning of period	$ 4,125	$ 3,525	$ 3,200	$ 2,900	$ 2,630
Loans charged off:					
Commercial	284	556	1,005	17	112
Real estate mortgages	4	49		7	
Consumer	386	408	514	575	539
Revolving credit	67	98	49	51	67
Total charge-offs	741	1,111	1,568	650	718
Recoveries:					
Commercial	18	73	11	55	85
Real estate mortgages	2			2	
Consumer	188	161	182	135	89
Revolving credit	18	18	14	13	18
Total recoveries	226	252	207	205	192
Net charge-offs	515	859	1,361	445	526
Provision charged to expense	1,215	1,459	1,686	745	796
Allowance for possible loan losses, end of period	$ 4,825	$ 4,125	$ 3,525	$ 3,200	$ 2,900
Total loans outstanding at end of period	$325,774	$302,469	$272,182	$259,102	$243,583
Average total loans outstanding for the year	$309,664	$289,828	$261,251	$249,769	$230,251
Ratio of net charge offs to daily average loans outstanding	.17%	.30%	.52%	.18%	.23%

</TABLE>

Allocation of the Allowance for Loan Losses

The allocation of the allowance for possible loan losses for the years ended December 31 is:

<TABLE>
<CAPTION>

(In thousands)	Commercial	Consumer and other	Real estate mortgage/ construction	Unallocated	Total
<S>	<C>	<C>	<C>	<C>	<C>
1998 Allowance amount	$1,947	$ 538	$ 224	$2,116	$4,825
% loans/total loans	47.0%	29.2%	23.8%	--	100%
1997 Allowance amount	$1,892	$ 571	$ 128	$1,534	$4,125
% loans/total loans	43.7%	29.6%	26.7%	--	100%
1996 Allowance amount	$1,826	$ 538	$ 75	$1,086	$3,525
% loans/total loans	45.0%	28.8%	26.2%	--	100%
1995 Allowance amount	$1,378	$ 602	$ 75	$1,145	$3,200
% loans/total loans	46.5%	28.9%	24.6%	--	100%
1994 Allowance amount	$1,055	$ 574	$ 60	$1,211	$2,900
% loans/total loans	43.7%	33.3%	23.0%	--	100%

</TABLE>

Non-Interest Income

Total non-interest income increased $1,950,000, or 29 percent, from 1997. Income from the origination, sales and servicing of mortgage loans increased $1.4 million or 80 percent, as mortgage loan activity, origination and sales increased 86 percent. Trust income increased $249,000, or 9 percent, in 1998 as funds under management increased $44 million, or 10 percent. Deposit fees increased $48,000, or 3 percent, and other service charges and fees, fueled by increased consumer credit insurance and automated teller machine fees, increased $78,000, or 11 percent during the year. Other income increased $69,000, or 19 percent, primarily due to revenue from the sale of non-deposit investment products. Security gains of $143,000 were recorded in 1998.

In 1997, total non-interest income increased $959,000, or 16 percent from 1996. Trust fees increased $549,000, or 26 percent, due to a 23 percent increase in assets under management. Income from the origination, sales and servicing of mortgage loans increased $185,000, or 12 percent. Deposit fees increased $152,000, or 12 percent, and other service charges and fees increased $130,000, or 23 percent.

Non-Interest Expense

In 1998, total non-interest expense increased $2.8 million, or 18 percent. Total personnel expense increased $1.6 million, or 16 percent. Salaries and wages increased $979,000, or 16 percent, fueled by commission expense related to the 86 percent increase in mortgage lending activity.Other personnel costs increased $650,000 from 1997, including a $144,000, or 16 percent, increase in the profit sharing incentive award.

Occupancy costs remained relatively stable in 1998, increasing $38,000, or 4 percent, during the year. Equipment expense for 1998 increased $284,000, or 32 percent, due primarily to costs associated with technology enhancements which increased $270,000, or 46 percent.

Other operating expense increased $851,000, or 22 percent, in 1998. Increasing loan and deposit relationships fueled increased activity-based expense by $289,000, or 22 percent. Marketing expense increased $201,000, or 99 percent due to the development of a new image campaign. Business taxes increased $314,000, or 88 percent, due to increased operating income and a liability for compensation expense related to the Corporation's stock price. Other areas of expense increased due to the general growth of the Corporation.

In 1997, total non-interest expense increased $1.9 million, or 14 percent. Personnel expense increased $1.5 million, or 18 percent, as salaries and wages increased $567,000, or 10 percent, due to increased staffing and normal salary increases. Total benefit costs increased $964,000, or 37 percent, from 1996, with costs based upon the Corporation's stock price increasing $457,000, or 68 percent, during the year and the profit sharing incentive award increasing $284,000 or 47 percent. Occupancy expense remained stable in 1997 and equipment expense increased $78,000, or 10 percent, due to increased technology costs. Other operating expense increased $240,000, or 7 percent, from 1996 due primarily to increased legal and professional fees attributable to non-earning loans.

Federal Income Taxes

Federal income tax expense for 1998 was $3,032,000, compared to $2,598,000 in 1997 and $2,259,000 in 1996, due to the increased profitability of the Corporation. The Corporation's effective tax rate has been substantially unchanged from 1996 through 1998 due to the consistency of statutory tax rates and the relative percentage of tax-exempt income.

Capital Resources and Cash Dividends

The foundation of a strong financial institution is a strong capital base. In 1998, shareholders' equity increased $4.6 million, or 13 percent, to $40.8 million at year-end. During 1997, total shareholders' equity increased $3.5 million, or 11 percent, over 1996. Shareholders' equity was 8.5 percent of total assets at December 31, 1998, comparable to 1997.

The federal bank regulatory agencies have established capital standards for financial institutions. The Corporation's capital ratios are all significantly above the guidelines for well-capitalized institutions. Note 17 to the Consolidated Financial Statements details the Corporation's regulatory capital and the capital standards.

Total cash dividends in 1998 were $2,909,000, or $.98 per share, compared to $2,522,000, or $.87 per share, in 1997, a 13 percent increase. The dividend payout ratio was 48 percent in 1998 and 1997, and 46 percent in 1996. A three-for-two stock split was declared in the second quarter of 1998. A 10 percent and a 5 percent stock dividend were paid in November of 1997 and 1996. Cash dividends per share have increased at an average annual rate of 18 percent since 1991. Future dividends, if any, are declared at the discretion of the board of directors and may be determined by the financial performance, future prospects and capital requirements of the Corporation.

The Corporation's principal source of funds to pay cash dividends is the earnings of its subsidiary, Empire National Bank. Consequently, cash dividends depend upon the earnings, capital needs, regulatory restraints and other factors affecting the Bank. See Note 19 to the Consolidated Financial Statements.

The Corporation maintains a five-year capital plan and utilizes a formal strategic planning process. Management and the board monitor long-term goals, which include maintaining capital growth in relation to asset growth and the retention of earnings to fund growth, while providing returns to shareholders.

Interest Rate Sensitivity and Liquidity

Asset and liability management involves the development and implementation of strategies to maximize net interest income, minimize the vulnerability of earnings to major changes in interest rates and allow the Bank to profitably compete in all phases of the business cycle. This process is carried out through monthly meetings of senior officers representing lending, deposit-gathering, funds management and marketing.

Interest rate risk arises when the maturity or repricing characteristics of assets differ significantly from the maturity or the repricing characteristics of liabilities. One of the goals of asset and liability management is to balance the various factors that create interest rate risk, thereby maintaining the interest rate risk of the Bank within acceptable levels.

While controlling interest rate risk is an important objective, accommodating customer maturity and repricing preferences is an equally important objective. It is the function of asset and liability management to develop strategies to reconcile these objectives. Management has developed definitive policies and procedures to mitigate interest rate risk. These include the sale of long-term residential mortgages in the secondary market, long-term commercial loans written with three- and five-year balloons and long-term fixed rate SBA guaranteed loans sold in the secondary market.

The Bank measures the impact of changes in interest rates on net interest income through a comprehensive analysis of the Bank's interest-rate-sensitive assets and liabilities. This analysis takes into consideration projected changes in market interest rates and alternative rate scenarios, changes in the rate of individual interest-rate-sensitive assets and liabilities and the effect of competition. Through this quarterly analysis, management estimates the projected effect on net interest income. During the annual planning process, net interest income is projected using alternative interest rate scenarios to determine the

effect of changing interest rates on net interest income. The board of directors has established policy limits for the fluctuation of net interest income due to projected interest rate changes.

The years of 1994 through 1998 included periods of sustained interest rate decreases and increases as well as changes in the shape of the yield curve. A stable net interest margin and the steady increase in net interest income demonstrate the effectiveness of these risk management techniques.

<TABLE>
<CAPTION>

	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Net interest margin	4.70%	4.69%	4.62%	4.66%	4.60%

</TABLE>

Liquidity management is closely related to asset and liability management. Liquidity management maintains the resources to fund withdrawals and other operating requirements. Monitoring maturities and future commitments and the use of short-term investments are integral parts of liquidity management.

The primary objective of the Bank's investment portfolio is to invest in securities of high quality that will provide a reasonable return and will allow the Bank to maintain a sound liquidity position. Management of the portfolio is an integral part of liquidity and interest rate risk management. The Bank does not have complex or leveraged derivatives or structured notes in its portfolio.

The board of directors has established policies regarding the potential price fluctuation of the available for sale portfolio. This portfolio had net unrealized gains of $1,460,000 and $535,000 at December 31, 1998 and 1997. The price fluctuations experienced during 1998 and 1997 were primarily due to changes in market interest rates and were well within the policies established by the board of directors. Realization of any unrealized gain or loss will depend upon future portfolio management, interest rate risk management and liquidity needs of the Bank. The regulatory agencies do not include the net unrealized gain in the calculation of regulatory capital.

An analysis of securities for the five years ended December 31 were as follows:

<TABLE>
<CAPTION>
Available for sale

(in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
U.S. government and agency	$ 55,524	$37,302	$32,119	$27,154	$21,857
State and municipal	13,589	--	--	--	--
Mortgage-backed	24,366	23,592	27,202	18,250	7,980
Other	24,367	2,373	--	--	--
Equity	2,553	2,508	2,453	2,425	1,495
Total	$120,399	$65,775	$61,774	$47,829	$31,332

</TABLE>

Held to maturity
<TABLE>
<CAPTION>

(in thousands)	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
U.S. government and agency	$ --	$ 9,515	$17,489	$23,530	$24,320
State and municipal	--	8,581	7,872	5,171	3,354
Mortgage-backed	--	--	--	--	811

Other	--	14,883	11,443	7,782	4,414
Total	$ --	$32,979	$36,804	$36,483	$32,899

</TABLE>

Other than securities guaranteed by the U.S. Government or its agencies, the Bank held no investment securities from any one issuer that exceeded ten percent of stockholders' equity at December 31, 1998

During 1998 the Bank implemented a regulatory approved program for reducing the amount of daily reserve balances required to be held with the Federal Reserve. Required reserve balances at December 31, 1998 were $617,000 versus the $6,695,000 required at December 31, 1997.

Deposit growth through core deposits provides the primary funding for increases in loans and investment securities. Core deposits include demand deposits, savings and money market accounts and certificates of deposit of consumer and corporate customers. For 1998 and 1997 core deposits have averaged over 97 percent of total deposits.

Management regularly assesses the ability of the Bank to raise funds through certificates of deposit in denominations of $100,000 or more in the local and regional market area and has established conservative guidelines for the total funding to be provided by these deposits. These deposits have averaged less than 3 percent of total deposits for 1998 and 1997.

Management also believes that an integral part of liquidity management is the development of other sources of funding. It is management's policy to actively cultivate and maintain relationships with correspondent and other banks for sales of loans for liquidity, credit and interest rate risk management. Additionally, the Bank has federal funds lines with correspondent banks and may borrow from the Federal Reserve Bank.

The Bank is a member of the Federal Home Loan Bank of Indianapolis, which provides an additional source of liquidity and long-term funds to meet the borrowing needs of customers. Advances from the Federal Home Loan Bank are secured through the pledge of investment securities or mortgage loans. Federal Home Loan Bank advances totaled $17 million at December 31, 1998 and 1997. Management believes that with the combination of federal funds lines, borrowings from the Federal Reserve Bank and the Federal Home Loan Bank, the Bank has more than adequate resources available to meet liquidity needs and to provide for growth.

Item 7A - Quantitative and Qualitative Disclosures about Market Risk

The Corporation's primary market risk exposure is interest rate risk and to a lesser extent liquidity risk. See Interest Rate Sensitivity and Liquidity, on page 21. Business is transacted in U.S. dollars with no foreign exchange rate risk or any exposure to changes in commodity prices. There have been no financial instruments obtained for trading purposes.

The following table provides information about the Corporation's financial instruments that are sensitive to changes in interest rates as of December 31, 1998. For loans, securities and liabilities with contractual maturities, the table presents principal cash flows and related weighted-average interest rates, adjusting the instrument's contractual maturity date for expectations of payment streams. Similarly, expected maturity date values and related weighted-average interest rates for non-maturity core deposits were calculated based upon estimates of the period over which the deposits would be outstanding. The Corporation has no derivative financial instruments or trading portfolio at December 31, 1998.

<TABLE>
<CAPTION>

Expected Maturity Date - Year Ended December 31

							December			
							1998		1997	
(in millions)	1999	2000	2001	2002	2003	There-after	Total	Fair Value	Total	Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Assets										
Fixed rate loans	$73.5	$50.8	$31.8	$30.3	$16.1	$ .5	$203.0	$206.5	$173.7	$177.2
Avg interest rate	8.7%	8.8%	8.9%	9.0%	8.7%	8.2%	8.7%		8.9%	
Variable rate loans	$40.5	$36.1	$21.0	$10.2	$10.0	$ 5.0	$122.8	$123.3	$128.7	$129.0
Avg interest rate	8.8%	8.5%	9.2%	8.6%	8.5%	8.3%	8.7%		9.3%	
Fixed rate debt securities	$43.8	$27.7	$17.1	$12.6	$ 4.6	$ 9.2	$115.0	$115.0	$ 94.0	$ 94.6
Avg interest rate	6.1%	6.1%	5.8%	5.7%	5.9%	5.1%	5.9%		6.2%	
Variable rate debt securities	$ .7	$ .5	$ .4	$ .3	$ .2	$ .8	$ 2.9	$ 2.9	$ 1.9	$ 1.9
Avg interest rate	6.1%	6.1%	6.1%	6.1%	6.2%	6.4%	6.2%		6.7%	
Equity securities	--	--	--	--	--	$ 2.6	$ 2.6	$ 2.6	$ 2.3	$ 2.5
Liabilities										
Non-interest-bearing checking	$28.0	$10.0	$10.0	$ 6.1	$ 6.1	$ 1.0	$ 61.2	$ 61.2	$ 62.5	$ 62.5
Avg interest rate							0.0%		0.0%	
Savings & interest-bearing checking	$58.4	$51.9	$51.9	$ 7.6	$ 7.6	$15.1	$192.5	$192.5	$177.0	$177.0
Avg interest rate	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%	3.2%		3.6%	
Time deposits	$87.4	$27.5	$11.5	$13.6	$ 7.8	$ 8.6	$156.4	$159.8	$147.2	$149.2
Avg interest rate	5.4%	6.2%	5.9%	6.2%	5.6%	6.8%	5.7%		6.1%	
Fixed rate borrowings	$ 3.0	$ 4.0	--	--	$ 10.0	--	$ 17.0	$ 17.4	$ 12.0	$ 12.1
Avg interest rate	6.1%	6.4%			5.8%		6.0%		5.8%	

</TABLE>

The table below shows the rate sensitivity of earning assets and interest bearing liabilities as of December 31, 1998. Loans and investments are categorized using their scheduled payment dates, where applicable. Savings, interest checking and money market deposit accounts are considered to be immediately repriceable. All other liabilities are reported by their scheduled maturities, and no adjustments for possible prepayments are included in the table.

Interest Sensitivity Summary

<TABLE>
<CAPTION>

(in millions)	0-90 Days	91-365 Days	1-5 Years	over 5 Years	Total
<S>	<C>	<C>	<C>	<C>	<C>
Loans	$ 91.0	$ 55.8	$155.3	$ 23.7	$325.8
Securities and fed funds sold	26.1	32.7	61.4	5.8	126.0
Total earning assets	117.1	88.5	216.7	29.5	451.8
Savings and interest checking	75.8	--	--	--	75.8
Money market deposits	116.8	--	--	--	116.8
Time deposits	38.4	48.9	60.4	8.7	156.4
FHLB advances	3.0	--	14.0	--	17.0
Total interest-bearing liabilities	234.0	48.9	74.4	8.7	366.0
Net funding gap	$(116.9)	$ 39.6	$142.3	$ 20.8	$ 85.8
Cumulative gap	$(116.9)	$ (77.3)	$ 65.0	$ 85.8	
Cumulative gap ratio	.50	.73	1.18	1.24	
Cumulative gap as a percent of total assets	-24.5%	-16.2%	13.6%	18.0%	

</TABLE>

Other Matters

The Corporation has a comprehensive written Year 2000 plan approved by the board of directors and a Year 2000 management committee overseeing the efforts. The plan includes all facets of the Corporation's business from physical plant and equipment issues through all computer hardware and software and major customers.

The Corporation uses major external third-party vendors to the banking industry for the mainframe and all personal computer hardware and software. These well-known, national third-party providers for mission critical systems have provided written assurances that they are Year 2000 ready and their systems have been fully tested internally and through proxy at customer sites. The Corporation does not use any custom-programmed software. Another area under review is systems which utilize embedded microchips, such as heating, air conditioning, security and other related systems. Vendors for these systems have been contacted to evaluate their Year 2000 compliance and assess any potential risk.

While the Corporation's current UNISYS mainframe hardware and software is Year 2000 compliant, a new system is scheduled to be installed during the first quarter of 1999, substantially increasing the capacity and efficiency of operations. This new system will allow the testing of this banking software from Information Technology, Inc. during the installation of the hardware, without any disruption to daily processing and customer service. All testing will be completed by June 30, 1999, within the FFIEC published guidelines. No disruption in service due to a Year 2000 issue is anticipated.

Management has addressed the financial implications of preparing for the Year 2000. The readiness of the software used for mission critical systems is included in the cost of normal maintenance of those systems and management does not expect any additional charges. Some minor hardware replacements will be needed. Those expenditures will be less than $50,000. The Corporation has the necessary technology staffing and has allocated the resources within its 1999 technology plan to complete the testing and implementation of its Year 2000 plan.

Since mission critical systems are Year 2000 compliant, system failure that would require a new provider and conversion to a new system is not expected. During the second quarter of 1999, business resumption plans will be developed as testing is completed. The detail and depth of those plans will depend on results of the final tests and the resulting risk assessment.

Major loan and deposit customers have been surveyed to evaluate the level of Year 2000 planning and readiness and to assess any potential risk.

The board of directors, executive management team and the Office of the Comptroller of the Currency are updated on a quarterly basis. Because of the systematic approach used to prepare Empire Banc Corporation for the Year 2000 date change, management does not anticipate any material effect on financial performance.

Certain statements contained in the section "Other Matters" constitute "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those expressed or implied by such forward looking statements.

Such factors may include, but are not limited to, the severity of problems discovered with the Corporation's own systems as Year 2000 testing continues, the cost of remedying such problems, the severity of Year 2000 problems encountered by third party service providers and the Corporation's borrowers, additional initiatives by regulators, and the costs of Year 2000 professionals generally in the event problems are encountered.

Forward-looking statements in this Form 10-K are based on current expectations and/or the assumptions made in the earnings simulation analyses, but numerous factors could cause variances in these projections, and their underlying assumptions, such as changes in interest rates, demand, the degree of competition and changes in laws, regulations or policy.

Item 8 - Financial Statements and Supplementary Data

Consolidated Balance Sheet-Empire Banc Corporation

<TABLE>
<CAPTION>

(in thousands, except share data)	December 31 1998	1997
<S>	<C>	<C>
Assets		
Cash and due from banks	$ 15,740	$ 25,433
Federal funds sold	5,600	6,800
Cash and cash equivalents	21,340	32,233
Securities		
Available for sale, at fair value	120,399	65,775
Held to maturity	--	32,979

(fair value: 1997-$33,234)

Loans	325,774	302,469
Less: Allowance for loan losses	(4,825)	(4,125)
Net loans	320,949	298,344
Premises and equipment, net	5,503	4,985
Accrued income and other assets	9,773	8,637
Total assets	$477,964	$442,953
Liabilities		
Deposits		
Non-interest-bearing	$ 61,221	$ 62,492
Interest-bearing	348,918	324,178
Total deposits	410,139	386,670
Federal Home Loan Bank advances	17,000	12,000
Accrued expense and other liabilities	10,069	8,084
Total liabilities	437,208	406,754
Shareholders' Equity		
Preferred stock-$1 par value, 2,000,000 shares authorized, none outstanding		
Common stock-no par value, 5,000,000 shares authorized, shares outstanding: 1998-2,957,398; 1997-1,943,081	30,283	29,525
Retained earnings	9,509	6,321
Net unrealized gain on securities, net of tax	964	353
Total shareholders' equity	40,756	36,199
Total liabilities and shareholders' equity	$477,964	$442,953

See accompanying notes.
</TABLE>

Consolidated Statement of Income-Empire Banc Corporation
<TABLE>
<CAPTION>

(in thousands, except share data)	Year Ended December 31 1998	1997	1996
<S>	<C>	<C>	<C>
Interest income			
Loans, including fees	$29,240	$27,059	$24,536
Securities: taxable	6,227	5,728	5,397
tax-exempt	264	256	250
Federal funds sold	828	376	416
Total interest income	36,559	33,419	30,599
Interest expense			
Deposits	15,426	14,433	13,068
Federal Home Loan Bank advances and other borrowings	1,009	756	998
Total interest expense	16,435	15,189	14,066
Net interest income	20,124	18,230	16,533
Provision for loan losses	1,215	1,459	1,686
Net interest income after			

provision for loan losses	18,909	16,771	14,847
Non-interest income			
Mortgage sales and servicing	3,042	1,685	1,500
Deposit fees	1,476	1,428	1,276
Trust	2,897	2,648	2,099
Service charges	778	700	570
Other income	423	354	405
Security gains (losses)	143	(6)	--
Total non-interest income	8,759	6,809	5,850
Non-interest expense			
Salaries and employee benefits	11,609	9,980	8,450
Occupancy	1,097	1,059	1,031
Furniture and equipment	1,179	895	817
Other expense	4,654	3,803	3,563
Total non-interest expense	18,539	15,737	13,861
Income before federal income taxes	9,129	7,843	6,836
Federal income taxes	3,032	2,598	2,259
Net income	$ 6,097	$ 5,245	$ 4,577
Earnings per share	$ 2.06	$ 1.81	$ 1.60
Diluted earnings per share	$ 1.93	$ 1.68	$ 1.48
Average shares outstanding	2,960,330	2,901,791	2,868,517
Diluted average shares outstanding	3,164,082	3,127,686	3,094,994

See accompanying notes.
</TABLE>

Consolidated Statement of Comprehensive Income
Empire Banc Corporation

<TABLE>
<CAPTION>

(in thousands)	Year Ended December 31 1998	1997	1996
<S>	<C>	<C>	<C>
Net income	$6,097	$5,245	$4,577
Other comprehensive income			
Unrealized holding gains on securities the held-to-maturity to the available-for-sale category, net	416	--	--
Unrealized gains (losses) on securities, net	289	175	(160)
Reclassification adjustment for amounts realized on security sales included in net income, net	(94)	4	--
Comprehensive income	$6,708	$5,424	$4,417

See accompanying notes.

</TABLE>

Consolidated Statement of Cash Flows-Empire Banc Corporation

<TABLE>
<CAPTION>

(in thousands)	Year Ended December 31 1998	1997	1996
<S>	<C>	<C>	<C>
Operating activities			
Net income	$ 6,097	$ 5,245	$ 4,577
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	926	727	704
Provision for loan losses	1,215	1,459	1,686
Mortgage loans originated for sale	(150,999)	(60,650)	(60,761)
Sale of mortgage loans	149,619	61,516	60,936
Net (gain)loss on securities available for sale	(143)	6	--
Net amortization/accretion on securities	58	146	315
Change in:			
Deferred taxes	(342)	(163)	(361)
Interest receivable	(347)	(43)	(9)
Interest payable	(10)	95	--
Other assets	(447)	(1,527)	187
Other liabilities	2,174	1,967	294
Total adjustments	1,704	3,533	2,991
Net cash from operating activities	7,801	8,778	7,568
Investing activities			
Securities available for sale			
Proceeds from sales	399	992	--
Proceeds from maturities	31,948	16,876	20,145
Purchases	(46,434)	(12,001)	(34,542)
Securities held to maturity			
Proceeds from maturities	18,422	15,749	15,272
Purchases	(24,970)	(21,673)	(15,698)
Loans granted, net of repayments	(22,440)	(32,012)	(14,616)
Premises and equipment expenditures	(1,444)	(1,727)	(1,066)
Net cash from investing activities	(44,519)	(33,796)	(30,505)
Financing activities			
Net increase in deposits	23,469	42,316	24,814
Change in federal funds purchased	--	(5,500)	5,500
Cash dividends paid	(2,849)	(2,453)	(1,983)
Federal Home Loan Bank advances	10,000	--	--
Federal Home Loan Bank repayments	(5,000)	--	(5,000)
Issuance of common stock	205	285	351
Net cash from financing activities	25,825	34,648	23,682
Net change in cash and cash equivalents	(10,893)	9,630	745
Beginning cash and cash equivalents	32,233	22,603	21,858
Ending cash and cash equivalents	$21,340	$32,233	$22,603

</TABLE>

Consolidated Statement of Cash Flows-Empire Banc Corporation (continued)

<TABLE>
<CAPTION>
(in thousands)

	Year Ended December 31 1998	1997	1996

Interest paid	$16,445	$15,094	$14,066
Income taxes paid	2,856	2,584	2,575
Transfer of securities to available-for-sale	39,590	--	--

See accompanying notes.

</TABLE>

Consolidated Statement of Changes in Shareholders' Equity
Empire Banc Corporation

(in thousands, except share data)	Shares	Common Stock	Retained Earnings	Net Unrealized Gain (Loss)	Total Share-holders' Equity
Balance at January 1, 1996	1,648,767	$17,621	$12,050	$ 334	$30,005
Net income for 1996			4,577		4,577
Common stock issued	14,352	322			322
5% stock dividend	82,890	3,108	(3,108)		--
Directors' deferred compensation plan		29			29
Change in net unrealized gain/(loss) on securities available for sale, net of tax of $82				(160)	(160)
Cash dividends - $.73 per share			(2,100)		(2,100)
Balance at December 31, 1996	1,746,009	21,080	11,419	174	32,673
Net income for 1997			5,245		5,245
Common stock issued	21,314	504			504
10% stock dividend	175,758	7,821	(7,821)		--
Directors deferred compensation plan		120			120
Change in net unrealized gain (loss) on securities available for sale, net of tax of $92				179	179
Cash dividends - $.87 per share			(2,522)		2,522)
Balance at December 31, 1997	1,943,081	29,525	6,321	353	36,199
Net income for 1998			6,097		6,097
Common stock issued	32,726	648			648
3 for 2 stock split	981,591				
Directors deferred compensation plan		110			110
Net unrealized holding gains on securities transferred from the held-to-maturity to the available-for-sale category, net of tax of $215				416	416
Change in net unrealized gain (loss) on securities available for sale, net of tax of $99				195	195
Cash dividends - $.98 per share			(2,909)		(2,909)
Balance at December 31, 1998	2,957,398	$30,283	$ 9,509	$ 964	$40,756

See accompanying notes

</TABLE>

Notes to Consolidated Financial Statements

Note 1 - Summary of Significant Accounting Policies

Nature of Operations and Principles of Consolidation - Empire Banc Corporation, a one-bank holding company for Empire National Bank, is the largest independent bank holding company in northern lower Michigan. The Bank is in the general commercial, retail and mortgage banking business, providing a full range of loan and deposit products. It operates a trust department providing fiduciary, investment and other related services.

The Bank is headquartered in Traverse City, Michigan, which is the retail, medical and financial hub for Michigan's northern lower peninsula. The Bank's primary market area is the northwestern portion of Michigan's lower peninsula.

The consolidated financial statements include Empire Banc Corporation (the Corporation) and its wholly owned subsidiary, Empire National Bank (the Bank). Intercompany transactions are eliminated.

Segments - Empire Banc Corporation, through the branch network of its subsidiary, Empire National Bank, provides a broad range of financial services to individuals and companies in Michigan's northern lower peninsula. These services include demand, time and savings deposits, lending and trust services. While the decision makers monitor the revenue streams of the various products and services, operations are managed and financial performance is evaluated on a corporate-wide basis. Accordingly, all of the Corporation's banking operations are considered by management to be aggregated in one reportable operating segment.

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 allowance for loan losses and fair values of financial instruments are particularly subject to change.

Cash Flows - Cash and cash equivalents includes cash on hand, demand deposits in other institutions and federal funds sold. Net cash flows are reported for loan and deposit transactions and short-term borrowings with original maturities of 90 days or less.

Securities - Securities available for sale may be sold prior to maturity. They are reported at fair value and the net unrealized gain or loss is reported, net of related tax, as a separate component of shareholders' equity and other comprehensive income. Securities held to maturity are those securities which management has the ability and positive intent to hold to maturity and are stated at amortized cost. Premiums and discounts are recognized in interest income using the interest method.

Loans - Loans are reported at the principal balance outstanding net of unearned interest, deferred loan fees and costs and an allowance for loan losses. Loans held for sale are reported at the lower of cost or market, on an aggregate basis. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Loans are placed in non-accrual status at 90 days or more past due and interest is considered a loss unless the loan is well-secured and in the process of

collection. Loans delinquent 180 days or more are charged off unless both well-secured and in the process of collection.

Allowance for Loan Losses - The allowance for loan losses represents the amount management estimates is adequate to provide for losses inherent in the loan portfolio. Management determines the allowance for loan losses by reviewing selected loans (including large loans, non-accrual loans and problem and delinquent loans) and establishing specific loss allocations on these loans. Historical loss information and local economic conditions are considered in establishing allowances on the remaining loans. The allowance is increased by provisions charged to expense and reduced by loan losses, net of recoveries.

A loan is impaired when full payment under the loan terms is not expected. Impairment is evaluated in total for smaller balance loans of similar nature, such as residential mortgage, consumer and credit card loans, and on an individual loan basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral.

Premises and Equipment - Premises and equipment are depreciated over their estimated useful lives and are stated at cost less accumulated depreciation. Depreciation is computed principally using the straight-line method.

Foreclosed Assets - Assets acquired through or instead of loan foreclosure are initially recorded at fair value when acquired, establishing a new cost basis. If fair value declines, a valuation allowance is recorded through expense. Costs after acquisition are expensed.

Servicing Rights - The Bank originates and purchases mortgage loans for sale to the secondary market and sells the loans with servicing retained. Servicing rights are expensed in proportion to, and over the period of, estimated net servicing revenues. Impairment is evaluated based on the fair value of the rights by stratifying them based on predominant risk characteristics of the underlying serviced loans. These risk characteristics include interest rate, loan type, term and prepayment characteristics. Any impairment of a grouping is reported as a valuation allowance.

Income Taxes - Income tax expense is based on the taxes due on the tax return plus the change in deferred tax assets and liabilities. Deferred tax assets and liabilities measure 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.

Earnings Per Share - Earnings per share is based on weighted-average common and contingently issuable shares outstanding. Diluted earnings per share further assumes the dilutive effect of additional common shares issuable under stock options. All per-share data is restated for the three-for-two stock split in 1998 and the 10% and 5% stock dividends in 1997 and 1996.

Long-lived Assets - These assets are reviewed for impairment when events indicate that the carrying amount may not be recoverable. If impaired, the assets are recorded at discounted amounts.

Stock-Based Compensation - Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), establishes a fair-value-based method of accounting for employee stock options but, as allowed, the Corporation continues measuring compensation cost for such plans using prior accounting guidelines. No stock options were granted in 1998, 1997 or 1996 requiring pro forma disclosures of net income and earnings per share under SFAS 123.

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.

New Accounting Pronouncements - Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), requires all derivatives to be recorded at fair value. Unless designated as hedges, changes in these fair values will be recorded in the income statement. Fair value changes involving hedges will generally be recorded by offsetting gains and losses on the hedge and on the hedged item, even if the fair value of the hedged item is not otherwise recorded. As of October 1, 1998, the Corporation adopted this statement and, in accordance with its provisions, chose to reclassify certain securities from held-to-maturity to available-for-sale. The amortized cost of those securities was $39,590,000. The Corporation does not have derivative instruments in its portfolio to account for under provisions of this statement.

Loss Contingencies - Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Fair Values of Financial Instruments - Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. 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.

Reclassifications - Certain prior-year amounts have been reclassified to conform with the current year's presentation.

Note 2 - Cash and Cash Equivalents

The Bank is required to maintain non-interest-bearing reserve balances with the Federal Reserve. Required reserve balances at December 31, 1998 and 1997 were $617,000 and $6,695,000.

Note 3 - Securities

Securities and their fair values at December 31 were as follows:

<TABLE>
<CAPTION>

Available for sale

(in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
<S>	<C>	<C>	<C>	<C>
1998				
U.S. government and agency	$ 54,851	$ 679	$ 6	$ 55,524
State and municipal	13,317	275	3	13,589
Mortgage-backed	24,204	202	40	24,366
Other	24,243	139	15	24,367
Equity	2,324	229	--	2,553
	$118,939	$1,524	$64	$120,399

1997				
U.S. government and agency	$ 37,089	$ 235	$22	$ 37,302
Mortgage-backed	23,446	168	22	23,592
Other	2,375	--	2	2,373
Equity	2,330	178	--	2,508
	$ 65,240	$ 581	$46	$ 65,775

</TABLE>

<TABLE>
<CAPTION>

Held to maturity

(in thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
1997				
U.S. government and agency	$ 9,515	$ 89	$--	$ 9,604
State and municipal	8,581	112	--	8,693
Other	14,883	56	2	14,937
	$ 32,979	$ 257	$ 2	$ 33,234

</TABLE>

Proceeds from sales of available-for-sale securities in 1998 amounted to $399,000 with realized gains of $143,000. Proceeds from sales in 1997 amounted to $992,000 with realized losses of $6,000. There were no sales of securities during 1996.

As of October 1, 1998, the Corporation adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." In accordance with provisions in that statement, the Corporation chose to reclassify certain securities from held-to-maturity to available-for-sale. The amortized cost of those securities was $39,950,000 and the unrealized net gain was $631,000, which is included in stockholders' equity, net of income tax effect of $215,000. The Corporation has no derivative instruments to account for under provisions of this statement.

Scheduled maturities of securities at December 31, 1998 were as follows:

<TABLE>
<CAPTION>

Available for sale

(in thousands)	Amortized Cost	Fair Value	Yield
Due in one year or less	$ 37,648	$ 37,828	6.07%
Due from one to five years	53,303	54,156	5.99%
Due from five to ten years	1,460	1,496	6.37%
Mortgage-backed	24,204	24,366	6.19%
Equity	2,324	2,553	7.68%
	$118,939	$120,399	6.09%

</TABLE>

Investment securities with a book value of $16,952,000 at December 31, 1998 were pledged to secure public deposits and Federal Home Loan Bank advances and for other purposes.

Note 4 - Loans

The following is a summary of loans at December 31:

(in thousands)	1998	1997
Commercial	$153,115	$132,310
Mortgage	71,259	77,896
Mortgage loans held for sale	6,173	2,745
Consumer	64,069	61,850
Revolving credit	31,158	27,668
	325,774	302,469
Less: allowance for loan losses	(4,825)	(4,125)
	$320,949	$298,344

Activity in the allowance for loan losses was as follows:

(in thousands)	1998	1997	1996
Balance January 1	$4,125	$3,525	$3,200
Loans charged off	(741)	(1,111)	(1,568)
Recoveries	226	252	207
Net loans charged off	(515)	(859)	(1,361)
Provision for loan losses	1,215	1,459	1,686
Balance December 31	$4,825	$4,125	$3,525

Impaired loans

(in thousands)	1998	1997	1996
Impaired loans with reserves	$ 360	$ 312	$2,138
Impaired loans without reserves	879	562	278
Impaired loans outstanding at year-end	$1,239	$ 874	$2,416
Amount of allowance allocated for impaired	$ 188	$ 184	$ 820
Average of impaired loans during the year	1,151	1,810	$ 1,578
Interest income recognized during impairment	9	24	86
Cash-basis interest income recognized	34	17	79

</TABLE>

Non-accrual loans - Non-accrual loans outstanding at December 31, 1998 and 1997 were $1,283,000 and $893,000. Substantially all non-accrual loans are considered impaired. If the non-accrual loans were accruing, additional income of $97,000, $104,000 and $155,000 would have been recorded in 1998, 1997 and 1996.

Note 5 - Secondary Mortgage Market Activities

Loans serviced for others, which are not reported as assets, totaled $293,000,000 and $243,000,000 at December 31, 1998 and 1997.

Activity for capitalized mortgage servicing rights and the related valuation allowance was as follows:

<TABLE>
<CAPTION>

(in thousands)	1998	1997	1996
Servicing Rights			
Balance January 1	$ 815	$ 537	$ 151
Additions	1,187	434	454
Amortization	(550)	(156)	(68)
Balance December 31	$1,452	$ 815	$ 537
Fair value	$1,703	$1,169	$ 840
Valuation Allowance			
Balance January 1	$ --	$ --	$ --
Additions expensed	52	--	--
Reductions credited to expense	--	--	--
Balance December 31	$ 52	$ --	$ --

</TABLE>

Note 6 - Premises and Equipment

Premises and equipment at December 31:

<TABLE>
<CAPTION>

(in thousands)	1998	1997
Land and improvements	$ 694	$ 693
Buildings and improvements	5,055	4,963
Equipment	8,804	7,588
Total cost	14,553	13,244
Less: accumulated depreciation and amortization	(9,050)	(8,259)

Net book value	$ 5,503	$ 4,985

Rental expenses for 1998, 1997 and 1996 were $460,000, $437,000 and $426,000. Depreciation and amortization for 1998, 1997 and 1996 was $926,000, $727,000 and $704,000.
</TABLE>

42

Note 7- Time Deposits

The aggregate amount of short-term certificates of deposit of $100,000 or more at December 31, 1998 and 1997 was $13,209,000 and $9,202,000.

Following are the scheduled maturities of certificates of deposit at December 31, 1998:

<TABLE>
<CAPTION>

(in thousands)	1998
<S>	<C>
1999	$ 87,379
2000	27,554
2001	11,460
2002	13,563
2003	7,814
After	8,605
	$156,375

</TABLE>

Note 8 - Federal Home Loan Bank Advances

Advances from the Federal Home Loan Bank of Indianapolis at December 31 were as follows:

<TABLE>
<CAPTION>

(in thousands)		1998	1997
<S>		<C>	<C>
Maturity	Rate		
1998	5.05%	$ --	$ 5,000
1999	6.09%	3,000	3,000
2000	6.42%	4,000	4,000
2003	5.76%	10,000	--
		$17,000	$12,000

</TABLE>

Each advance is payable at its maturity date, with a prepayment penalty determined by market rates at the time of prepayment. Loans of $20,948,000 and securities of $5,216,000 were pledged at December 31, 1998 to collateralize these advances.

Note 9 - Other Non-Interest Expense

Other non-interest expense for the years ended December 31 was:

(in thousands)	1998	1997	1996
Marketing	$ 405	$ 204	$ 244
Outside services	857	618	617
Legal and professional	324	499	326
Business taxes	670	356	336
Other	2,398	2,126	2,040
	$4,654	$3,803	$3,563

Note 10- Federal Income Taxes

Income tax expense (benefit) was as follows:

(in thousands)	1998	1997	1996
Current expense	$3,383	$3,043	$2,339
Deferred benefit	(351)	(445)	(80)
Total federal income tax	$3,032	$2,598	$2,259

Effective tax rates differ from federal statutory rates applied to financial statement income due to the following:

(in thousands)	1998	1997	1996
Statutory rate applied to income before federal income tax	$3,104	$2,667	$2,324
(Deduct) add:			
Effect of tax-exempt interest	(95)	(89)	(83)
Other	23	20	18
Total Federal income tax	$3,032	$2,598	$2,259
Effective tax rate	33.2%	33.1%	33.0%

Year-end deferred tax assets and liabilities were due to the following:

(in thousands)	1998	1997

<S> <C> <C>

Deferred tax assets		
Allowance for loan losses	$1,236	$ 998
Deferred compensation	1,866	1,581
Other	122	164
Total deferred tax assets	3,224	2,743
Deferred tax liabilities		
Security accretion	(55)	(113)
Cash value of life insurance	(34)	(34)
Mortgage servicing	(476)	(277)
Net unrealized appreciation on securities available for sale	(496)	(182)
Other	--	(9)
Total deferred tax liabilities	(1,061)	(615)
Net deferred tax asset	$2,163	$2,128

</TABLE>

A valuation allowance for deferred tax assets is not considered necessary as it is more likely than not that future taxable income will be sufficient to realize the tax benefit of these assets.

Note 11 - Employee Benefit Plans

An integrated employee benefit plan structure provides basic retirement income and the opportunity to build retirement savings through tax-deferred voluntary contributions and participation in stock ownership of the Corporation. A description of the individual plan components of this integrated structure follows.

A defined benefit pension plan covers substantially all full-time employees. The maximum amount that can be deducted for federal income tax purposes is contributed annually and employees do not contribute. Plan assets consist of equity and fixed-income securities. A summary of the plan follows:

<TABLE>
<CAPTION>

<S> <C> <C>

(in thousands)	1998	1997
Change in benefit obligation		
Beginning benefit obligation	$1,760	$1,374
Service cost	138	107
Interest cost	139	112
Liability (gain) loss	103	22
Change in assumptions	323	158
Benefits paid	(28)	(13)
Ending benefit obligation	2,435	1,760

Change in plan assets, at fair value		
Beginning plan assets	1,342	1,012
Actual return	166	182
Employer contribution	173	161
Benefits paid	(28)	(13)
Ending plan assets	1,653	1,342
Funded status	(782)	(418)
Unrecognized net transition obligation	246	276
Unrecognized net actuarial loss	513	131
Unrecognized prior service cost	(13)	(14)
Prepaid (accrued) benefit cost	$ (36)	$ (25)
Discount rate on benefit obligation	6.25%	7.00%
Long-term rate of investment return	9.00%	9.00%
Rate of compensation increase	4.50%	4.50%

</TABLE>

Pension expense

<TABLE>
<CAPTION>

(in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Service cost	$ 138	$ 107	$ 103
Interest cost	139	112	99
Expected return on plan assets	(125)	(182)	(119)
Net amortization and deferral	31	116	83
Net pension expense	$ 183	$ 153	$ 166

</TABLE>

A supplemental retirement program for certain executive officers provides benefits which are integrated with the other benefit plans. A summary of the plan follows:

<TABLE>
<CAPTION>

(in thousands)	1998	1997
<S>	<C>	<C>
Change in benefit obligation		
Beginning benefit obligation	$ 898	$ 694
Service cost	75	60
Interest cost	71	54
Liability (gain) loss	35	23
Change in assumptions	166	67
Ending benefit obligation	1,245	898
Funded status	(1,245)	(898)
Unrecognized net transition obligation	113	125
Unrecognized net actuarial loss	293	95
Unrecognized prior service cost	22	25
Prepaid (accrued) benefit cost	$ (817)	$ (653)

Discount rate on benefit obligation	6.25%	7.00%
Rate of compensation increase	5.00%	5.00%

</TABLE>

Supplemental retirement plan expense

<TABLE>
<CAPTION>

(in thousands)	1998	1997	1996
<S>	<C>	<C>	<C>
Service cost	$ 75	$ 60	$ 58
Interest cost	71	54	45
Net amortization and deferral	18	14	14
Net supplemental retirement plan expense	$ 164	$ 128	$ 117

</TABLE>

A 401 (k) profit sharing plan covers substantially all full-time employees. Participants may defer up to 12.5% of their salaries and the Bank may match 50% of the employee's deferrals to a maximum of 3%. Expenses for 1998, 1997 and 1996 were $163,000, $141,000 and $121,000.

An Employee Stock Ownership Plan (ESOP) covers substantially all full-time employees. At December 31, 1998 and 1997 the plan held 381,594 and 398,696 shares of stock with a fair market value of $15,072,000 and $12,228,000. All shares are allocated to and voted on by employees. The annual contribution to the ESOP is determined by the board of directors. Contributions for 1998, 1997, and 1996 were $182,000, $163,000 and $142,000.

Agreements granting death benefits funded with life insurance are provided to certain officers while employed. The financial statement impact of these arrangements is not material.

Note 12 - Long-Term Incentive Plan

A long-term incentive plan grants certain officers stock options and tandem stock appreciation rights. All options and rights under the plan have been granted. The rights vest over five years and expire ten years from grant. As of December 31, 1998 all granted options and rights were vested. The weighted average exercise price of the stock options at year-end 1998 was $6.90 and the weighted average remaining option life was 1.9 years. The range of exercise prices at December 31, 1998 was $5.44 to $10.60 for all outstanding options. The expense for the stock appreciation rights for 1998, 1997 and 1996 was $1,124,000, $1,129,000 and $672,000. A summary of the activity in the plan, restated for all stock dividends and splits, is as follows:

<TABLE>
<CAPTION>

	Options	Rights	Weighted Average Exercise Price
Outstanding - 12/31/95	329,980	153,081	$6.31
Exercised	(17,924)	(8,962)	4.40
Outstanding - 12/31/96	312,056	144,119	6.42
Exercised	(28,462)	(14,230)	4.61
Outstanding - 12/31/97	283,594	129,889	6.60
Exercised	(42,778)	(21,388)	4.80
Outstanding - 12/31/98	240,816	108,501	6.90

Note 13 - Related Party Transactions

Certain directors and executive officers of the Corporation and the Bank (including family members, affiliates and companies in which they are principal owners) had loans with the Bank in the ordinary course of business. The aggregate amount of loan advances to such related parties at December 31, 1998 amounted to $1,664,000. During 1998, new loan advances to such related parties amounted to $1,045,000 and repayments amounted to $2,074,000.

Note 14 - Off-Balance-Sheet Financial Instruments

The Bank is party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to make loans and unused lines of credit. The exposure to credit loss is the contractual amount of these instruments, assuming the amounts are fully advanced and collateral or other security is of no value. Collateral for loans and letters of credit is usually in the form of cash, inventory, securities or other real and personal property. The Bank's policy is to require suitable collateral prior to the disbursement of funds. The following is a summary of commitments as of December 31:

(in thousands)	1998	1997
Commitments to make loans	$49,223	$37,937
Unused lines of credit	57,223	55,062
Standby letters of credit	1,448	1,591

At December 31, 1998 and 1997, commitments to make loans included $12.8 million and $16.4 million of fixed and variable rate commercial loans. These commitments generally have termination dates of 90 days or less and may require a fee. Commitments to make loans also include commitments for primarily fixed rate mortgage loans of $34 million and $12.2 million at December 31, 1998 and 1997, which are intended for sale in the secondary market upon closing. Other commitments include variable rate mortgage loans of $2.4 million and $1.8 million at December 31, 1998 and 1997.

Note 15 - Shareholder Rights Plan

The Shareholder Rights Plan is designed to protect shareholders against unsolicited attempts to acquire control of the Corporation without offering a fair price to all shareholders. Five hundred thousand shares of Series A Junior Participating Preferred Stock are reserved for purchase rights issued to holders of and in tandem with shares of common stock.

Generally, if a person or group acquires or announces a tender offer for 20 percent or more of the Corporation's common stock and the acquiror engages in certain business transactions, each right, other than those held by the acquiror, entitles the holder to acquire common stock or other securities with a market value of twice the $50 per right exercise price.

The Corporation may redeem the rights at one cent per right until 20 days after a 20% position has been acquired.

Note 16 - Fair Value Disclosure

Fair values of financial instruments are estimated as follows:

Short-term financial instruments: The carrying value is a reasonable estimate of fair value for cash and cash equivalents and accrued interest.

Securities held to maturity and available for sale: Fair values are based on quoted market prices.

Loans: Fair value for certain homogeneous categories of loans, such as some residential mortgages, is estimated using quoted market prices for similar loans, adjusted for differences in loan characteristics. The fair values of other types of loans are estimated by discounting future cash flows, including estimates of prepayments, using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same maturities.

Deposits: The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand. The fair value of fixed-maturity certificates of deposit is estimated using rates currently offered for deposits of similar maturities.

Federal Home Loan Bank advances: Fair values are estimated using discounted cash flow based on current borrowing rates for similar arrangements.

Off-balance-sheet instruments: Fair values for off-balance-sheet lending commitments are based on fees currently charged for similar agreements, considering the terms of the agreements and credit standing.

Estimated fair values of financial instruments at December 31 were:

(in thousands)	1998 Carrying Amount	1998 Fair Value	1997 Carrying Amount	1997 Fair Value
Financial assets				
Cash and cash equivalents	$ 21,340	$ 21,340	$ 32,233	$ 32,233
Securities				
Available for sale	120,399	120,399	65,775	65,775
Held to maturity	--	--	32,979	33,234
Loans net of allowance	320,949	324,990	298,344	302,095
Accrued interest receivable	3,021	3,021	2,674	2,674
Financial liabilities				
Deposits	410,139	413,565	386,670	388,674
Federal Home Loan Bank advances	17,000	17,388	12,000	12,054
Accrued interest payable	1,118	1,118	1,128	1,128

The fair value of off-balance-sheet instruments at December 31, 1998 and 1997 is not material.

Note 17 - Regulatory Capital

The Corporation is subject to various regulatory capital requirements administered by the federal banking agencies. The regulations require meeting specific capital adequacy guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts are also subject to qualitative judgments by regulators. To be considered adequately capitalized (as defined) under the regulatory framework for prompt corrective action, minimum capital ratios must be maintained. Capital ratios for the Bank are consistent with the Corporation's capital ratios. The Bank's and Corporation's capital ratios are significantly above the well-capitalized standards. The following summarizes the consolidated Corporation's capital amounts and ratios:

<TABLE>
<CAPTION>

(in thousands)	1998
<S>	<C>
Tier 1 capital	
Shareholders' equity	$ 40,756
Less: Goodwill	(317)
Net unrealized gains	(964)
Total tier 1 capital	39,475
Tier 2 capital	4,449
Total qualifying capital	$ 43,924
Risk-weighted assets	$355,566
Average quarterly assets	479,524

</TABLE>

<TABLE>
<CAPTION>

	Regulatory Capital Standards		
	Adequately Capitalized	Well Capitalized	Actual 1998
<S>	<C>	<C>	<C>
Risk-based ratios			
Tier 1 leverage	4.0%	5.0%	8.23%
Tier 1 risk-based	4.0%	6.0%	11.10%
Total risk-based	8.0%	10.0%	12.35%
Risk-based capital amounts (in thousands)			
Tier 1 leverage	$19,181	$23,976	$39,475
Tier 1 risk-based	14,223	21,334	39,475
Total risk-based	28,445	35,557	43,924

</TABLE>

Note 18 - Earnings Per Share

A reconciliation of earnings per share and diluted earnings per share is presented below:

<TABLE>
<CAPTION>

	1998	1997	1996
	<C>	<C>	<C>
Net income (in thousands)	$6,097	$5,245	$4,577
Earnings per share:			
Average common shares outstanding	2,950,761	2,895,658	2,866,001
Average contingently issuable shares	9,569	6,133	2,516
	2,960,330	2,901,791	2,868,517
Earnings per share	$2.06	$1.81	$1.60
Diluted Earnings per share:			
Average outstanding shares, per above	2,960,330	2,901,791	2,868,517
Effect of stock options	203,752	225,895	226,477
	3,164,082	3,127,686	3,094,994
Diluted earnings per share	$1.93	$1.68	$1.48

Note 19 - Empire Banc Corporation
(Parent Company Only)
Condensed Financial Statements

The Corporation's primary source of funds to pay dividends to shareholders is the dividends it receives from the Bank. The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. At December 31, 1998, $6,069,000 of the Bank's retained earnings were available for dividend declaration without prior regulatory approval. Dividends paid to the Corporation by the Bank were $2,905,000 in 1998 and $2,525,000 in 1997.

Following are condensed parent company financial statements:

</TABLE>
<TABLE>

<CAPTION>

Condensed Balance Sheet

(in thousands)	December 31 1998	1997
<S>	<C>	<C>
Assets		
Cash and due from banks	$ 1,533	$ 1,394
Investment in subsidiary	38,504	34,605
Other assets	1,289	797
Total assets	$41,326	$36,796
Liabilities and shareholders' equity		
Other liabilities	$ 570	$ 597
Shareholders' equity	40,756	36,199
Total liabilities and shareholders' equity	$41,326	$36,796

</TABLE>

Condensed Statement of Income
<TABLE>
<CAPTION>

(in thousands)	Year Ended December 31 1998	1997	1996
<S>	<C>	<C>	<C>
Dividends from subsidiary	$2,905	$2,525	$2,100
Net expense	(147)	(91)	(142)
Federal income tax benefit	50	31	48
Equity in undistributed subsidiary income	3,289	2,780	2,571
Net income	6,097	5,245	4,577
Change in unrealized gains/losses on securities held by Bank	611	179	(160)
Comprehensive income	$6,708	$5,424	$4,417

</TABLE>

<TABLE>
<CAPTION>
Condensed Statement of Cash Flows

(in thousands)	Year Ended December 31 1998	1997	1996
<S>	<C>	<C>	<C>
Cash flow from operating activities			
Net income	$ 6,097	$ 5,245	$ 4,577
Adjustments			
Other	(25)	(8)	(134)
Subsidiary net income	(6,194)	(5,305)	(4,671)
Net cash from operating activities	(122)	(68)	(228)
Cash flow from investing activities			
Subsidiary dividends received	2,905	2,525	2,100
Cash flow from financing activities			
Dividends paid	(2,849)	(2,453)	(1,983)
Issuance of common stock	205	285	351
Net cash from financing activities	(2,644)	(2,168)	(1,632)

Net change in cash and due from banks	139	289	240
Beginning cash and due from banks	1,394	1,105	865
Ending cash and due from banks	$ 1,533	$ 1,394	$ 1,105

</TABLE>

Report of Independent Auditors

CROWE CHIZEK

To the Shareholders and Board of Directors
Empire Banc Corporation, Traverse City, Michigan

We have audited the accompanying consolidated balance sheet of Empire Banc Corporation as of December 31, 1998 and 1997 and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the 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 Empire Banc Corporation as of December 31, 1998 and 1997, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

/s/ Crowe, Chizek and Company LLP
Crowe, Chizek and Company LLP

Grand Rapids, Michigan
January 21, 1999

Quarterly Financial Data
Empire Banc Corporation

The following is a summary of selected quarterly results of operations for the years ended December 31, 1998 and 1997:

<TABLE>
<CAPTION>

(in thousands, except share data)	Quarter Ended December 31	September 30	June 30	March 31
<S>	<C>	<C>	<C>	<C>
1998				
Net interest income	$5,479	$5,086	$4,830	$4,729
Provision for loan losses	298	552	83	282
Non-interest income	2,314	2,154	2,197	2,094
Non-interest expense	4,863	4,308	4,818	4,550
Income before income taxes	2,632	2,380	2,126	1,991
Net income	1,760	1,583	1,417	1,337
Earnings per share	.59	.53	.48	.46
Diluted earnings per share	.56	.50	.45	.42
1997				
Net interest income	$4,876	$4,707	$4,482	$4,165
Provision for loan losses	478	188	395	398
Non-interest income	1,856	1,827	1,611	1,515
Non-interest expense	4,086	4,309	3,820	3,522
Income before income taxes	2,168	2,037	1,878	1,760
Net income	1,451	1,361	1,252	1,181
Earnings per share	.50	.47	.43	.41
Diluted earnings per share	.46	.44	.40	.38

Per-share amounts have been adjusted for stock splits and dividends.
</TABLE>

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

None

PART III

The information called for by the items within this part is included in the Corporation's definitive Proxy Statement for the Annual Meeting of Shareholders to be held May 13, 1999, to be filed with the Commission, and is incorporated herein by reference, as follows:

<TABLE>
<CAPTION>

		Pages in 1999 Proxy Statement
<S>		<C>
Item 10.	Directors and Executive Officers of the Corporation In addition, the information set forth on page 6 of Part I of this Form 10-K, is incorporated herein by reference.	2-4, 11
Item 11.	Executive Compensation The information under the captions "Compensation Committee Report on Executive Compensation" and "Performance Graph" is not incorporated herein.	6-8, 11
Item 12.	Security Ownership of Certain Beneficial Owners and Management	2-4
Item 13.	Certain Relationships and Related Transactions: The information appearing in Note 13 of the Notes to Consolidated Financial Statements of this Form 10-K, is also incorporated herein by reference in response to this Item.	11

</TABLE>

PART IV

ITEM 14 - Exhibits, Financial Statement Schedules, and Reports on Form 8-K

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

(a) The following documents are filed as part of this report:

1. The following financial statements of the Corporation and related items are included in this report on the pages indicated:

	Page(s)
Consolidated Balance Sheet as of December 31, 1998 and 1997	29
For each of the years in the three-year period ended December 31, 1998	
Consolidated Statement of Income	30
Consolidated Statement of Comprehensive Income	31
Consolidated Statement of Cash Flows	32-33
Consolidated Statement of Changes in Shareholders' Equity	34
Notes to Consolidated Financial Statements	35-54
Report of Independent Auditors	55

2. All financial statement schedules for which provision is made in the applicable accounting regulations of the Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

3. The following exhibits are required for this Report by Item 601 of Regulation S-K.

(2) Plan of acquisition, reorganization, arrangement, liquidation or succession. Not applicable.

(3a) Articles of Incorporation.

(3b) Bylaws. Previously filed as an exhibit to Corporation's Current Report on Form 8-K, dated January 26,1995 and incorporated herein by reference.

(4) Instruments defining the rights of security holders are contained in the Articles of Incorporation (see Exhibit 3a), Bylaws (see Exhibit 3b), and Rights Agreement dated December 19, 1990 between Corporation and the Bank as Rights Agent (previously filed as an exhibit to Corporation's Current Report on Form 8-K, dated December 19, 1990 and incorporated herein by reference).

(9) Voting Trust Agreement dated June 1, 1990 with respect to the Corporation's common stock (previously filed as an exhibit to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1990 and incorporated herein by reference).

(10) Material Contracts. * Denotes executive compensation plans and arrangements in which the Corporation's executive officers participate.

(10a) * Form of Management Continuity Agreement (with amendment) entered into and between the Corporation and each of six executive officers (previously filed as Exhibit (10a) to Corporation's Annual Report on Form 10-K for the year ended December 31, 1990 and incorporated herein by reference).

(10b) * Empire Banc Corporation Stock Option Plan, as amended to date (previously filed as Exhibit (10b) to the Corporation's Annual Report on Form 10-K for the year ended December 31, 1993 and incorporated herein by reference).

(10c) * Empire National Bank Supplemental Executive Retirement Plan (previously filed as Exhibit (10c) to Corporation's Annual Report on Form 10-K for the year ended December 31, 1991 and incorporated herein by reference).

(10d) * Empire Bank Corporation Directors' Deferred Compensation Plan (incorporated herein by reference to the Corporation's Registration Statement dated 9/25/97, file under Registration No. 333-36747).

(11) Statement re computation of per share earnings. See Notes 1 and 18, Notes to Consolidated Financial Statements.

(12) Statements re computation of ratios. Not applicable.

(18) Letter re change in accounting principles. Not applicable.

(21) Subsidiaries of Corporation. The Bank is the only subsidiary of the Corporation.

(22) Published report regarding matters submitted to vote of security holders. Not applicable.

(23) Consent of Crowe, Chizek and Company LLP.

(24) Power of attorney. Not applicable.

(27) Financial Data Schedule

(99) Additional exhibits. Not applicable.

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

</TABLE>

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, the Corporation has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 18, 1999.

<TABLE>

<S>	<C>
	EMPIRE BANC CORPORATION

(Registrant)

/s/ James E. Dutmers, Jr.

James E. Dutmers, Jr.
Chairman and Chief
Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been duly signed by the following persons on behalf of the Corporation and in the capacities indicated on February 19, 1999.

/s/ James E. Dutmers, Jr. James E. Dutmers, Jr. Director and Chief Executive Officer (principal executive officer)	/s/ Robert L. Israel Robert L. Israel Director
/s/ William T. Fitzgerald, Jr. William T. Fitzgerald, Jr. Chief Financial Officer (principal financial and accounting officer)	John R. Anderson Director
Michael H. Dennos Director	/s/ Don A. Good, M.D. Don A. Good, M.D. Director
/s/ Deborah J. Knudsen Deborah J. Knudsen Director	/s/ Louis A. Smith Louis A. Smith Director
/s/ Thomas G. McIntyre Thomas G. McIntyre Director	/s/ Ronald G. Reffitt, Sr. Ronald G. Reffitt, Sr. Director
/s/ John M. Rockwood, Jr. John M. Rockwood, Jr. Director	/s/ Laurence P. Skendzel, M.D. Laurence P. Skendzel, M.D. Director

</TABLE>

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit	
<S>	<C>
3.a1	Articles of Incorporation
3.a2	Certificate of Designation for Series A Junior Participating Preferred Stock
3.a3	Certificate of Merger
3.a4	Amendment to the Articles of Incorporation
3.a5	Amendment to the Articles of Incorporation

23 Consent of Crowe, Chizek and Company LLP

27   Financial Data Schedule

</TABLE>

MICHIGAN DEPARTMENT OF COMMERCE - CORPORATION AND SECURITIES BUREAU
Filed January 20, 1994

Articles of Incorporation

Article I
The name of the corporation is: Michigan Empire Banc Corporation

Article II
The purpose or purposes for which the corporation is formed is to engage in any activity within the purposes for which corporations may be formed under the Business Corporation Act of Michigan.

In particular, the Corporation is formed for the purpose of engaging in activities authorized to be performed by bank holding companies pursuant to The Bank Holding Company Act of 1956, as amended, being 12 U.S.C. 1841.

Article III
The total authorized shares:
1. Common Shares - 5,000,000 shares with $5.00 par value
   Preferred Shares - 2,000,000 shares with $1.00 par value
2. A statement of all or any of the relative rights, preferences and limitations of the shares of each class is as follows: See Attachment.

Article IV
The address of the registered office is:
1227 East Front Street, Traverse City, Michigan 49684

The name of the resident agent at the registered office is:
William T. Fitzgerald, Jr.

Article V
The name and address of the incorporator is as follows:
William T. Fitzgerald, Jr., 1227 East Front Street, Traverse City, MI 49684

Use space below for additional or for continuation of previous Articles. Please identify any Article being continued or added. Attach additional pages if needed.

See Attachment for Articles VI, VII, VIII, and IX.

I (We), the incorporator(s) sign my (our) name(s) this 18th day of January, 1994.

/s/ William T. Fitzgerald, Jr.

William T. Fitzgerald, Jr.

2

ATTACHMENT

Article III
2. A statement of the relative rights, preferences, and limitations of the shares of each class of stock is as follows:

Common Stock.
Subject to any preferential or other rights granted to any series of Preferred Stock, the holders of shares of the Common Stock shall be entitled to receive dividends out of the funds of this Corporation legally available therefor, at the rate and at the time or times as may be provided by the Board of Directors. The holders of shares of Common Stock, on the basis of one vote per share, shall have the right to vote for the election of members of the Board of Directors of this Corporation and the right to vote on all other matters, except those matters in which a separate class of this Corporations' shareholders vote by class or series. Subject to any preferential or other rights granted to any series of Preferred Stock, the holders of the shares of the Common Stock shall be entitled to receive distributions legally payable to shareholders on the liquidation of this Corporation.

Preferred Stock.
The shares of Preferred Stock may be issued from time to time in one or more series in any manner permitted by law and the provisions of these Articles of Incorporation as determined from time to time by the Board of Directors and stated in the resolution or resolutions providing for the issuance thereof, prior to the issuance of any shares therefor. The Board of Directors shall have the authority to fix and determine, subject to the provisions hereof, the rights and preferences of the shares of any series so established, including, without limitation, the rate of dividend, whether the dividend shall be cumulative, whether shares may be redeemed and, if so, the redemption price and the terms and conditions of redemption, the amount payable upon shares in the event of voluntary or involuntary liquidation, sinking fund provisions, if any, for the redemption or purchase of shares, the terms and conditions, if any, on which shares may be converted, and voting rights, if any.

Article VI

In connection with the exercise of its judgment in determining what is in the best interest of the Corporation and its shareholders when evaluating a Business Combination Transaction or a proposal by another person or persons to make a tender or exchange offer, the Board of Directors of the Corporation shall, in addition to considering the adequacy of the amount to be paid in connection with any such transaction, consider all the following factors and any other factors which it deems relevant: (i)the social and economic effects of the transaction on the Corporation and its subsidiaries, employees, depositors, loan and other customers, creditors, and other elements of the communities in which the Corporation and its subsidiaries operate or are located; (ii) the business and financial conditions and earnings prospects of the acquiring person or persons, including, but not limited to, debt service and other existing or likely financial obligations of the acquiring person or persons, and the possible effect of such conditions upon the Corporation and its subsidiaries and the other elements of the communities in which the Corporation and its subsidiaries operate or are located; and (iii) the competence, experience, and integrity of the acquiring person or persons and its or their management.

3

To the extent that a greater vote is not required by the Michigan Business Corporation Act, the affirmative vote of the holders of not less than eighty percent (80%) of the Voting Stock shall be required for the approval or authorization of any Business Combination Transaction with a Related Person, or any Business Combination Transaction in which a Related Person has an interest (except proportionately as a shareholder); provided, however, that the eighty percent (80%) voting requirement shall not be applicable if (i) the Continuing Directors, who at the time constitute at least a majority of the entire Board of Directors of the Corporation, have expressly approved the Business Combination Transaction by at least a two-thirds (2/3) vote of such Continuing Directors, or (ii) all of the following conditions are satisfied:

(A) The Business Combination Transaction is a merger or consolidation and cash or fair market value of property, securities, or other consideration to be received per share by holders of Common Stock of the Corporation (other than such Related Person) in the Business Combination Transaction is at least equal in value to such Related Person's Highest Purchase Price;

(B) After such Related Person has become the Beneficial Owner of not less than ten percent (10%) of the Voting Stock of the Corporation and prior to the consummation of such Business Transaction, such Related Person shall not have become the Beneficial Owner of any additional shares of Voting Stock or securities convertible into Voting Stock, except (i) as a part of the transaction which resulted in such Related Person becoming the Beneficial Owner of not less than ten percent (10%) of the Voting Stock, or (ii) as a result of a pro rata stock dividend or stock split; and

(C) Prior to the consummation of such Business Combination Transaction, such Related Person shall not have, directly or indirectly, (i) received the benefit (except proportionately as a shareholder) of any loan, advances, guarantees, pledges, or other financial assistance or tax credits provided by the Corporation or any of its subsidiaries, or (ii) caused any material change in the Corporation's business or equity capital structure, including the issuance of shares of capital stock of the Corporation to any third party.

For the Purpose of this Article
(i) The term "Business Combination Transaction" shall mean (a) any merger or consolidation involving the Corporation or a subsidiary of the Corporation, (b) any sale, lease, exchange, transfer, or other disposition (in one transaction or a series of transactions), including, without limitation, a mortgage or any other security device of all or any substantial part of the

assets either of the Corporation or of a subsidiary of the Corporation, (c) any sale, lease, exchange, transfer, or other disposition of all or any substantial part of the assets of an entity to the Corporation or a subsidiary of the Corporation, (d) the issuance, sale, exchange, transfer, or other disposition by the Corporation of the capital stock of any subsidiary of the Corporation, (e) any recapitalization or reclassification of the Corporation's securities (including, without limitation, any reverse stock split) or other transaction that would have the effect of increasing the voting power of a Related Person, (f) any liquidation, spin-off, split-up, or dissolution of the Corporation, and (g) any agreement, contract or other arrangement providing for any of the transactions described in this definition of Business Combination Transaction.

(ii) The term "Related Person" shall (a) mean and include any individual, corporation, partnership, group, association, or other person or entity which, together with its affiliates and the associates, is the Beneficial Owner of

not less than ten percent (10%) of the voting stock of the Corporation (x) at the time the definitive agreement providing for the Business Combination Transaction (including any amendment thereto) was entered into, (y) at the time a resolution approving the Business Combination Transaction was adopted by the Board of Directors of the Corporation, or (z) as of the record date for the determination of shareholders entitled to notice of and to vote on, or consent to, the Business Combination Transaction, and (b) shall mean and include any affiliate or associate of any such individual, corporation, partnership, group, association, or other person or entity; provided, however. and nothwithstanding anything in the foregoing to the contrary, the term "Related Person" shall not include the Corporation, a wholly owned subsidiary of the Corporation, or any trustee of, or fiduciary with respect to, any plan when acting in such capacity.

(iii) The term "Beneficial Owner" shall be defined by reference to Rule 13d-3 under the Securities and Exchange Act of 1934; provided, however, and without limitation, any individual, corporation, partnership, group, association, or other person or entity which has the right to acquire any Voting Stock at any time in the future whether such right is contingent or absolute, pursuant to any agreement, arrangement, or understanding upon exercise of the rights, warrants, or options, or otherwise, shall be "Beneficial Owner" of such Voting Stock.

(iv) The term "Highest Purchase Price" shall mean the highest amount of consideration paid by such Related Person for a share of Common Stock of the Corporation within two (2) years prior to the date such Related Person became the Beneficial Owner of not less than ten (10%) of the Voting Stock; and if such stock is not listed on any principal exchange, the highest closing bid quotation with respect to a share of stock during the 30-day period preceding the date in question, or if no quotations are available, the fair market value on the date in question of a share of such stock as determined by the Board of Directors of the Corporation in good faith.

(v) The term "Voting Stock" shall mean all outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for the purpose of this Article as one class; provided, however, that if the Corporation has shares of Voting Stock entitled to more or less than one vote for any such share, each reference to a proportion of shares of Voting Stock shall be deemed to refer to such proportion of the votes entitled to be case by such shares.

(vi) The term "Continuing Director" shall mean a director who either was a member of the Board of Directors of the Corporation prior to the time such Related Person became a Related Person or who subsequently became a director of the Corporation and whose election, or nomination for election by the Corporation's shareholders, was approved by a vote of at least three-quarters (3/4) of the Continuing Directors then on the Board.

Article VII

Directors of the Corporation shall not be personally liable to the Corporation or its shareholders for monetary damages for breach of fiduciary duties as a director. This Article VII shall not apply and shall not eliminate personal liability of a director: (i) for any breach of the director's duty of loyalty to the Corporation or its shareholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of law,

(iii) for a violation of Section 551(1) of the Michigan Business Corporation Act, or (iv) for any transaction from which the director derived an improper personal benefit.

Article IX

The business and affairs of the Corporations shall be managed by or under the direction of the Board of Directors, the Directors being elected and appointed as required by the Bylaws of the Corporation.

Article X

The Corporation reserves the right to amend and repeal all provisions contained in these Articles of Incorporation by a vote of shareholders; to the extent that a greater vote is not required by the Michigan Business Corporation Act, the amendment or repeal of all articles except Article VI shall require the affirmative vote of the holders of not less than sixty-six and two-thirds percent (66 2/3%) of the voting stock of the Corporation and the amendment or repeal of Article VI shall require the affirmative vote of the holders of not less than eighty percent (80%) of the voting stock of the Corporation.

MICHIGAN DEPARTMENT OF COMMERCE CORPORATION & SECURITIES BUREAU
Filed February 22, 1994

CERTIFICATE OF DESIGNATION FOR SERIES A JUNIOR PARTICIPATING PREFERRED STOCK OF MICHIGAN EMPIRE BANC CORPORATION PURSUANT TO SECTION 302 OF THE MICHIGAN BUSINESS CORPORATION ACT

I, William T. Fitzgerald, Jr., Secretary, of Michigan Empire Banc Corporation a corporation organized and existing under the laws of the State of Michigan (the "Corporation"), DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Articles of Incorporation of the Corporation, the Board of Directors on January 27, 1994, adopted the following resolution creating a series of fifty thousand (50,000) shares of Preferred Stock designated as Series A Junior Participating Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation in accordance with the provisions of its Articles of Incorporation, a series of Preferred Stock of the Corporation be and is hereby created, and that the designation and amount thereof and the voting powers, preferences and the relative, participating, options, or other special rights of the shares of such series, and the qualifications, limitations or restrictions thereof are as follows:

Section 1. Designation and Amount. The shares of such series shall be Designated as "Series A Junior Participating Preferred Stock" and the number of shares constituting such series shall be 50,000.

Section 2. Dividends and Distributions
(A) Subject to the prior and superior rights of the holders of any shares of any series of Preferred Stock ranking prior and superior to the shares of Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the last day of January, April, July, October in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $5.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, $5.00 par value per share, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend

Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time after January 27, 1994 (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine

the outstanding Common Stock into a smaller number of shares, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of share of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) above immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly dividend Payment Date, a dividend of $5.00 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Series A Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be no more than 30 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provisions for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time after the January 27, 1994 (i) declare or pay any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein or by law, the holders of shares of Series A Preferred Stock and the holders of Shares of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(C) (i) If at any time dividends on any Series A Preferred Stock shall be in arrears in an amount equal to four (4) quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividends periods and for the current quarterly dividend period on all shares of Series A Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, all holders of Preferred Stock (including holders of Series A Preferred Stock) with dividends in arrears in an amount equal to four (4) quarterly dividends thereon, voting as a class, irrespective of series, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting right of the holders of Series A Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of the Section 3(C) or at any annual meeting of shareholders, and thereafter at annual meetings of shareholders, provided that neither such voting right nor the right of the holders of any series of Preferred Stock, if any, to increase, in certain cases, the authorized number of Directors shall be exercised unless the holders of ten percent (10%) in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors or, if such right is exercised at an annual meeting, to elect two

(2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right, subject to the limitation on number of directors set forth in the Articles of Incorporation, to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided or pursuant to the rights of any equity securities ranking senior to or on a parity with the Series A Preferred Stock.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any shareholder or shareholders owning in the aggregate not less than ten percent (10%) of the total number of shares of Preferred Stock outstanding, irrespective of series, may request the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the Chairman, the President, the Mergers and Acquisitions Committee or the Board of Directors of the Corporation. Notice of such meeting and of any annual meting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 10 days and not later than 60 days after such order or request; or in default of the calling

of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any shareholder or shareholders owning in the aggregate not less than 10% of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the shareholders.

(iv) In any period the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two (2) Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (C)(ii) of this Section 3) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which Elected the Director whose office shall have become vacant. References in this Paragraph (C) to Directors elected by the holders of a particular class of Stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the Articles of Incorporation or bylaws irrespective of any increase made pursuant to the provisions of paragraph (C)(ii) of this Section 3 (such number being subject, however, to change thereafter in any manner provided by law or in the Articles of Incorporation or bylaws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to

the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such parity stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series

A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series of classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired or canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 6. Liquidation, Dissolution or Winding Up. Upon any voluntary liquidation, dissolution or winding up of the Corporation, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received $50.00 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment (the "Series A Liquidation Preference"). Following the payment of the full amount of the Series A Liquidation Preference, no additional distributions shall be made to the holders of shares of Series A Preferred Stock unless, prior thereto, the holders of shares of Common Stock shall have received an amount per share (the "Common Adjustment") equal to the quotient obtained by dividing (i) the Series A Liquidation Preference by (ii) 100 (as appropriately adjusted as set forth in subparagraph C below to reflect such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock) (such number in clause (ii), the "Adjustment Number"). Following the payment of the full amount of the Series A Liquidation Preference and the Common Adjustment in respect of all outstanding shares of Series A Preferred Stock and Common Stock, respectively, holders of Series A Preferred Stock and holders of shares of Common Stock shall receive their ratable and proportionate share of the remaining assets to be distributed in the ratio of the Adjustment Number to 1 with respect to such Preferred Stock and Common Stock, on a per share basis, respectively.

(B) In the event, however, that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other series of preferred stock, if any, which rank on a parity with the Series A Preferred Stock, then such remaining assts shall be distributed ratably to the holders of such parity shares in proportion to their respective liquidation preferences. In the event, however, that there are not sufficient assets available to permit payment in full of the Common Adjustment, then such remaining assets shall be distributed ratably to the holders of Common Stock.

(C) In the event the Corporation shall at any time after the January 27, 1994 (i) declare any dividend on Common Stock payable in shares in Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each such case the Adjustment Number in effect immediately prior to such event shall be adjusted by multiplying such Adjustment Number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Series A Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after January 27, 1994 (i) declare or pay any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding Common Stock, or (iii) combine the outstanding Common Stock into a smaller number of shares, then in each case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. Ranking. The Series A Preferred Stock shall rank junior to all other series of the Corporation's Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 9. Amendment. The Articles of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of two thirds or more of the outstanding shares of Series A Preferred Stock, voting separately as a class.

Section 10. Fractional Shares. Series A Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in liquidating distributions and to have the benefit of all other rights of holders of Series A Preferred Stock.

IN WITNESS WHEREOF, we have executed and subscribed this Certificate and do affirm the forgoing as true this 27th day of January, 1994.

/s/ William T. Fitzgerald, Jr.

William T. Fitzgerald, Jr.
Secretary and Vice President

MICHIGAN DEPARTMENT OF COMMERCE - CORPORATION AND SECURITIES BUREAU
Filed June 1, 1994

Certificate of Merger

Pursuant to the provisions of Act 284, Public Acts of 1972, the undersigned corporations execute the following Certificate:

1. The Plan of Merger is as follows:
   a. The name of each constituent corporation and its corporation identification number (CID) is:
      EMPIRE BANC CORPORATION 627-246
      MICHIGAN EMPIRE BANC CORPORATION 070-234

b. The name of the surviving corporation and its corporation identification number (CID) is:
   MICHIGAN EMPIRE BANC CORPORATION which name will by virtue of the merger be changed to "EMPIRE BANC CORPORATION" 070-234

c. For each constituent corporation, state:

<TABLE>
<CAPTION>

Name of Corporation	Designation and number of outstanding shares in each class or series	Indicate class or series of shares entitled to vote	Indicate class or series entitled to vote as a class
<S>	<C>	<C>	<C>
Empire Banc Corporation	1,304,302 common	common	none
Michigan Empire Banc Corporation	1,000 common	none	none

</TABLE>

d. The terms and conditions of the proposed merger, including the manner and basis of converting the shares of each constituent corporation into shares, bonds, or other securities of the surviving corporation, or into cash or other consideration, are as follows:

See Exhibit A hereto.

e. The amendments to the Articles of Incorporation of the surviving corporation to be effected by the merger are as follows:

The name of the Surviving Corporation is changed from Michigan Empire Banc Corporation to "Empire Banc Corporation."

f. Other provisions with respect to the merger are as follows:

See Exhibit A hereto.

2. This merger is permitted by the laws of the State of Delaware, the jurisdiction under which Empire Banc Corporation is formed and the plan of merger was adopted and approved by such corporation pursuant to and in accordance with the laws of that jurisdiction.

3. The number of outstanding shares of each class of the subsidiary corporation and the number of shares of each class owned by the parent corporation is as follows:

Class	Total shares outstanding	Share owned by parent corporation
Common	1,000	1,000

4. N/A

5. The consent to the merger by the shareholders of the parent corporation was obtained.

6. The merger shall be effective on the 1st day of June, 1994

Signed this 27th day of May, 1994

Empire Banc Corporation

By /s/ William T. Fitzgerald, Jr.

William T. Fitzgerald, Jr.
Vice President

EXHIBIT A

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger is made and entered into as of January 27, 1994, between Empire Banc Corporation, a Delaware Corporation ("Delaware Empire"), and Michigan Empire Banc Corporation, a Michigan corporation, ("Michigan Empire"). Delaware Empire and Michigan Empire are hereinafter sometimes collectively referred to as the "Constituent Corporations".

RECITALS

Delaware Empire is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. As of January 27, 1994, the authorized capital stock of Delaware Empire consists of 5,000,000 shares of common stock, $5.00 par value per share ("Delaware Empire Common Stock"), of which 1,299,302 were issued and outstanding, and 2,000,000 shares of preferred stock, $1.00 par value per share, of which 50,000 shares have been designated as Series A Junior Participating Preferred Stock, none of which are issued and outstanding. All shares of Delaware Empire Common Stock issued and outstanding shall be entitled to vote with respect to this Agreement and Plan of Merger. The number of shares of Delaware Empire Common Stock are subject to change prior to the Effective Time by issuance of additional shares as may be authorized by the Board of Directors of Delaware Empire, from time to time, or pursuant to various employee benefit plans of Delaware Empire. The number of shares of Delaware Empire Series A Participating Preferred Stock is not subject to change prior to the Effective Time.

Michigan Empire is a corporation duly organized and validly existing under the laws of the State of Michigan. As of the date hereof, the authorized capital of Michigan Empire consists of 5,000,000 shares of common stock, $5.00 par value per share ("Michigan Empire Common Stock") of which 1,000 shares are issued and outstanding, and 2,000,000 shares of Preferred Stock, $1.00 par value per share, of which 50,000 shares have been designated as Series A Junior Participating Preferred Stock, none of which were issued and outstanding. No such issued and outstanding shares are entitled to vote with respect to this Agreement and Plan of Merger. The number of shares is not subject to change prior to the Effective Time.

The respective Boards of Directors of Michigan Empire and Delaware Empire deem the Merger advisable and in the best interests of each such corporation and their respective shareholders. The respective Boards of Directors of Michigan Empire and Delaware Empire, by resolutions duly adopted, have approved this Agreement and Plan of Merger, and this Agreement and Plan of Merger shall be submitted to and approved by the requisite vote of Delaware Empire's shareholders.

Therefore, in consideration of the premises and the mutual covenants and agreements herein contained, the parties hereby covenant and agree as follows:

ARTICLE I

1.01 Merger of Delaware Empire into Michigan Empire. Delaware Empire shall be merged into Michigan Empire (Michigan Empire is sometimes hereinafter referred to as the "Surviving Corporation") upon the filing of the appropriate Certificates of Merger with the Michigan Department of Commerce and the Delaware Secretary of State, hereinafter referred to as the "Effective Time,"

unless some other date or time is agreed to by the parties. The separate corporate existence of Delaware Empire shall thereupon cease and Michigan Empire shall be the surviving corporation.

1.02 Effect of the Merger. From and after the Effective Time:
(a) The separate existence of the Delaware Empire shall cease and be merged into one, the Surviving Corporation, which shall possess all of the rights,

privileges, immunities, powers and franchises of a public as well as of a private nature, and shall be subject to all the restrictions, disabilities and duties, of each of Delaware Empire and Michigan Empire; and all singular rights, privileges, immunities, powers and franchises of each of Delaware Empire and Michigan Empire, and all property, real, personal and mixed, and all debts due to either Delaware Empire or Michigan Empire on whatever account, including subscriptions to shares, and all other things in action or belonging to each of Delaware Empire and Michigan Empire shall be vested in Surviving Corporation; and all property, rights, privileges, immunities, powers, and franchises, and all and every interest, shall be thereafter as effectually the property of the Surviving Corporation as they were of Delaware Empire and Michigan Empire and the title to any real estate, or interest therein, vested by deed or otherwise, in either of Delaware Empire and Michigan Empire shall not revert or be in any way impaired by reason of the Merger.

(b) All rights of creditors and all liens upon any property of Delaware Empire or Michigan Empire shall be preserved unimpaired and all debts, liabilities and duties of Delaware Empire or Michigan Empire shall thenceforth attach to the Surviving Corporation and may be enforced against the Surviving Corporation to the same extent as if said debts, liabilities and duties had been incurred or contracted by it; provided, however, that all such liens shall attach only to those assets to which they were attached prior to the Effective Time.

(c) Any action or proceeding, whether civil, criminal or administrative, pending by or against either Delaware Empire or Michigan Empire shall be prosecuted as if the Merger had not taken place, and the Surviving Corporation may be substituted as a party in such action or proceeding in place of Delaware Empire or Michigan Empire.

1.03 Additional Actions. If, at any time after the Effective Time, the Surviving Corporation shall consider or be advised that any further assignments or assurances in law or any other acts are necessary or desirable to (a)vest, perfect or confirm, of record or otherwise, in the Surviving Corporation its rights, title or interest in, to or under any of the rights, properties or assets of Delaware Empire acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger, or (b) otherwise carry out the purposes of this Agreement and Plan of Merger, Delaware Empire and its proper officers and directors shall be deemed to have granted to the Surviving Corporation an irrevocable power of attorney to execute and deliver all such proper deeds, assignments and assurances in law and to do all acts necessary or proper to vest, perfect or confirm title to and possession of such rights, properties or assets in the Surviving Corporation and otherwise to carry out the purposes of this Agreement and Plan of Merger; and the proper officers and directors of the Surviving Corporation are fully authorized in the name of Delaware Empire or otherwise to take any and all such action.

ARTICLE II

2.01 Name. The name of the Surviving Corporation shall be Empire Banc Corporation.

2.02 Articles of Incorporation. From and after the Effective Time, the Articles of Incorporation of Michigan Empire shall be the Articles of Incorporation of the Surviving Corporation until duly amended in accordance with law.

2.03 Bylaws. The Bylaws of Michigan Empire, as in effect immediately prior to the Effective Time, shall be the Bylaws of the Surviving Corporation until duly amended in accordance with law.

2.04 Directors and Officers. The directors and officers of Delaware Empire immediately prior to the Effective Time shall be the directors and officers of the Surviving Corporation.

ARTICLE III

3.01 Manner and Basis of Converting Shares of Michigan Empire Common Stock. At the Effective Time, each share of Michigan Empire Common Stock that is validly issued and outstanding immediately prior to the Effective Time shall canceled and returned to the status of authorized but unissued shares.

3.01 Manner and Basis of Converting Shares of Delaware Empire Common Stock. Each share of Delaware Empire Common Stock that is validly issued and outstanding immediately prior to the Effective Time shall, without any action on the part of the holder thereof, be converted into and shall represent the right to receive and be exchangeable for one (1) fully paid and nonassessable share of Michigan Empire Common Stock, par value $5.00 per share.

3.03 Manner and Basis of Converting Stock Options and Other Rights. Each stock option and any other rights to purchase shares of Delaware Empire Common Stock granted by Delaware Empire under or subject to the Empire Banc Corporation Stock Option Plan of 1988 (the "Stock Option Plan") any of the stock option plans of Delaware Empire or pursuant to the Rights Agreement between Delaware Empire and Empire National Bank dated as of December 19, 1990 (the "Rights Agreement") and outstanding immediately prior to the Effective Time shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into and become a stock option or right to purchase, upon the same terms and conditions, the number of shares of Delaware Empire Common Stock (subject to future adjustment as provided in the governing stock option plan or the Rights Agreement) which is equal to the number of shares of Delaware Empire Common Stock which the holder thereof would have received had such holder exercised the option or right in full immediately prior to the Effective Time (whether or not such option or right was then exercisable). The price per share payable upon exercise under each of said options or rights shall (subject to future adjustment as provided in the governing stock option plan or Rights Agreement) be equal to the exercise price per share thereunder immediately prior to the Effective Time.

ARTICLE IV

4.01 Exchange.

(a) After the Effective Time, each certificate theretofore representing shares of Delaware Empire Common Stock and/or rights to purchase shares of Delaware Empire Common Stock shall for all purposes evidence ownership of and represent the same number of shares of Michigan Empire Common Stock and/or rights, as the case may be, and the registered owner on the books and records

of Michigan Empire or its transfer agent of any such outstanding stock certificate shall, until such certificate shall have been surrendered for transfer or conversion or otherwise accounted for to Michigan Empire or its transfer agent, have and be entitled to exercise any voting and other rights with respect to, and to receive any dividend and other distributions upon, the shares of Michigan Empire evidenced by such outstanding certificate as above provided.

(b) At any time on or after the Effective Time, any holder of certificates theretofore evidencing ownership of shares of Delaware Empire Common Stock and/or rights to purchase shares of Delaware Empire Common Stock will be entitled, upon surrender of such certificates to the transfer and/or rights agent of the Surviving Corporation, to receive in exchange therefor one or more new certificates evidencing ownership of the number of shares of Michigan Empire Common Stock and/or rights into which such Delaware Empire Common Stock and/or rights shall have been converted in the Merger, except that separate certificates for rights pursuant to the Rights Agreement shall be issued only in the circumstances contemplated by the Rights Agreement. If any certificate representing shares of Michigan Empire Common Stock and/or rights is to be issued in a name other than that in which the certificate surrendered in exchange therefor is registered, it shall be a condition of the issuance thereof that the certificate so surrendered shall be properly endorsed and otherwise in proper form for transfer and that the person requesting such exchange shall pay to the transfer and/or rights agent (if separate certificates for common share purchase rights have been issued) any transfer or other taxes required by reason of the issuance of a certificate representing shares of Michigan Empire Common Stock and/or rights in any name other than that of the registered holder of the certificate surrendered, or otherwise required, or shall establish to the satisfaction of the transfer and/or rights agent that such tax has been paid or is not payable.

4.02 Option Rights and Rights Agreements. At the Effective Time, Michigan Empire will assume and continue the Rights Agreement and the rights thereunder and will also assume and continue the Stock Option Plan and all other agreements pursuant to which stock of Delaware Empire may be issued from time to time, and the Stock Option Plan and such agreements, and all outstanding stock options and rights thereunder, shall immediately prior to the Effective Time be automatically amended to the extent necessary to permit continuance of the Rights Agreement, the Stock Option Plan and such other agreements and continuance and conversion of said stock options and rights into those of Michigan Empire following of the Merger, notwithstanding any provisions to the contrary contained therein.

4.03 Other Employee Benefit Plans. At the Effective Time, Michigan Empire will assume all obligations of Delaware Empire under any and all other employee benefit plans or incentive compensation plans in effect as of the Effective Time or with respect to which employee rights or accrued benefits are outstanding as of the Effective Time and all such plans shall continue to be plans of Michigan Empire as the Surviving Corporation.

ARTICLE V

The obligation of each of the parties hereto to consummate the transactions contemplated by this Agreement and Plan of Merger are subject to the satisfaction of the following conditions at or prior to the Effective Time:

5.01 Approval by Affirmative Vote of Shareholders. This Agreement and Plan of Merger shall have been duly approved, confirmed and ratified by the requisite vote of the shareholders of Delaware Empire.

5.02 Approvals. All actions, consents or approvals, governmental or otherwise, which are, or in the opinion of counsel for Delaware Empire or Michigan Empire may be, necessary to permit or enable Michigan Empire, upon and after the merger, to conduct all or any part of the activity and business of Delaware Empire, in the manner in which such activity and business is conducted up to the Effective Time, shall have been obtained without any conditions which in the reasonable opinion of Delaware Empire or Michigan Empire are materially adverse, and shall not have been withdrawn or stayed.

ARTICLE VI

6.01 Counterparts. This Agreement and Plan of Merger may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one agreement.

6.02 Governing Law. This Agreement and plan of Merger shall be governed in all respects, including, but not limited to, validity, interpretation, effect and performance, by the laws of the State of Michigan.

6.03 Amendment. Subject to applicable law, this Agreement and Plan of Merger may be amended, modified or supplemented only by written agreement of Delaware Empire and Michigan Empire, by their respective officers thereunto duly authorized, at any time prior to the Effective Time.

6.04 Waiver. Any of the terms or conditions of this Agreement and Plan of Merger may be waived at any time by whichever of the constituent Corporations is, or the shareholders of which are, entitled to the benefit thereof by action taken by the Board of Directors of such Constituent Corporation.

6.05 Termination. This Agreement and Plan of Merger shall terminate by resolution adopted by each of the Boards of Directors of Delaware Empire and Michigan Empire, whether before or after shareholders' approval of this Agreement and Plan of Merger, or on such earlier date, if any of the conditions to the obligations of the parties hereto shall have become impossible of fulfillment unless such condition is waived by the parties hereto, and there shall be no liability on the part of any of the parties hereto upon such termination (or any of their respective directors or officers).

IN WITNESS WHEREOF, each of the Constituent Corporations have caused this Agreement and Plan of Merger to be executed on their behalf by their officers hereunto duly authorized and their respective corporate seals to be affixed hereto, all as of the date first above written.

ATTEST:	EMPIRE BANC CORPORATION
By: /s/ William T. Fitzgerald, Jr.	By: /s/ James E. Dutmers, Jr.
William T. Fitzgerald, Jr. Secretary	James E. Dutmers, Jr. Chairman and Chief Executive Officer

State of Michigan)
) ss:
County of Grand Traverse)

On this 27th day of January, 1994, before me appeared the above-signed Officers, who being duly sworn, deposed and said that they are officers of Empire Banc Corporation, and are duly authorized by its Board of Directors to sign, affirm and verify this Agreement and Plan of Merger and that this Agreement and Plan of Merger has been approved by all requisite action of the Board of Directors of Empire Banc Corporation and this Agreement and Plan of Merger is the act and deed of the Corporation and the facts stated herein are true to the best of their knowledge.

/s/ Susan E. Richardson

Susan E. Richardson, Notary Public
Leelanau County, Michigan
Acting in Gr. Traverse Co., Michigan
My Commission Expire: 3-14-1995

ATTEST: MICHIGAN EMPIRE BANC CORPORATION

By: /s/ William T. Fitzgerald, Jr.

William T. Fitzgerald, Jr.
Secretary

By: /s/ James E. Dutmers, Jr.

James E. Dutmers, Jr.
Chairman and Chief
Executive Officer

State of Michigan)
) ss:
County of Grand Traverse)

On this 27th day of January, 1994, before me appeared the above-signed officers, who being first duly sworn, deposed and said that they are officers of Michigan Empire Banc Corporation and are duly authorized by its Board of Directors to sign, affirm and verify this Agreement and Plan of Merger and this Agreement and Plan of Merger has been approved by all requisite action of the Board of Directors of Michigan Empire Banc Corporation and this Agreement and Plan of Merger is the act and deed of the Corporation and the facts stated herein are true to the best of their knowledge.

/s/ Susan E. Richardson

Susan E. Richardson, Notary Public
Leelanau County, Michigan
Acting in Gr. Traverse Co., Michigan
My Commission Expire: 3-14-1995

MICHIGAN DEPARTMENT OF COMMERCE-CORPORATION AND SECURITES BUREAU
Filed May 30, 1995

CERTIFICATE OF AMENDMENT TO THE ARTICLES OF INCORPORATION

Pursuant to the provisions of Act 284, Public Acts of 1972 (profit corporations), the undersigned corporation executes the following Certificate:

1. The present name of the corporation is:
EMPIRE BANC CORPORATION

2. The identification number assigned by the Bureau is: 070-234

3. The location of the registered office is:
1227 East Front Street, Traverse City, Michigan 49684

4. Articles VIII, X and XI of the Articles of Incorporation is hereby amended to read as follows:
(Article X is amended. Articles VIII and XI added)
see Attachment

5b. The foregoing amendment to the Articles of Incorporation was duly adopted on the 16th day of May, 1995. The amendment was duly adopted in accordance with Section 611(2) of the Act by the vote of the shareholders. The necessary votes were cast in favor of the amendment.

Signed this 16th day of May, 1995

By /s/ William T. Fitzgerald, Jr.

William T. Fitzgerald, Jr.
Vice President

ATTACHMENT

ARTICLE VIII
Any director may be removed only for cause and only by the affirmative vote of the holders of a majority of the shares then entitled to vote at an election of directors.

ARTICLE X
To the extent that a greater vote is not required by the Michigan Business Corporation Act, the amendment or repeal of Article VI hereof shall require the affirmative vote of the holders of not less than 80% of the shares of stock then entitled to vote at any regular or special meeting of the shareholders, voting together a single class, and the amendment or repeal of

Article VII, Article VIII, Article IX, this Article X and Article XI hereof shall require the affirmative vote of the holders of not less than 66-2/3% of the shares of stock then entitled to vote at any regular or special meeting of the shareholders, voting together as a single class.

ARTICLE XI

The Bylaws of this Corporation shall be subject to alteration, amendment or repeal, and new Bylaws may be adopted, (i) by the affirmative vote of the holders of not less than a majority of the shares or stock then entitled to vote at any regular or special meeting of the shareholders, voting together as a single class, or (ii) by the Board of Directors, as provided in the Bylaws; provided, that any alteration, amendment or repeal, or the adoption of any provision inconsistent with Article 1, Section 1.2, Section 1.3 and Section 1.11 and Article 2, Section 2.1, Section 2.2, Section 2.3, Section 2.4, Section 2.5 and Section 2.8, and Article 10 and Article 11 of the Bylaws shall require, in case of shareholder action, the affirmative vote of the holders of not less than 66 2/3% of the shares or stock then entitled to vote at any regular meeting or special meeting of the shareholders, voting together as a single class, or in the case of action by the Board of Directors, the affirmative vote of such number of directors as shall be specified in the Bylaws.

MICHIGAN DEPARTMENT OF CONSUMER AND INDUSTRY SERVICES
Filed May 28, 1998

CERTIFICATE OF AMENDMENT TO THE ARTICLES OF INCORPORATION

EMPIRE BANC CORPORATION
CID #070-234
Resolutions Adopted by the Board of Directors on April 23, 1998
Pursuant to Section 301a of the Michigan Business Corporation Act Relating to Deleting Reference to Par Value

WHEREAS, this Board of Directors deems it to be in the best interest of this Corporation and its shareholders to amend the Articles of Incorporation to Delete all reference to par value.

NOW, THEREFORE, BE IT RESOLVED, that pursuant to Section 301a of the Michigan Business Corporation Act, Article III (and any series designation made with respect thereto) of the Articles of Incorporation of this Corporation be and hereby is amended to delete all reference to par value.

CERTIFICATE
The undersigned, William T. Fitzgerald, Jr. hereby certifies that he is a Vice-President and the Secretary of Empire Banc Corporation, a Michigan corporation, and the foregoing is a true and correct copy of a Preamble and Resolution duly adopted at a meeting of the Board of Directors of said Corporation and held April 23, 1998, at which a quorum was present and acting throughout and that such Preamble and Resolution are in full force and effect and have not been amended, rescinded or repealed as of the date hereof.

Dated: May 26, 1998

/s/ William T. Fitzgerald, Jr.

William T. Fitzgerald, Jr.
Vice-President and Secretary

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of Empire Banc Corporation on Form S-8 (Registration Statement Nos. 33-58578, 333-36747, 333-63759), of our report dated January 21, 1999 on the consolidated financial statements of Empire Banc Corporation, as of December 31, 1998 and 1997 and for each of the three years in the period ended December 31, 1998, which report is included in the 1998 Annual Report on Form 10-K of Empire Banc Corporation.

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/s/ Crowe, Chizek and Company LLP

Crowe, Chizek and Company LLP

Grand Rapids, Michigan
March 25, 1999

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