FORM 10-K405

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

Filing Date: **1996-12-30** | Period of Report: **1996-09-30**
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FILER

MID CONTINENT BANCSHARES INC /KS/

CIK:**919740**| IRS No.: **481146797** | State of Incorp.:**KS** | Fiscal Year End: **0930**
Type: **10-K405** | Act: **34** | File No.: **000-23620** | Film No.: **96687890**
SIC: **6035** Savings institution, federally chartered

Mailing Address
P O BOX 470
EL DORADO KS 67042

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended September 30, 1996

- OR -

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____________________ to _____________________

SEC File Number: 0-23620

MID CONTINENT BANCSHARES, INC.
(Exact name of Registrant as specified in its Charter)

Kansas	48-1146797
(State or other jurisdiction of of incorporation or organization)	(I.R.S. Employer Identification Number)
124 W. Central, El Dorado, Kansas	67042
(Address of principal executive offices)	(Zip Code)

Registrants telephone number, including area code: (316) 321-2700

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

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

Common Stock, par value $0.10 per share
(Title of Class)

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

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the last sale price of such stock on December 5, 1996, was $39.1 million.

As of December 5, 1996, the Registrant had 2,016,750 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

1. Parts II and IV -- Portions of the Registrant's 1996 Annual Report to Stockholders.

2. Part III -- Portions of the Registrant's Proxy Statement for Annual Meeting of Stockholders to be held in January 1997.

PART I

Item 1. Business
(Dollars in Thousands)

General

Mid Continent Bancshares, Inc. ("Registrant" or "Company") is a unitary savings and loan holding company that was incorporated in January 1994 under the laws of the State of Kansas for the purpose of acquiring all of the issued and outstanding common stock of Mid-Continent Federal Savings Bank ("Mid-Continent Federal" or "Savings Bank"). This acquisition occurred in June 1994 at the time Mid-Continent Federal changed its name from Mid-Continent Federal Savings and Loan Association of El Dorado, simultaneously converted from a mutual to stock institution, and sold all of its outstanding capital stock to the Company and the Company made its initial public offering of common stock. As of September 30, 1996, the Company had total assets of $340,186, total deposits of $214,493, and stockholders' equity of $36,807 or 10.8% of total assets under generally accepted accounting principles ("GAAP"). The only subsidiary of the Company is the Savings Bank. The Savings Bank has one subsidiary, Laredo Investment, Inc.

Mid-Continent Federal is a federally chartered capital stock savings bank located in El Dorado, Kansas. The Savings Bank was founded in 1925 as a Kansas chartered savings and loan association under the name Mid-Continent Savings and Loan Association. In 1935, the Savings Bank adopted a federal charter and changed its name to Mid-Continent Federal Savings and Loan Association of El Dorado (the "Association"). In June 1994, the Association converted from a federally chartered mutual savings and loan association to its current form, a federally chartered capital stock savings bank subsidiary of a savings and loan holding company. The Savings Bank's deposits are federally insured by the Federal Deposit Insurance Corporation ("FDIC").

The Company directs and plans the activities of the Savings Bank, the Company's primary asset. The Company's business activities to date have been limited to its investment in the Savings Bank, loans made to the Savings Bank for use in the normal course of the Savings Bank's business and to the Mid-Continent Federal Savings Bank Employee Stock Ownership Plan (the "ESOP") to enable the ESOP to purchase shares of the Company's common stock in the initial public offering and the repurchase of a portion of the Company's stock, as permitted by the Office of Thrift Supervision. References to the Company include the Savings Bank, unless the context otherwise indicates.

The Company is primarily engaged in attracting deposits from the general public and using those funds to originate and sell real estate loans on one-to-four family residences and, to a lesser extent, to originate consumer and construction loans for its portfolio. The Company also purchases one-to-four family residential loans. The Company has offices in El Dorado, Newton, Winfield, Augusta and Wichita, Kansas, which are located in its primary market area of Butler, Cowley, Sedgwick and Harvey Counties in the State of Kansas. The Company opened one full service branch in Wichita in 1996 and expects to open another in 1997. A full service branch

was opened in October, 1996 in Winfield, Kansas, to compliment the existing full service branch in that city. The new branch is located in the local Dillon's supermarket and will maintain extended hours to serve its customer base. In addition, the Company invests in mortgage-related securities and investment securities. The Company offers its customers fixed-rate, and adjustable-rate mortgage loans ("ARM"), as well as FHA/VA loans and consumer loans, including home equity and savings account loans. Adjustable-rate mortgage loans and short-term fixed-rate mortgage loans generally are originated for retention in the Company's portfolio while long-term fixed-rate mortgage loans are generally sold into the secondary market. All consumer loans are retained in the Company's portfolio.

The principal sources of funds for the Company's lending activities are deposits and the amortization, repayment and maturity of loans, mortgage-related securities, and investment securities and borrowings from the Federal Home Loan Bank. Principal sources of income are interest and fees on loans, mortgage-related securities, investment securities, and deposits held in other financial institutions. The Company's principal expense is interest paid on deposits.

The Company is actively engaged in the purchase and sale of mortgage loans through a correspondent network. These purchased loans and loans originated by the Company are then sold, generally without recourse, into the secondary market with the Company generally retaining the servicing rights. The Company is contingently liable on certain loans sold with recourse. The principal balance of loans sold with recourse totalled approximately $127 and $ - 0 - at September 30, 1995 and September 30, 1996, respectively.

The Company has striven to increase its other income by increasing its portfolio of loans serviced for others. The Company expects to continue to increase the size of its portfolio of loans serviced for others. This portfolio totalled approximately $1,229,153 as of September 30, 1996. Income from loan servicing fees, net of amortization and before operating expenses, has provided a substantial portion of net income in recent years and totalled $3,128, before income tax, for the fiscal year ended September 30, 1996.

The counties of Butler, Cowley, Sedgwick and Harvey, Kansas are the Company's primary market area for deposits and are located in south central Kansas. This area was founded on agriculture and the oil and gas industry, which continue to play a major role in the economy. This area has also attracted a variety of industries including aircraft, recreational and camping equipment, balloon plant, meat processing, refineries, state and private universities, junior colleges, electronics manufacturing, and heating and air conditioning equipment manufacturing. This area also includes the health care, financial service, and other service related industries, including the wholesale/retail trade industries. Also, within Butler County are located two state prisons. The largest employment sectors in the Company's market area are aircraft, industrial manufacturing, and retail.

Asset and Liability Management

Although the Company's dependence upon net interest income has been greatly reduced during the past several years as a result of the increase in sources of other income obtained through its mortgage banking operation and purchases of mortgage servicing rights ("MSR"), the income from retail operations and assets held in portfolio still depends primarily upon net interest income. The ability to maximize net interest income is largely dependent upon the achievement of a positive interest rate spread that can be sustained during fluctuations in prevailing interest rates. Interest rate sensitivity is a measure of the difference between amounts of interest-earning assets and interest-bearing liabilities which either reprice or mature within a given period of time. The difference, or the interest rate repricing "gap," provides an indication of the extent to which an institution's interest rate spread will be affected by changes in interest rates over a period of time. A gap is considered positive when the amount of interest-rate sensitive assets maturing or repricing over a specified period of time exceeds the amount of interest-rate sensitive liabilities maturing or repricing within that period and is considered negative when the amount of interest-rate sensitive liabilities maturing or repricing over a specified period of time exceeds the amount of interest-rate sensitive assets maturing or repricing within that period. Generally, during a period of rising interest rates, a negative gap within a given period of time would adversely affect net interest income, while a positive gap within a given period of time would result in an increase in net interest income; during a period of falling interest rates, a negative gap within a given period of time would result in an increase in net interest income while a positive gap within a given period of time would have the opposite effect. At September 30, 1996, the Company's one year and three year cumulative interest sensitivity gap as a percentage of total assets was a negative 23.85% and a negative 25.36%, respectively.

In an effort to reduce interest rate risk and protect it from the negative effect of increases in interest rates, the Company has instituted certain asset and liability management measures. This strategy includes the following primary elements: (i originating and purchasing long-term fixed-rate loans only for sale in the secondary mortgage market, (ii) maintaining a high percentage of total assets in short-term securities and other liquid assets, (iii) increasing sources of other income, such as gain on sale of loans and loan servicing fees, (iv) increasing its ARM and short-term fixed rate loan portfolio and (v) building a loan servicing portfolio whose market value floats inversely to the movement of interest rates. A loan servicing portfolio becomes more valuable as the "turnover" in the mortgage loans slows. Mortgage loans traditionally become more seasoned and turnover less as interest rates rise. Therefore, after interest rates rise, the value of a loan servicing portfolio generally increases (assuming credit quality is maintained), causing the opposite effect to the value of the Company's loans and investments.

Certain risks are inherent in the business of mortgage banking. There is a risk that the Company will not be able to sell all the loans that it originates or purchases or, conversely, that the Company will be unable to fulfill its contractual commitment to deliver loans. In addition, in periods of rising interest rates, loans originated or purchased by the Company may decline in value. Exposure to interest rate risk is significant during the period between the time the interest rate on a customer's mortgage loan application is established and the time the mortgage loan closes, and also during the period between the time the interest rate is established and the time the Company commits to sell the loan. If interest rates change in an unanticipated fashion, the actual percentage of loans that close may differ from projected percentages. The resultant mismatching of commitments to close loans and commitments to deliver sold loans may have an adverse effect on the profitability of loan originations in any such period. A sudden increase in interest rates can cause a higher percentage of loans to close than projected. To the degree that this was not anticipated, the Company will not have made commitments to sell these additional loans and may incur significant mark to market losses, adversely affecting results of operations. In order to minimize these risks, it is the policy of the Company to cover approximately 70%-75% of the loans that it has originated or purchased with sales contracts with third parties. A mortgage banker that is unable to fulfill its commitments to deliver mortgage loans to third parties will be subject to the payment of fees and monetary penalties as well as the loss of business reputation. Management attempts to adequately cover its delivery commitments by limiting such commitments to 70%-75% of the aggregate amount of loans held for sale or committed for origination or purchase plus a percentage of the aggregate loan applications received. However, the risk associated with failing to meet delivery commitments cannot be eliminated due to the variables created by changes in market conditions and other factors. Commitments to sell loans are considered when assessing the lower of cost or market valuation of the Company's loans held for sale portfolio.

Gap Table

The following table sets forth the amount of interest-earning assets and interest-bearing liabilities outstanding at September 30, 1996, which are expected to reprice or mature in each of the future time period shown. The amount of assets or liabilities shown which reprice or mature during a particular period were determined by the contractual terms of the asset or liability. The table assumes prepayments and scheduled principal amortization of fixed-rate loans and mortgage-related securities, and assumes that adjustable rate mortgage loans will reprice at contractual repricing intervals. No consideration has been provided for the impact of future commitments and loans in process.

<TABLE>
<CAPTION>

	Within One Year Amount	Over 1-3 Years Amount	Over 3-5 Years Amount	Over 5 Years Amont	Total Amount
	(Dollars in Thousands)				
Interest-earning assets:					
<S>	<C>	<C>	<C>	<C>	<C>
Mortgage loans and MRS (1)	$100,046	$61,843	$19,905	$31,256	$213,050
Other loans	3,086	1,944	701	478	6,209
Investment securities (2)	12,765	11,377	-	70,344	94,486
Total interest-earning securities	115,897	75,164	20,606	102,078	313,745
Interest-bearing liabilities:					
Non-interest-bearing deposits	10,074	7,512	2,928	1,870	22,384
Demand and NOW accounts	10,524	1,760	1,163	954	14,401
Savings accounts	6,564	597	431	1,098	8,690
Money market deposit accounts	9,100	2,007	782	498	12,387
Certificates of deposit	97,575	49,930	3,335	5,791	156,631
FHLB advances	63,200	18,500	-	-	81,700
Total interest-bearing liabilities	197,037	80,306	8,639	10,211	296,193
Interest sensitivity gap	($81,140)	($5,142)	$11,967	$91,867	$17,552
Cumulative interest sensitivity gap	($81,140)	($86,282)	($74,315)	$17,552	$17,552
Ratio of interest-earning assets to interest-bearing liabilities	58.82%	93.60%	238.52%	999.69%	105.93%
Ratio of cumulative gap to total assets	(23.85%)	(25.36%)	(21.85%)	5.16%	5.16%

</TABLE>

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(1) Includes loans held for sale. Mortgage-related securities are identified as

"MRS".
(2) Includes investment securities, FHLB stock, FHLB stock and interest-earning deposits in banks.

Certain shortcomings are inherent in the method of analysis presented in the table above. For example, although certain assets and liabilities may have similar maturities or periods of repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate mortgage loans, have features which restrict changes in interest rates on a short-term basis over the life of the asset. Further, in the event of a change in interest rates, prepayment levels and decay rates on core deposits would likely deviate significantly from those assumed in calculating the table.

The Company's analysis of its interest-rate sensitivity incorporates certain assumptions concerning the amortization of loans and other interest-earning assets and the repricing characteristics of deposits. The Company has made the following assumptions in calculating the value on the above-referenced table: adjustable-rate mortgage loans have prepayments rates ranging from 10 to 31%; fixed-rate mortgage loans have a prepayment rate that is constant through time but varies from 5% for lower contractual interest rate loans to 37% for higher

contractual interest rate loans; consumer loans have prepayment rates ranging from 4 to 17%; core savings deposits have a decreasing decay rate through time ranging from 100% almost immediately to 15% after one year; NOW checking deposits have a decreasing decay rate through time ranging from 100% almost immediately to 19% after one year; and money market deposits have a decreasing decay rate through time ranging from 100% almost immediately to 38% after one year. The interest-rate sensitivity of the Company's assets and liabilities illustrated in the table could vary substantially if different assumptions were used or if actual experience differs from the assumptions used.

As discussed above and as shown in the preceding gap table and the average balance sheet and rate/volume analysis contained in the annual report, the Bank's net interest rate risk consists of risks from the numerous time periods for maturity or repricing of particular assets or liabilities and from the numerous interest rates that vary over time and because of the maturity or repricing of the underlying assets or liabilities. These risks necessarily impact net interest income. One impact on net interest income results from the interest rate margin (net yield on interest bearing assets).

Lending Activities

General. The Company's loan portfolio consists of fixed-rate mortgage loans and adjustable-rate mortgage loans ("ARMs") secured by one-to-four family residences and, to a much lesser extent, commercial real estate, mobile home loans, and real estate construction loans. As of September 30, 1996, the Company's total portfolio of loans (the "loan portfolio") was $171,158 (net of loans in process, deferred fees and costs and allowance for loan losses), of which $176,882, or 103.4%, was secured by one-to-four family residential real estate, $890, or 0.5%, was secured by commercial real estate, and $305, or 0.2%, was secured by mobile homes. The following table sets forth information about the company's loan portfolio at September 30 of each year presented.

<TABLE>
<CAPTION>

	1992		1993		1994		1995		1996	
	$	%	$	%	$	%	$	%	$	%
TYPE OF LOANS:										
Real Estate Loans										
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Residential	$73,295	93.3%	$53,727	94.89%	$ 96,906	94.79%	$ 11,216	93.93%	$159,672	93.29 %
Construction	2,604	3.32%	569	1.00%	6,976	6.82%	10,351	8.29%	17,367	10.15 %
Commercial	2,215	2.82%	1,809	3.19%	922	0.90%	1,212	0.97%	964	0.56 %
Lane	126	0.16%	67	0.12%	86	0.08%	599	0.45%	49	0.03 %
Consumer Loans										
Mobile home loans	1,210	1.55%	931	1.6 %	716	0.7%	499	0.40%	305	0.18 %
Savings account loans	482	0.61%	479	0.85%	699	0.68%	688	0.55%	769	0.45 %

Home improvement loans	1,478	1.88%	1,031	1.82%	873	0.85%	414	0.33%	1,012	0.59 %
Automobile loans	96	0.12%	31	0.05%	682	0.67%	1,050	0.84%	1,115	0.65 %
Other	237	0.30%	182	0.32%	225	0.22%	507	0.41%	890	0.52 %
Total	81,743	104.09%	58,826	103.89%	108,085	105.71%	132,536	106.20%	182,143	106.42 %
Less:										
Loans in process	(1,890)	(2.41%)	(1,036)	(1.83%)	(4,581)	(4.49%)	(6,624)	(5.30%)	(10,407)	(6.08%)
Deferred loan origination fees and costs	(1,039)	(1.32%)	(821)	(1.53%)	(987)	(0.97%)	(693)	(0.56%)	(157)	(0.09%)
Allowance for loan losses	(283)	(0.36%)	(346)	(0.61%)	(274)	0.27%	(423)	(0.34%)	(421)	(0.25%)
Total loans, net	$78,530	100.00%	$56,623	100.00%	$102,243	100.00%	$124,796	100.00%	$171,158	100.00%
Total mortgage-related securities, net	$60,804	100.00%	$42,856	100.00%	$ 45,030	100.00%	$40,004	100.00%	$ 34,383	100.00%
TYPE OF SECURITY:										
Residential real estate										
1 to 4 family	74,914	95.39%	53,900	95.19%	103,607	101.34%	127,567	102.22%	176,882	103.35%
Other dwelling units	985	1.26%	396	0.70%	275	0.27%	254	0.20%	231	0.13%
Commercial real estate	2,215	2.82%	1,809	3.19%	922	0.90%	958	0.77%	890	0.52%
Land	126	0.16%	67	0.12%	86	0.08%	599	0.48%	49	0.03%
Consumer loans										
Mobile homes	1,210	1.55%	931	1.64%	716	0.70%	499	0.40%	305	0.18%
Savings accounts	482	0.61%	479	0.85%	699	0.68%	688	0.55%	769	0.45%
Home improvement	1,478	1.88%	1,031	1.82%	873	0.85%	414	0.33%	1,012	0.59%
Automobiles	96	0.12%	31	0.05%	682	0.67%	1,050	0.84%	1,115	0.65%
Other	237	0.30%	182	0.32%	225	0.22%	507	0.41%	890	0.52%
Total	81,743	104.09%	58,826	103.89%	108,085	105.71%	132,536	106.20%	182,143	106.42%
Less:										
Loans in process	(1,890)	(2.41%)	(1,036)	(1.83%)	(4,581)	(4.49%)	(6,624)	(5.30%)	(10,407)	(6.08%)
Deferred loan origination fees and costs	(1,039)	(1.32%)	(821)	(1.53%)	(987)	(0.97%)	(693)	(0.56%)	(157)	(0.09%)
Allowance for loan losses	(283)	(0.36%)	(346)	(0.61%)	(274)	(0.27%)	(423)	(0.34%)	(421)	(0.25%)
Total loans, net	$78,531	100.00%	$56,623	100.00 %	$102,243	100.00%	$124,796	100.00%	$171,158	100.00%
Total mortgage-related securities, net	$60,804	100.00%	$42,856	100.00 %	$ 45,030	100.00%	$ 40,004	100.00%	$ 34,383	100.00%

</TABLE>

Loan Maturity. The following table sets forth the maturity of the Company's loan portfolio at September 30, 1996. The table does not include prepayments or scheduled principal repayments. Prepayments and scheduled principal repayments on loans totalled $18,580, $30,688, and $44,858, for the three years ended September 30, 1994, 1995 and 1996, respectively. Adjustable-rate mortgage loans are shown as maturing based on contractual maturities.

<TABLE>
<CAPTION>

	1-4 Family Real Estate Mortgage	Multi-Family and Commercial Real Estate	Construction	Consumer	Total
			(In thousands)		
Amounts Due:					
<S>	<C>	<C>	<C>	<C>	<C>
Within 1 year	$221	$29	$17,210	$ 834	$ 18,294
After 1 year					
1 to 5 years	1,139	334	157	3,272	4,902
Over 5 years	156,136	650		2,161	158,947
Total due after one year	157,275	984	157	5,433	163,849
Total amount due	$157,496	$1,013	$17,367	$6,267	$182,143
Less					
Allowance for loan loss					(421)

Loans in process	(10,407)
Deferred loan origination fees and cost	(157)
Loans receivable, net	171,158

</TABLE>

The following table sets forth the dollar amount of all loans due after September 30, 1997, which have predetermined interest rates and which have floating or adjustable interest rates.

	Fixed Rates	Floating or Adjustable Rates	Total
		(In Thousands)	
One-to-four family	$49,213	$108,062	$157,275
Multi-family and Commercial real estate	647	337	984
Construction	157		157
Consumer	4,606	827	5,433
Total	$54,623	$109,226	$163,849

The following table sets forth the contractual maturities of the Company's mortgage-backed securities portfolio as of September 30, 1996.

Contractual Maturities Due In Year(s) Ended September 30,

1997	1998	1999	2000 to 2001	2002 to 2006	2007 and Thereafter	Total
$2,430	$0	$1,510	$4,236	$176	$26,031	$34,383

Residential Loans. The Company's primary lending activity consists of the origination of one-to-four family, owner-occupied, residential mortgage loans secured by property located in the Company's primary market area. At September 30, 1996, the Company had $176,882, or 103.3%, of its net loan portfolio invested in these loans. Management believes that this policy of focusing on one-to-four family lending has been effective in contributing to net interest income while reducing credit risk by keeping loan delinquencies and losses to a minimum.

The Company offers ARMs that adjust every one to three years and have terms from 10 to 30 years, as well as ARMs that adjust annually, but only after the third year. One year ARMs have adjustments that are limited to 2% per year and 6% over the life of the loan, and ARMs that are fixed for the first three years and adjust annually thereafter have adjustments that are limited to 2% per year and 5% over the life of the loan. The Company also offers conventional fixed-rate mortgage loans with terms from 10 to 30 years. Generally, the interest rates on ARMs are based on treasury bill indices. The Company considers the market factors and competitive rates on loans as well as its own cost of funds when determining the rates on the loans that it offers. The Company also has a network of correspondents from whom the Company may be referred both fixed- and adjustable-rate real estate mortgage loans. The Company expects to expand its purchases and sales of mortgage loans, subject to market conditions. Since 1989, the Company has sold most of its originated fixed-rate mortgage loans into the secondary market. The Company does, however, service most of the loans sold since 1991.

Generally, during periods of rising interest rates, the risk of default on an ARM is considered to be greater than the risk of default on a fixed-rate loan due to the upward adjustment of interest costs to the borrower. To help reduce such risk, the Company qualifies the loan at the fully indexed interest rate, as opposed to the original interest rate. ARM loans may be made at up to 95% loan to value ratio. The Company does not originate ARMs with negative amortization.

Regulations limit the amount which a savings association may lend in relationship to the appraised value of the real estate securing the loan, as determined by an appraisal at the time of loan origination. Such regulations permit a maximum loan-to-value ratio of 100% for residential

property and 90% for all other real estate loans. The Company's lending policies, however, generally limit the maximum loan-to-value ratio to 80% of the appraised value of the property, based on an independent or staff appraisal. When the Company makes a loan in excess of 80% of the appraised value or purchase price, private mortgage insurance is required for at least the amount of the loan in excess of 80% of the appraised value. The Company generally does not make conventional mortgage loans in excess of 95% of the appraised value.

The loan-to-value ratio, maturity, and other provisions of the residential real estate loans made by the Company reflect the policy of making loans generally below the maximum limits permitted under applicable regulations. The Company requires an independent appraisal, title insurance, flood hazard insurance (if applicable), and fire and casualty insurance on all properties securing real estate loans made by the Company. The Company reserves the right to approve the selection of which title insurance companies' policies are acceptable to insure the real estate in the loan transactions.

While one-to-four family residential real estate loans are normally originated with 10-30 year terms, such loans typically remain outstanding for substantially shorter periods. This is because borrowers often prepay their loans in full upon sale of the property pledged as security or upon refinancing the original loan. In addition, substantially all of the fixed-interest rate loans in the Company's loan portfolio contain due-on-sale clauses providing that the Company may declare the unpaid amount due and payable upon the sale of the property securing the loan. The Company enforces these due-on-sale clauses to the extent permitted by law. Thus, average loan maturity is a function of, among other factors, the level of purchase and sale activity in the real estate market, the prevailing interest rates, and the interest rates payable on outstanding loans.

Multi-Family Loans. The Company does not presently originate multi-family loans. The existing portfolio, $231 at September 30, 1996, consisted of permanent loans secured by apartments. Multi-family loans are generally considered to have more credit risk than traditional single family mortgage loans.

Construction Loans. As of September 30, 1996, the Company had $17,367 of construction loans or 10.2% of the Company's total loan portfolio. The Company originates construction loans within its market area for custom homes built for specific borrowers. The Company also originates construction loans for homes being built by professional builders for which a final retail purchaser has not yet been identified. Construction financing is generally considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value at completion of construction or development and the estimated cost (including interest) of construction. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, the Company may be required to advance funds beyond the amount originally committed to permit completion of the development. If the estimate of value proves to be inaccurate, the Company may be confronted, at or prior to the maturity of the loan, with a project having a sales value which is insufficient to assure full repayment. Construction loans originated for homes built by professional builders for which the ultimate purchaser has not been identified

have the increased risk that the builder may be unable to locate a purchaser and may be unable to continue funding the monthly interest and principal expense.

Consumer Loans. Mid-Continent views consumer lending as an important component of its business operations because consumer loans generally have shorter terms and higher yields, thus reducing exposure to changes in interest rates. In addition, the Company believes that offering consumer loans helps to expand and create stronger ties to its customer base. Consequently, the Company intends to increase its consumer lending by marketing consumer loans to existing and potential customers. All branches are now able to originate consumer loans. Regulations permit federally chartered savings associations to make secured and unsecured consumer loans up to 35% of the Company's assets. In addition, the Company has lending authority above the 35% limit for certain consumer loans, such as home improvements loans and loans secured by savings accounts.

Consumer loans consist of personal unsecured loans, home improvement loans, automobile loans, mobile home loans, and savings account loans, at fixed rates. Of these consumer loans, as of September 30, 1996, approximately $305, or 0.2% of the Company's total loan portfolio consisted of mobile home loans. These mobile home loans were obtained in 1986. The Company does not originate mobile home loans and expects that the size of the mobile home loan portfolio will continue to decline as outstanding loans are repaid. As of September 30, 1996, total consumer loans aggregated $4,091, or 2.39% of the Company's total loan portfolio.

The underwriting standards employed by the Company for consumer loans include a determination of the applicant's payment history on other debts and an assessment of liability to meet existing obligations and payments on the proposed loan. In addition, the stability of the applicant's monthly income from primary employment is considered during the underwriting process. Creditworthiness of the applicant is of primary consideration; however, the underwriting process also includes a comparison of the value of the security in relation to the proposed loan amount.

Consumer loans entail greater credit risk than do residential mortgage loans, particularly in the case of consumer loans which are unsecured or secured by assets that depreciate rapidly, such as automobiles, mobile homes, boats, and recreational vehicles. In such cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. In particular, amounts realizable on the sale of repossessed automobiles may be significantly reduced based upon the condition of the automobiles and the lack of demand for used automobiles. The Company adds a general provision to its consumer loan loss allowance, based on general economic conditions, prior loss experience and management's periodic evaluation.

Commercial Real Estate Loans. The Company does not presently originate commercial real estate loans. The existing portfolio, $964, or 0.5% of the loan portfolio as of September 30, 1996, consisted of permanent loans secured by small office buildings, churches and other non-residential buildings. Commercial real estate secured loans were, in the past, originated in

amounts up to 80% of the appraised value of the property. Such appraised value was determined by an independent appraiser previously approved by the Company.

Loans secured by commercial real estate generally involve a greater degree of risk than residential mortgage loans and carry larger loan balances. This increased credit risk is a result of several factors, including the concentration of principal in a limited number of loans and borrowers, the effects of general economic conditions on income producing properties and the increased difficulty of evaluating and monitoring these types of loans. Furthermore, the repayment of loans secured by commercial real estate is typically dependent upon the successful operation of the related real estate project. If the cash flow from the project is reduced, the borrower's ability to repay the loan may be impaired. As of September 30, 1996, the largest commercial real estate loan had a balance of $229 and was performing in accordance with its terms.

Loan Solicitation and Processing for Portfolio Loans. The Company's source of mortgage loan applications is referrals from existing or past customers, real estate brokers, call-in and walk-in customers, and also as the result of advertising. The Company has, in the past, added to its portfolio some of the adjustable-rate loans and shorter term fixed-rate loans and, to a lesser extent, some of the short term balloon loans obtained from the correspondent network that the Company uses for its mortgage banking operations.

All loans are underwritten and approved, or denied, by the loan committee, including loans obtained through the correspondent network. All single-family loans approved by the loan committee are ratified by the Board of Directors.

The Company uses independent fee appraisers on all real estate related transactions that are originated in the branches of the Company and for each purchased loan. Each fee appraiser used must be licensed and approved by Mid-Continent's Board of Directors. Each purchased loan is reviewed and underwritten as if Mid-Continent were originating the loan. It is the Company's policy to obtain title and fire and casualty insurance for all mortgage loans. If appropriate, flood insurance is also required.

Loan Solicitation and Processing for Mortgage Banking Operations. The Company solicits fixed- and adjustable-rate mortgage loans through a network of approximately 110 correspondents located primarily in Kansas and to a lesser extent in Oklahoma for sale in the secondary mortgage market.

The Company regularly advises its correspondents of the rates it will pay to purchase mortgage loans. All loans are underwritten and approved, or denied, by the loan committee. All single family loans are reviewed and approved by both the loan committee and the Board of Directors. The Company issues a commitment letter by which the Company will extend the offer of a particular rate and terms for a period of up to 60 days. The Company's correspondents, typically other financial institutions, close the loan in the name of the correspondent and sell the loan to the Company based on the terms previously established for the loan.

The Company generally retains the servicing rights to the loans it sells. The Company also sells mortgage loans originated through referrals from existing or past customers, real estate brokers, call-in and walk-in customers, and also as the result of advertising.

Origination, Purchase and Sale of Loans

During the fiscal year ended September 30, 1996, the Registrant originated $107,713 in loans, purchased $183,845 in loans (all secured by one-to-four family residences), and sold $205,290 in loans (including $88,413 of loans securitized primarily through GNMA).

Loan Sales. The Company currently sells most of its fixed-rate mortgage loan originations to FNMA, GNMA, FHLMC and private secondary market purchasers. The Company does not have separate underwriting policies for loans to be sold and loans to be retained. Loans originated for sale are underwritten with the same standards used to originate loans to be retained in the Company's loan portfolio. The Company pools its FHA and VA loans into GNMA pools that are then sold. Mortgage loans are typically sold with retention of servicing rights by the Company but generally without recourse.

Loan Commitments. The Company issues written, formal commitments to prospective borrowers on all real estate approved loans. The commitment requires acceptance within 60 days of the date of issuance. As of September 30, 1996, the Company had $63,743 of commitments to originate mortgage loans. The Company has commitments to sell, with servicing rights retained, $28,345 of these loans and the intent to add $16,513 of these loans to its investment in loans receivable to be held to maturity.

Loan Processing and Servicing Fees. In addition to interest earned on loans, the Company recognized fees and service charges which consist primarily of fees on loans serviced for others. The Company recognized net loan servicing fees of $1,790, $3,102, and $3,128, before operating expenses, for the years ended September 30, 1994, 1995, and 1996, respectively. As of September 30, 1996, loans serviced for others totalled approximately $1,229,153. The Company has a strategy in place to expand the amount of loans serviced for others. This strategy requires the increase in both loans originated by the Company and sold into the secondary market with servicing retained as well as the purchase of loans originated out of Kansas for the purpose of resale with retention of the servicing rights.

Loans to One Borrower. Regulations limit loans to one borrower in an amount equal to (i) 15% of unimpaired capital and retained earnings on an unsecured basis and an additional amount equal to 10% of unimpaired capital and retained earnings if the loan is secured by readily marketable collateral (generally, financial instruments, not real estate) or (ii) $500, whichever is higher. The Company's maximum loan-to-one borrower limit was approximately $4,774 as of September 30, 1996.

As of September 30, 1996, the Company's largest aggregation of loans to one borrower was two loans secured by 62 one-to-four family residences, originated prior to August 1989 in the amount of $3,039 having a balance of $3,666 as of September 30, 1996. These loans are

secured by non-owner occupied one-to-four family units located in Wichita, Kansas and were performing in accordance with their terms as of September 30, 1996. They were restructured during October 1994. No provision for loss was considered necessary, based on the restructured terms and the cash flows expected to be generated by the underlying collateral.

Loan Delinquencies. The Company's collection procedures provide that when a mortgage loan is 16 days past due, a computer printed delinquency notice is sent and borrowers are contacted by telephone to discuss the delinquency. If the loan continues in a delinquent status for 90 days or more, the Board of Directors of the Company generally approves the initiation of foreclosure proceedings unless other repayment arrangements are made. Collection procedures for non-mortgage loans generally begin after a loan is ten days delinquent.

Loans are reviewed on a regular basis and are generally placed on a non-accrual status when the loan becomes more than 90 days delinquent or, in the opinion of management, the collection of additional interest is doubtful. Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income. Subsequent payments, if any, are recorded as interest income.

Real estate acquired by the Company as a result of foreclosure or by a deed in lieu of foreclosure is classified as foreclosed real estate until such time as it is sold. When foreclosed real estate is acquired, it is recorded at fair value as of the date of foreclosure or transfer less estimated disposal costs. It is subsequently carried at the lower of the new basis (fair value at foreclosure or transfer) or fair value. As of September 30, 1996, the Company had no loans that were considered troubled debt restructurings within the meaning of SFAS No. 15.

Non-Performing Assets

<TABLE>
<CAPTION>

	At September 30, 1992	1993	1994	1995	1996
	(Dollars In Thousands)				
Loans accounted for on a non-accrual basis:					
Mortgage loans:					
Permanent loans secured by one-to-four family dwelling units	$945	$ 45	$ 125	$ 368	$ 445
All other mortgage loans	24	0	0	0	0
Non-mortgage loans:					
Consumer	32	0	0	24	39
Total	$1,001	$ 45	$ 125	$ 392	$ 484
Accruing loans which are contractually past due 90 days or more	$0	$ 0	$ 0	$ 0	$ 0
Total non-accrual and accrual loans	1,001	45	125	392	484
REO	1,237	837	46	187	28
Total non-performing assets	$2,238	$882	$ 171	$ 579	$ 512
Total non-accrual loans to net loans	1.27%	0.08%	0.12%	0.31%	0.28%
Total non-accrual loans to total assets	0.53%	0.03%	0.06%	0.14%	0.14%
Total non-performing assets to total assets	1.18%	0.52%	0.08%	0.21%	0.15%

</TABLE>

Accrued interest on non-performing loans for the years ended September 30, 1995 and 1996 totalled approximately $31 and $45.

Classified Assets. OTS regulations provide for a classification system for problem assets of insured institutions that covers all problem assets. Under this classification system, problem assets of insured institutions are classified as "substandard," "doubtful," or "loss." An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the insured institution will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions and values, "highly questionable and improbable." Assets classified as "loss" are those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets designated "special mention" by management are assets included on the Company's internal watchlist because of potential weakness but which do not currently warrant classification in one of the aforementioned categories.

When an insured institution classified problem assets as either substandard or doubtful, it may establish general allowances for loan losses in an amount deemed prudent by management. General allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. When an insured institution classifies problem assets as "loss," it is required either to establish a specific allowance for losses equal to 100% of that portion of the asset so classified or to charge off such amount. An institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the OTS, which may order the establishment of additional general or specific loss allowances. A portion of general loss allowances established to cover possible losses related to assets classified as substandard or doubtful may be included in determining an institution's regulatory capital, while specific valuation allowances for loan losses generally do not qualify as regulatory capital. At September 30, 1996 that Company had a general loss allowance for loans and REO of $455.

	At September 30, 1996
	(In Thousands)
Special Mention	0
Substandard	389
Doubtful assets	0
Loss assets	0
General loss allowance	455
Specific loss allowance	0
Charge-offs, net	112

REO. Real estate owned or acquired by the Company as a result of foreclosure, judgment or by a deed in lieu of foreclosure is classified as real estate owed until it is sold. When property is acquired it is recorded at fair value as of the date of foreclosure or transfer less estimated disposal costs. It is subsequently carried at the lower of the new basis (fair value at foreclosure or transfer) or fair value.

The Company held REO with a net balance of $28 as of September 30, 1996 consisting of 2 one-to-four family dwellings with a carrying value totaling $62. An allowance for loss of $34 is carried on real estate owned. See Note 9 to the Notes to Consolidated Financial Statements.

Allowance for Loan and Real Estate Losses. It is management's policy to provide for losses on unidentified loans in its loan portfolio and foreclosed real estate. A provision for loan losses is charged to operations based on management's evaluation of the potential losses that may be incurred in the Company's loan portfolio. Such evaluation, which includes a review of all loans of which full collectibility of interest and principal may not be reasonably assured, considers, among other matters, the estimated net realizable value of the underlying collateral. During the years ended September 30, 1994, 1995, and 1996, the Company charged $6, $224, and $75, respectively, to the provision for loan losses and $59, $81, and $18, respectively, to the provision for losses on REO or in judgment and other repossessed assets.

Management will continue to review the entire loan portfolio to determine the extent, if any, to which further additional loss provisions may be deemed necessary. There can be no assurance that the allowance for losses will be adequate to cover losses which may in fact be realized in the future and that additional provisions for losses will not be required.

The distribution of the Company's allowance for losses on loans is shown below at the dates indicated:

<TABLE>
<CAPTION>

	At September 30,									
	1992		1993		1994		1995		1996	
	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans	Amount	Percent of Loans in Each Category to Total Loans
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Residential real estate	$231	92.72%	$307	92.13%	$226	95.98%	$369	96.49%	$351	97.06%
Commercial real estate	22	2.82%	18	3.19%	13	0.90%	10	0.98%	10	0.55%
Consumer	30	4.46%	21	4.68%	36	3.12%	44	2.53%	60	2.39%
Total	$283	100.00%	$346	100.00%	$275	100.00%	$423	100.00%	$421	100.00%

</TABLE>

Analysis of the Allowance for Loan Losses

The following table sets forth information with respect to the Company's allowance for loan losses at the dates indicated:

<TABLE>
<CAPTION>

	At September 30,				
	1992	1993	1994	1995	1996
	(Dollars in Thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Total loans outstanding, net	$ 78,531	$ 56,623	$102,243	$124,796	$171,158
Average loans outstanding	95,453	65,959	63,751	119,247	134,013
Allowance balances (at beginning of period)	274	283	346	275	423
Provision for loan losses	83	154	6	224	75
Net charge-offs:					
Residential	(59)	(62)	(65)	(56)	(58)
Consumer	(15)	(29)	(12)	(20)	(19)
Allowance balance (at end of period)	$ 283	$ 346	$ 275	$ 423	$ 421
Allowance for loan losses as a percent of total outstanding loans	0.36%	0.61%	0.27%	0.34%	0.25%
Net loans charged off as a percent of average loans outstanding	0.08%	0.14%	0.12%	0.06%	0.06%

</TABLE>

Analysis of the Allowance for REO

<TABLE>
<CAPTION>

	At September 30,				
	1995	1993	1994	1995	1996
	(Dollars in Thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Total REO, net	$ 1,237	$ 837	$ 46	$ 187	$ 28
Allowance balance (at beginning of period)	77	36	25	16	51
Provision for loss	62	29	59	81	18
Net charge-offs	(103)	(40)	(68)	(46)	(35)
Allowance balance (at end of period)	$ 36	$ 25	$ 16	$ 51	$ 34
Allowance for loss on REO to net REO	2.91%	2.99%	34.78%	27.27%	121.43%

</TABLE>

Loan Servicing

General. The Company's loan servicing portfolio represents a substantial asset which, in the opinion of management, is expected to generate a significant source of fee income. As of September 30, 1996, the Company was servicing approximately $1,229,153 of loans for others. The portfolio of mortgage loans serviced for others at September 30, 1996 consisted of approximately 22,000 loans with an average balance of approximately $55 and a weighted average service fee of approximately 0.387% per annum. Since 1988, the loan servicing portfolio has been increasing and the Company expects that it will continue to increase. In management's view, the loan servicing portfolio also acts to some degree as a hedge for the lending and mortgage banking components of the Company's business.

The Company receives fees from a variety of institutional mortgage owners in return for performing the traditional services of collecting individual payments and managing the loan portfolio. Loan servicing includes processing payments, accounting for loan funds and collecting and paying real estate taxes, hazard insurance and other loan-related items such as private mortgage insurance. When the Company receives the gross mortgage payment from individual borrowers, it remits to the investor in the mortgage a predetermined net amount based on the yield on that mortgage. The difference between the coupon on the underlying mortgage and the predetermined net amount paid to the investor is the gross loan servicing fee. In addition, the Company retains certain amounts in escrow for the benefit of the lender for which the Company incurs no interest expense but is able to lend. As of September 30, 1996, the Company held $16,917 in borrower escrow and principal and interest payments related to loans serviced for others. These amounts are categorized as deposits for financial reporting purposes.

Loan Servicing Portfolio. The loan servicing portfolio as of September 30, 1996 was composed primarily of GNMA mortgage loan (71.2%), FNMA mortgage loans (9.4%), and FHLMC mortgage loans (18.8%). The balance of the loan servicing portfolio as of September 30, 1996 consisted of loans serviced for a variety of private investors. The loans serviced for others are predominantly secured by property located in Kansas. As of September 30, 1996, the portfolio also included loans secured by property located primarily in Oklahoma, Louisiana, Michigan and Illinois.

As a result of the increase in the size of the portfolio of loans serviced for others, gross loan servicing fees have increased from $1,261 for the year ended September 30, 1991 to $4,779 for the year ended September 30, 1996.

As part of its responsibilities for various investors in VA-guaranteed or FHA-insured mortgage loans, the Company is required to advance interest and certain other costs on those loans when the mortgagor is delinquent. This requirement continues until the Company pays the remaining principal amount of the loan to the investor and forecloses upon the loan. The Company subsequently files with either the VA or FHA a claim for the amount of loan principal, advanced interest and other costs incurred.

When a claim is filed with the VA, the VA either (i) pays the claim in full and takes title to the foreclosed property (in which case the Company does not suffer a loss) or (ii) exercises its option to pay to the Company only the mortgage guarantee amount up to a maximum of 50% of the loan amount (in which case the Company must rely upon the sale of the foreclosed property to recover the balance of its claim). The VA typically exercises this latter option when the value of the property plus the guarantee is less than the carrying amount of the loan. To the extent that the guarantee, insurance, and the amounts generated from foreclosure proceedings are insufficient to retire the indebtedness on such loans, a loss will be incurred.

When a claim is filed with the FHA, the Company is reimbursed for its advances of interest on the loan at the debenture interest rate in effect on the date that the loan was originated; in addition, the interest starts to accrue on the 61st day after the date of default at the debenture interest rate. Furthermore, if an originated loan does not conform to the loan underwriting standards of the acquiror, the acquiror has a right to require the Company to repurchase such loans.

Included in other assets as of September 30, 1996, were $1,995 in claims receivable from the FHA or VA for insured or guaranteed mortgage loans. These receivables are carried at the lower of cost or net realizable value.

Mortgage Servicing Rights ("MSRs"). The cost of MSRs are capitalized and amortized in proportion to, and over the period of, the estimated future net servicing income. As of September 30, 1996, MSRs were carried at a value of $12,496 by the Company. MSRs generally are adversely affected by current and anticipated prepayments resulting from decreasing interest rates.

The purchase of loan servicing rights by the Company involves a detailed analysis of the mortgage portfolio being offered for sale. When a request for bids is received, the Company evaluates the pertinent information, including types of loans, escrow balances, delinquency rate, weighted average coupon, weighted average maturity, foreclosure rates, and average principal balance on the servicing, to determine the appropriate purchase price. A bid, subject to due diligence, is then submitted. After a bid is accepted, the Company reviews all aspects of the loans to assure that the portfolio is as represented and reserves the right to withdraw the bid if the portfolio is found to be different from what was represented. The Company receives seller warranties and representations regarding the adequacy of prior loan servicing and origination procedures.

Originated Mortgage Servicing Rights. In May 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 122, Accounting for Mortgage Servicing Rights, effective for fiscal years beginning after December 15, 1995 with early adoption encouraged in fiscal years for which financial statements have not been issued. This Statement requires the recognition of mortgage servicing rights related to mortgage loans acquired through origination activities of the Savings Bank. The originated mortgage servicing rights are recorded at cost based upon the relative fair values of the loans and the servicing rights. Servicing release fees paid on comparable loans and discounted

cash flows are used to determine estimates of fair values. The Savings Bank capitalized originated mortgage servicing rights of $322 in 1995 related to the early adoption of SFAS No. 122 which effect is included in the gain on sale of loans, net, to the extent such originated loans were sold prior to September 30, 1995. These rights are amortized in proportion to and over the period of expected net servicing income.

Purchased Mortgage Servicing Rights. Purchased mortgage servicing rights are acquired from independent third-party originators and are recorded at the lower of cost or fair value. Prior to the adoption of SFAS No. 122, the excess of the sale consideration received for purchased loans over the recorded basis of those loans was offset against the cost of the mortgage servicing right instead of being recorded as income. As the Savings Bank has elected early adoption of SFAS No. 122, no gains on the sale of loans were offset against the cost of the mortgage servicing rights in 1995. The offset was $714 in 1994. Such rights are amortized in proportion to and over the period of expected net servicing income.

Impairment Evaluation. The Savings Bank evaluates the carrying value of capitalized mortgage servicing rights on a periodic basis based on their estimated fair value. For purposes of evaluating and measuring impairment of capitalized servicing rights, in accordance with SFAS No. 122, the Savings Bank stratifies the rights based on their predominant risk characteristics. The significant risk characteristics considered by the Savings Bank are loan type, period or origination and stated interest rate. If the fair value estimated, using a discounted cash flow methodology, is less than the carrying amount for the portfolio, the portfolio is written down to the amount of the discounted expected cash flows utilizing a valuation allowance. The Savings Bank utilizes consensus market prepayment assumptions and discount rates to evaluate its capitalized servicing rights as of September 30, 1996 which considers the risk characteristics of the underlying servicing rights. For the years ended 1994, 1995 and 1996, there were no write downs or valuation allowances established for capitalized servicing.

Sale of Mortgage Servicing Rights. The Savings Bank recognizes gains on sales of mortgage servicing rights when a legal closing of the sale occurs with title passing to the buyer. In addition, all significant risks and rewards of ownership have transferred to the buyer, including risks related to default prepayment (including no uncapped risks related to defaults or prepayments) and there are no significant unresolved contingencies. The Savings Bank defers the gain on sale of servicing until these conditions are met.

The following table sets forth the loan servicing fees of the Company as well as such fees as a percentage of net interest income of the Company during the periods indicated.

<TABLE>
<CAPTION>

	Year Ended September 30,				
	1992	1993	1994	1995	1996
	(Dollars in Thousands)				
Loan servicing fees, net of MSR amortization	$ 837	$ 1,125	$ 1,789	$ 3,102	$ 3,128
Net interest income	$ 4,526	$ 5,509	$ 5,605	$ 7,221	$ 7,905
Loan servicing fees as a percentage of net interest income	18.5%	20.4%	31.9%	43.0%	39.6%

</TABLE>

The following tables sets forth the composition of the portfolio of loans serviced for others as of September 30, 1996.

	Unpaid principal balance
	(In Thousands)
GNMA	$875,381
FNMA	115,492
FHLMC	231,515
Other(1)	6,765
	$1,229,153

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(1) Includes private investors, other financial institutions and municipalities.

Interest Bearing Accounts Held at Other Financial Institutions

As of September 30, 1996, the Company held $3,924 in interest-bearing deposits in other financial institutions, principally with the FHLB of Topeka. The Company maintains these accounts in order to maintain liquidity and improve the interest-rate sensitivity of its assets.

Investment Activities

Mid-Continent is required under federal regulations to maintain a minimum amount of liquid assets which may be invested in specified short-term securities and certain other investments. The Company has generally maintained a liquidity portfolio well in excess of regulatory requirements. Liquidity levels may be increased or decreased depending upon the yields on investment alternatives and upon management's judgment as to the attractiveness of the yields then available in relation to other opportunities and its expectation of future yield levels, as well as management's projections as to the short-term demand for funds to be used in the Company's loan origination and other activities. As of September 30, 1996, the Company had an investment portfolio of approximately $90,562, consisting primarily of U.S. Government agency obligations, U.S. Treasury securities, and FHLB stock as permitted by the OTS regulations. The Company has found its level of investment securities has increased in recent years as a result of increased interest rates. Mid-Continent has invested in mortgage-related securities to offset any excess liquidity; principally in FNMA ARMs and FHLMC ARMs. The Company anticipates having the ability to fund all of its investing activities from funds held on deposit at FHLB of Topeka. Mid-Continent will continue to seek high quality investments with short to intermediate maturities and duration from one to five years.

Investment Portfolio

The following table sets forth the carrying value of the Company's investment securities portfolio, short-term investments, FHLB stock, at the dates indicated. As of September 30, 1996, the market value of the Company's total investment securities portfolio was $88,154.

<TABLE>
<CAPTION>

	At September 30,			
	1993	1994	1995	1996
	(In Thousands)			
Investment Securities:				
<S>	<C>	<C>	<C>	<C>
U.S. Government Securities	$ 1,126	$ 1,222	$ 1,326	$ 1,438
U.S. Agency Securities	11,812	20,946	52,917	84,797
FHLB Stock	2,206	2,206	2,206	4,327
Total Investment Securities	$ 15,144	$ 24,374	$ 56,449	$ 90,562

</TABLE>

On June 1, 1989, the OTS issued a rule to clarify the application of GAAP to securities held for investment, sale and/or trading by insured savings associations. The rule requires an insured savings association's board of directors to document and monitor its investment policy and strategies, discusses the appropriate documentation of investment decisions of the insured savings association's board of directors, summarizes GAAP applicable to securities held for investment, sale and/or trading, and offers guidance on the application of GAAP by insured savings associations in determining whether a security should be accounted for as a security held as an investment, as a security held for sale or as a security held for trading.

In May 1993, the FASB issued SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. This statement addresses the accounting and reporting treatment for certain investments in debt and equity securities by requiring such investments to be classified in held-to-maturity, available-for-sale or trading categories. Securities classified as held-to-maturity would be carried at amortized cost, available-for-sale securities would be carried at market with unrealized gains (losses) included in equity and trading securities would be carried at market with unrealized gains (losses) included in operations. The Company adopted this standard effective October 1, 1994. The adoption of this Standard did not have any impact on the Company's financial position or results of operations as it is management's intent to hold all investment securities to maturity.

Investment Portfolio Maturities

The following table sets forth certain information regarding the carrying values, weighted average yields and maturities of the Company's investment securities portfolio as of September 30, 1996.

<TABLE>
<CAPTION>

	As of September 30, 1996										
	One Year or Less		One to Five Years		Five to Ten Years		More than Ten Years		Total Investment Securities		
	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Carrying Value	Average Yield	Market Value
	(Dollars in Thousands)										
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investment Securities:											
U.S. Government Obligations			$ 1,341	8.56%			$ 97	11.47%	$ 1,438	8.76%	1,415
U.S. Agency											

Obligations	$2,000	6.18%	11,991	5.01%	$17,500	7.05%	53,306	7.71%	84,797	7.16%	82,412
FHLB Stock							4,327	6.50%	4,327	6.50%	4,327
Total	$2,000	6.18%	%13,332	5.37%	$17,500	7.05%	57,730	7.71%	$90,562	7.18%	$ 88,154

</TABLE>

Mortgage-Related Securities

The Company has a substantial investment in residential mortgage-related securities. Although such securities are held for investment, they can serve as collateral for borrowings and, through repayments, as a source of liquidity. As of September 30, 1996, the carrying value of mortgage-related securities totalled $34,383, or 10.1% of total assets. The market value of such securities totalled approximately $34,366 as of September 30, 1996. As of September 30, 1996, $14,296 in mortgage-related securities were pledged as collateral for public funds.

The mortgage-related securities portfolio as of September 30, 1996 consisted primarily of fixed and adjustable rate pass through certificates issued by GNMA ($11,194), fixed and adjustable pass through certificates issued by FHLMC ($18,072), and fixed and adjustable pass through certificates issued by FNMA ($2,981). To a lesser extent, the mortgage-related securities portfolio also contains pass through certificates issued by the Mortgage Guarantee Insurance Corporation ("MGIC").

Mortgage-related securities represent a participation interest in a pool of single-family or multi-family mortgages, the principal and interest payments on which are passed from the mortgage originators, through intermediaries (generally quasi-governmental agencies) that pool and repackage the participation interests in the form of securities, to investors such as the Company. Such quasi-governmental agencies, which guarantee the payment of principal and interest to investors, primarily include FHLMC, FNMA and GNMA.

FHLMC is a corporation chartered by the United States Government that issues participation certificates backed principally by conventional mortgage loans. FHLMC guarantees the timely payment of interest and the ultimate return of principal. FHLMC securities are indirect obligations of the United States Government. FNMA is a private corporation chartered by Congress with a mandate to establish a secondary market for conventional mortgage loans. FNMA guarantees the timely payment of principal and interest, and FNMA securities are indirect obligations of the United States Government. GNMA is a government agency with HUD which is intended to help finance government assisted housing programs. GNMA guarantees the timely payment of principal and interest, and GNMA securities are backed by the full faith and credit of the United States Government. Since FHLMC, FNMA and GNMA were established to provide support for low- and middle-income housing, there are limits to the maximum size of loans that qualify for these programs. To accommodate larger-sized loans, and loans that, for other reasons, do not conform to the agency programs, a number of private institutions have established their own home-loan origination and securitization programs.

Mortgage-related securities typically are issued with stated principal amounts, and the securities are backed by pools of mortgages that have loans with interest rates that are within a range and have varying maturities. The underlying pool of mortgages can be composed of either fixed-rate mortgages or ARMs. Mortgage-related securities are generally referred to as mortgage participation certificates or pass-through certificates. As a result, the interest rate risk characteristics of the underlying pool of mortgages, i.e., fixed-rate or adjustable-rate, as well as prepayment risk, are passed on to the certificate holder. The life of a mortgage-related pass-

through security is equal to the life of the underlying mortgages. Mortgage-related securities issued by FHLMC, FNMA, and GNMA make up the majority of the pass-through market.

In a declining interest rate environment, the Company may experience significant prepayments on both fixed- and adjustable-rate mortgage-related securities. In such an environment or in an environment where interest rates are perceived to be low, the Company may not be able to reinvest the cash flow from these securities into comparable yielding investments.

The following table sets forth the carrying value of the Company's mortgage-related securities portfolio at the dates indicated.

<TABLE>
<CAPTION>

	At September 30,			
	1993	1994	1995	1996
Held for Investment:				
<S>	<C>	<C>	<C>	<C>
FNMA-ARMs	$ 5,424	$ 3,391	$ 2,990	$ 2,616
FHLMC-ARMs	8,268	8,293	6,786	6,219
GNMA-ARMs	-	6,020	5,729	5,043
FHLMC-fixed rate	12,705	15,256	13,835	11,853
FNMA-fixed rate	1,279	585	459	365
GNMA-fixed rate	10,494	8,086	7,293	6,151
MGIC	4,686	3,399	2,912	2,136
Total mortgage-related securities	$ 42,856	$ 45,030	$ 40,004	$ 34,383

</TABLE>

Subsidiary Activities

Mid-Continent is permitted to invest up to 2% of its assets in the capital stock of, or secured or unsecured loans to, subsidiary corporations, with an additional investment of 1% of assets when such additional investment is utilized primarily for community development purposes. As of September 30, 1996, the net book value of the Company's total investment in its service corporation was $129.

The Bank has one subsidiary, Laredo Investment, Inc. which was incorporated in the State of Kansas and is engaged in the sale of tax deferred annuities through Mid-Continent's branch offices. Insurance commissions from the sale of tax deferred annuities amounted to $57 and $3 for the years ended September 30, 1995 and 1996, respectively.

Sources of Funds

General. Deposits are the major source of the Company's funds for lending and other investment purposes. Mid-Continent derives funds from amortization and prepayment of loans and mortgage-related securities, maturities of investment securities and operations. Scheduled loan principal repayments are a relatively stable source of funds, while deposit inflows and

outflows and loan prepayments are significantly influenced by general interest rates and market conditions. Mid-Continent utilizes FHLB advances. The Company does not use brokered deposits.

Deposits. Consumer deposits are attracted principally from within the Company's primary market area through the offering of a broad selection of deposit instruments including checking, statement savings, money market deposit and term certificate accounts (including negotiated jumbo certificates in denominations of $100,000 or more) and retirement account funds. Deposit account terms vary according to the minimum balance required, the time period the funds must remain on deposit, and the interest rate, among other factors.

The Company intends to continue to aggressively seek new checking accounts and other related products and services by utilizing automated teller machines, direct mail, gifts, and in-branch promotions in an effort to increase fee income. In April 1993, the Company introduced a totally-free checking account program which has been successful in attracting new checking accounts.

NOW accounts, money market accounts, regular savings accounts and custodial accounts constituted $57,862, or 26.9% of the Company's deposit portfolio as of September 30, 1996. Certificates of deposit constituted $99,480, or 46.4% of the deposit portfolio, excluding Jumbo certificates of deposit, with principal amounts of $100,000 or more, which constituted $57,151, or 26.6% of the deposit portfolio, as of September 30, 1996.

Jumbo Certificates of Deposit

The following table indicates the amount of the Company's certificates of deposit of $100,000 or more by time remaining until maturity as of September 30, 1996.

Certificates of Deposits

		September 30, 1996
Maturity Period		
Within three months	$	40,636
Over three through six months		3,601
Over six through twelve months		4,168
Over twelve months		8,746
Total	$	57,151

To supplement lending activities in periods of deposit growth and/or declining loan demand, Mid-Continent has increased its investments in residential mortgage-related securities during recent years. Although such securities are held for investment, they can serve as collateral for borrowings and, through repayments, as a source of liquidity. As of September 30, 1996, $41,371 in investment mortgage-related securities were pledged as collateral for public funds.

Borrowings

Deposits are the primary source of funds of the Company's lending and investment activities and for its general business purposes. The Company has obtained advances from the FHLB of Topeka to supplement its supply of lendable funds. Advances from the FHLB of Topeka have typically been secured by a pledge of the Company's stock in the FHLB of Topeka and a portion of the Company's first mortgage loans and certain other assets. The Company, if the need arises, may also access the Federal Reserve Bank discount window to supplement its supply of lendable funds and to meet deposit withdrawal requirements. As of September 30, 1996, Mid-Continent had $81,700 in advances outstanding from the FHLB of Topeka. The Savings Bank has entered into a line-of-credit agreement with the FHLB of Topeka wherein the Savings Bank can borrow up to $54,400 subject to certain limitations. As of September 30, 1996, there was $15,700 outstanding relative to this agreement. The agreement expires December 27, 1996.

Personnel

As of September 30, 1996, the Company had 140 full-time and 20 part-time employees. None of the Company's employees are represented by a collective bargaining group.

Competition

The Company encounters strong competition both in the attraction of deposits and origination of loans. Competition comes primarily from savings institutions, commercial banks and credit unions that operate in counties where Mid-Continent's offices are located. The Company competes for savings accounts by offering depositors competitive interest rates and a high level of personal service. The Company competes for loans primarily through the interest rates and loan fees it charges and the efficiency and quality of services it provides borrowers, real estate brokers, and contractors.

Regulation

Set forth below is a brief description of certain laws which relate to the regulation of the Company. The description does not purport to be complete and is qualified in its entirety by reference to applicable laws and regulations. Unless otherwise indicated, this section discusses regulations that apply to the Company indirectly through their direct application to the Savings Bank.

General. As a federally chartered, FDIC-insured savings association, the Savings Bank is subject to extensive regulation by the OTS and the FDIC. Lending activities and other investments must comply with various federal statutory and regulatory requirements. The Savings Bank is also subject to certain reserve requirements promulgated by the Board of Governors of the Federal Reserve System (the "Federal Reserve Board").

The OTS, in conjunction with the FDIC, regularly examines the Savings Bank and prepares reports for the consideration of the Savings Bank's Board of Directors on any deficiencies that they find in the Savings Bank's operations. The Savings Bank's relationship with its depositors and borrowers is also regulated to a great extent by federal law, especially in such matters as the ownership of savings accounts and the form and content of the Savings Bank's mortgage documents.

The Savings Bank must file reports with the OTS and the FDIC concerning its activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with or acquisitions of other savings institutions. This regulation and supervision establishes a comprehensive framework of activities in which an institution can engage and is intended primarily for the protection of the FDIC and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulations, whether by the OTS, the FDIC or the Congress could have a material adverse impact on the Company and its operations. The Company is also required to file certain reports with, and otherwise comply with the rules and regulations of the OTS and the Securities and Exchange Commission ("SEC").

Regulatory Capital Requirements

OTS capital regulations require savings institutions to meet three capital standards: (1) tangible capital equal to 1.5% of total adjusted assets, (2) a leverage ratio (core capital) equal to 3% of total adjusted assets and (3) risk-based capital equal to 8.0% of total risk-weighted assets.

The following table sets forth the Savings Bank's capital position at September 30, 1996, as compared to the minimum regulatory capital requirements imposed by the OTS at that date.

	Amount	Percent of Adjusted Assets
	(Dollars in Thousands)	
Tangible Capital:		
Regulatory capital	$ 31,827	9.32%
Regulatory requirement	5,122	1.50%
Excess	$ 26,705	7.82%
Core Capital:		
Regulatory capital	$ 31,827	9.32%
Regulatory requirement	10,244	3.00%
Excess	$ 21,583	6.32%
Risk-Based Capital:		
Regulatory capital	$ 32,281	24.48%
Regulatory requirement	10,551	8.00%
Excess	$ 21,730	16.48%

Prompt Corrective Action

Banking regulators are required to take certain supervisory actions against undercapitalized institutions, the severity of which depends upon the institution's degree of capitalization. Under the OTS rules, an institution shall be deemed to be (i) "well capitalized" if it has total risk-based capital of 10.0% or more, has a Tier I risk-based capital ratio (core or leverage capital to risk-weighted assets) of 6.0% or more, has a leverage capital ratio of 5.0% or more and is not subject to any order or final capital directive to meet and maintain a specific capital level for any capital measure, (ii) "adequately capitalized" if it has a total risk-based capital ratio of 8.0% or more, a Tier I risked-based ratio of 4.0% or more and a leverage capital ratio of 4.0% or more (3.0% under certain circumstances) and does not meet the definition of "well capitalized", (iii) "undercapitalized" if it has a total risk-based capital ratio that is less than 6.0%, a Tier I risk-based capital ratio that is less than 4.0% or a leverage capital ratio that is less than 4.0%

(3.0% in certain circumstances), (iv) "significantly undercapitalized" if it has a total risk-based capital ratio that is less than 6.0%, a Tier I risk-based capital ratio that is less than 3.0% or a leverage capital ratio that is less than 3.0% and (v) "critically undercapitalized" if it has a ratio of tangible equity to total assets that is equal to or less than 2.0%. In addition, under

certain circumstances, a federal banking agency may reclassify a well capitalized institution as adequately capitalized and may require an adequately capitalized institution or an undercapitalized institution to comply with supervisory actions as if it were in the next lower category (except that the FDIC may not reclassify a significantly undercapitalized institution as critically undercapitalized).

Immediately upon becoming undercapitalized, an institution becomes subject to restrictive provisions. The appropriate federal banking agency for an undercapitalized institution also may take any number of discretionary supervisory actions if the agency determines that any of these actions is necessary to resolve the problems of the institution at the least possible long term cost to the deposit insurance fund, subject in certain cases to specified procedures.

The Company is currently a well capitalized institution.

Dividend and Other Capital Distribution Limitations

OTS regulations require the Savings Bank to give the OTS 30 days advance notice of any proposed declaration of dividends and the OTS has the authority under its supervisory powers to prohibit the payment of dividends. In addition, the Savings Bank may not declare or pay a cash dividend on its capital stock if the effect thereof would be to reduce the regulatory capital of the Savings Bank below the amount required for the liquidation account established pursuant to the Savings Bank's Plan of Conversion.

OTS regulations impose limitations upon all capital distributions by savings institutions, such as cash dividends, payments to repurchase or otherwise acquire its shares, payments to shareholders of another institution in a cash-out merger and other distributions charged against capital. The rule establishes three tiers of institutions, based primarily on an institution's capital level. An institution that exceeds all fully phased-in capital requirements before and after a proposed capital distribution ("Tier 1 institution") and has not been advised by the OTS that it is in need of more than the normal supervision can, after prior notice but without the approval of the OTS, make capital distributions during a calendar year equal to the greater of (i) 100% of its net income to date during the calendar year plus the amount that would reduce by one-half its "surplus capital ratio" (the excess capital over its fully phased-in capital requirements) at the beginning of the calendar year, or (ii) 75% of its net income over the most recent four quarter period. Any additional capital distributions require prior regulatory approval. As of September 30, 1996, the Savings Bank was a Tier 1 institution. In the event the Company's capital fell below its fully phased-in requirement or the OTS notified it that it was in need of more than normal supervision, the Savings Bank's ability to make capital distributions could be restricted. In addition, the OTS could prohibit a proposed capital distribution by any institution, which would otherwise be permitted by the regulation, if the OTS determines that such distribution would constitute an unsafe or unsound practice.

Finally, a savings association is prohibited from making a capital distribution if, after making the distribution, the savings association would be "undercapitalized" (not meet any one of its minimum regulatory capital requirement).

Qualified Thrift Lender Test

The Home Owners Loan Act ("HOLA"), as amended, requires savings institutions to meet a qualified thrift lender ("QTL") test. If the Savings Bank maintains at least 65% of its portfolio assets (defined as all assets minus intangible assets, property used by the institution in conducting its business and liquid assets equal to 20% of total assets) in Qualified Thrift Investments (primarily residential mortgages and related investments, including certain mortgage-backed securities" ("QTIs") and otherwise qualifies as a QTL, it will continue to enjoy full borrowing privileges from the FHLB of Topeka. Certain assets are subject to a percentage limitation of 20% of portfolio assets. In addition, savings associations may include shares of stock of the Federal Home Loan Banks, FNMA and FHLMC as qualifying QTIs. Compliance with the QTL test is measured on a monthly basis in nine out of every 12 months. As of September 30, 1996, the Savings Bank was in compliance with its QTL requirement with 75.8% of its total assets invested in Qualified Thrift Investments.

Federal Home Loan Bank System

The Savings Bank is a member of the FHLB of Topeka, which is one of 12 regional FHLBs that administers the home financing credit function of savings associations. Each FHLB serves as a reserve or central bank for its members within its assigned region. It is funded primarily from proceeds derived from the sale of consolidated obligations of the FHLB System. It makes loans to members (i.e., advances) in accordance with policies and procedures established by the Board of Directors of the FHLB.

As a member, the Savings Bank is required to purchase and maintain stock in the FHLB of Topeka in an amount equal to at least 1% of its aggregate unpaid residential mortgage loans, home purchase contracts or similar obligations at the beginning of each year. As of September 30, 1996, the Savings Bank had $4,327 in FHLB stock, which was in compliance with this requirement.

Federal Reserve System

The Federal Reserve Board requires all depository institutions to maintain non-interest bearing reserves at specified levels against their transaction accounts (primarily checking, NOW and Super NOW checking accounts) and non-personal time deposits. The balances maintained to meet the reserve requirements imposed by the Federal Reserve Board may be used to satisfy the liquidity requirements that are imposed by the OTS.

Savings associations have authority to borrow from the Federal Reserve Bank "discount window," but Federal Reserve policy generally requires savings associations to exhaust all OTS sources before borrowing from the Federal Reserve System. The Savings Bank had no discount window borrowings as of September 30, 1996.

Holding Company Regulation

The Company is a unitary savings and loan holding company subject to regulatory oversight by the OTS. As such, the Company is required to file reports with the OTS and is subject to regulation and examination by the OTS. In addition, the OTS has enforcement authority over the Company and its non-savings association subsidiaries which also permits the OTS to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings association. This regulation and oversight is intended primarily for the protection of the depositors of the Company and not for stockholders of the Company.

As a unitary savings and loan holding company, the Company generally is not subject to activity restrictions, provided the Company satisfied the QTL test. If the Company acquires control of another savings association as a separate subsidiary, it would become a multiple savings and loan holding company, and the activities of the Company and any of its subsidiaries (other than the Company or any other FDIC-insured savings association) would become subject to such restrictions unless such other associations each qualify as a QTL and were acquired in a supervisory acquisition.

Executive Officers of the Registrant

The following individuals were executive officers of the Registrant as of September 30, 1996:
<TABLE>
<CAPTION>

Name	Age(1)	Positions Held With the Registrant
Richard T. Pottorff	62	Chairman, President, and Chief Executive Officer
Larry R. Goddard	50	Executive Vice President, Chief Operating Officer, and Chief Financial Officer
Harold G. Siemens	47	Senior Vice President - Lending
David L. Walter	48	Vice President

</TABLE>

----
(1) At September 30, 1996

The following is a description of the principal employment and occupation during at least the past five years of the executive officers of the Registrant as of September 30, 1996.

Richard T. Pottorff has served as a Director and Officer of the Savings Bank since 1978 and of The Company since its incorporation in January 1994. Mr. Pottorff has served as a Director of the FHLB of Topeka and has served as a member of the El Dorado Chamber of Commerce, the Wichita Association of Real Estate Brokers and the Wichita Homebuilders Association. In addition, Mr. Pottorff is the Chairman of the Federal and State Legislative

Committee of the Heartland Community Bankers. Mr. Pottorff is also a past Chairman of the Heartland Community Bankers.

Larry R. Goddard has been with the Savings Bank since 1978 and has served as a Director of the Savings Bank and the Company since 1994. Mr. Goddard is a past President of the Mid-West Savings Conference and has served as Chairman of the Real Estate Mortgage Committee of the Heartland Community Bankers. He is also a member of the Lions Club, a member of the Partners in Education, a director of El Dorado, Inc., and a member of the Community Action for Retail & Revitalization Board.

Harold G. Siemens has been with Company since 1983. He is a founding Director and past Presidnet of the Kansas Mortgage Banking Association and a Director of the Mid-West Savings Conference. Mr. Siemens is also a member of the Real Estate Mortgage Committee of the Heartland Community Bankers, the Wichita Area Association of Realtors and the Wichita Area Builders Association.

David L. Walter has been with the Savings Bank since 1988 and has served as a Vice President of the Company since January 1995. With respect to the Savings Bank, Mr. Walter became the Treasurer and the Controller in 1988 and a Vice President in 1989. Mr. Walter is a member of the Financial Managers Society and the Treasurer of the El Dorado Kiwanis Club.

Item 2. Properties

The Company operates from its corporate office located at 124 W. Central, El Dorado, Kansas. The Company owns this office facility which was opened in 1965.

Full service offices owned and leased by the Company are set forth below.

<TABLE>
<CAPTION>

Location

<C>	<C>	<C>
100 W. Twelfth Newton, Kansas 67114	405 N. Main El Dorado, Kansas 67042	2123 N. Maize Road Wichita, Kansas 67212
1113 S. Main Winfield, Kansas 67156	255 N. Main Wichita, Kansas 67201	3055 N. Rock Road Wichita, Kansas 67226
2310 S. Main Winfield, Kansas 67156	1420 N. Ohio Augusta, Kansas 67010	762 N. West Street Wichita, Kansas 67203

</TABLE>

The Company owns all of its facilities except 405 N. Main in El Dorado, which is leased. This lease expires June 30, 1998. The Company owns land at 79th St. and Rock Road, Derby, Kansas, Kansas that the Company expects to develop into an additional full-service office.

The Company also owns certain other properties that it leases to others. The location of these properties is set forth below.

<TABLE>
<CAPTION>

<C>	<C>	<C>
409 N. Main El Dorado, Kansas 67042	100 W. Twelfth Newton, Kansas 67114	402 N. Rose Hill Road Rose Hill, Kansas 67213

</TABLE>

Item 3. Legal Proceedings

There are various claims and lawsuits in which the Company is periodically involved, such as claims to enforce liens, condemnation proceedings on properties in which the Company holds security interests, claims involving the making and servicing of real property loans and other issues incident to the Company's business. In the opinion of management, no material loss is expected from any of such pending claims or lawsuits.

Supreme Court Ruling on Breach of Contract Regarding Supervisory Goodwill: Mid-Continent Federal Savings Bank, the wholly-owned subsidiary of Mid Continent Bancshares, Inc., is pursuing its claim against the federal government to recover funds lost as a result of the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"). In 1986, the Bank was encouraged by the federal government to acquire an insolvent thrift institution ("Reserve Savings and Loan Association"). The federal government allowed the Bank to count the insolvent thrift's losses as "goodwill" assets and to double-count as "capital credit" federal government funds provided to help the Bank take over the failing thrift. The Bank contends (among other things) in its lawsuit that the federal government breached its contract with the Bank when FIRREA was enacted because FIRREA prevented the Bank from counting such assets toward minimum capital requirements. As a result of FIRREA, the Bank was forced to write off approximately $7,500,000 in supervisory goodwill. This write off reduced the Bank's regulatory capital.

On July 1, 1996, the United States Supreme Court Affirmed decisions by a federal appellate court that the government had breached express contracts with three thrifts (U.S. v. Winstar Corp, et al.) and therefore was liable for damages. Those lawsuits stemmed from circumstances that are similar to those of the Bank; in order to persuade those thrifts to acquire certain insolvent thrift institutions, the federal government promised accounting treatment similar to that promised to the Bank.

While the Supreme Court's ruling in U.S. v. Winstar Corp, et al., serves to support the Bank's legal claims in its pending lawsuit against the federal government, it is not possible at this time to predict what effect the Supreme Court's ruling, and subsequent rulings of a lower court concerning damages, will have on the outcome of the Bank's lawsuit. Notwithstanding the Supreme Court's ruling, there can be no assurance that the Bank will be able to recover any funds arising out of its claim and, if any recovery is made, the amount of such recovery.

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

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year.

PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

The information contained under the section captioned "Market and Dividend Information" in the Company's Annual Report to Stockholders for the fiscal year ended September 30, 1996 (the "Annual Report"), is incorporated herein by reference.

Item 6. Selected Financial Data

The information contained in the table captioned "Selected Consolidated Financial Highlights" in the Annual Report is incorporated herein by reference.

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

The information contained in the section captioned "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Annual Report is incorporated herein by reference.

Item 8. Financial Statements and Supplementary Data

The Registrant's financial statements listed under Item 14 are incorporated herein by reference.

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

There has been no change of independent auditor for the Company, or its subsidiaries, during the two year period ended September 30, 1996.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information contained under the section captioned "Proposal I -- Election of Directors" in the Registrant's definitive proxy statement for the Registrant's 1996 Annual Meeting of Stockholders (the "Proxy Statement") is incorporated herein by reference.

Additional information concerning executive officers is included under "Part I -- Executive Officers of the Registrant."

Item 11. Executive Compensation

The information contained under the sections captioned "Proposal I -- Election of Directors -- Executive Compensation," "Compensation Committee Interlocks and Insider Participation," "--Report of the Compensation Committee on Executive Compensation," and "--Stock Performance Graph" in the Proxy Statement are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

(a) Security Ownership of Certain Beneficial Owners

Information required by this item is incorporated herein by reference to the section captioned "Voting Securities and Principal Holders Thereof" in the Proxy Statement.

(b) Security Ownership of Management

Information required by this item is incorporated herein by reference to the first chart in the section captioned "Proposal I -- Election of Directors" in the Proxy Statement.

(c) Management of the Registrant knows of no arrangements, including any pledge by any person of securities of the Registrant, the operation of which may at a subsequent date result in a change in control of the Registrant.

Item 13. Certain Relationships and Related Transactions

The information required by this item is incorporated herein by reference to the section captioned "Proposal I -- Election of Directors -- Certain Relationships and Related Transactions" in the Proxy Statement.

PART IV

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

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

1. The following financial statements and the report of independent accountants of the Registrant included in the Registrant's 1996 Annual Report to Stockholders are incorporated herein by reference and also in Item 8 hereof.

Consolidated Balance Sheets as of September 30, 1995 and 1996.

Consolidated Statements of Income for the Years Ended September 30, 1994, 1995 and 1996.

Consolidated Statements of Stockholders' Equity for the Years Ended September 30, 1994, 1995 and 1996.

Consolidated Statements of Cash Flows for the Years Ended September 30, 1994, 1995 and 1996.

Notes to Consolidated Financial Statements.

2. Financial Statement Schedules, except for Exhibit 11, for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions or are inapplicable and therefore have been omitted.

3. The following exhibits are included in this Report or incorporated herein by reference:

(a) List of Exhibits:

3(i)	Certificate of Incorporation of Mid Continent Bancshares, Inc. *
3(ii)	Bylaws of Mid Continent Bancshares, Inc. **
10.1	Outside Director Consultation and Retirement Plan*
10.2	Employment Agreement with Richard T. Pottorff **
10.3	Employment Agreement with Larry R. Goddard **
10.4	1994 Stock Option Plan **
10.5	Management Stock Bonus Plan and Trust Agreement **

10.6	Amendment to Employment Agreement with Richard T. Pottorff
10.7	Amendment to Employment Agreement with Larry R. Goddard
11	Statement Regarding Computation of Earnings Per Share
13	Annual Report to Stockholders for the fiscal year ended September 30, 1996
21	Subsidiaries of the Registrant **
23	Consent from Deloitte & Touche, LLP
99	Report on Financial Statement Schedule in Item 14

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* Incorporated by reference to the registration statement on Form S-1 (File No. 33-76010) declared effective by the Commission on May 3, 1994.

** Incorporated by reference to the Form 10-K (File No. 0-23620) for the fiscal year ended September 30, 1995.

Copies of above exhibits not contained herein are available, at a fee of $0.15 per page, to any security holder upon written request to the Secretary, Mid Continent Bancshares, Inc., 124 West Central, El Dorado, Kansas 67042.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf, on December 26, 1996, by the undersigned, thereunto duly authorized.

Mid Continent Bancshares, Inc.

By:/s/Richard T. Pottorff

Richard T. Pottorff
President, Chairman and Chief Executive Officer
(Duly Authorized Representative)

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated as of December 26, 1996.

/s/ Larry R. Goddard

Larry R. Goddard
Executive Vice President, Chief Operating Officer, Chief Financial Officer and Director
(Principal Financial and Accounting Officer)

/s/ Richard T. Pottorff

Richard T. Pottorff
President, Chairman, Chief Executive Officer, and Director
(Principal Executive Officer)

/s/ Donald Adlesperger

Donald Adlesperger
Director

/s/ Thomas C. Hand

Thomas C. Hand
Director

/s/ Kenneth B. Dellett

Kenneth B. Dellett
Director

/s/ Ron J. McGraw

Ron J. McGraw
Director

AMENDMENT TO EMPLOYMENT AGREEMENT

WHEREAS, Mid-Continent Federal Savings Bank (the "Bank") and Richard T. Pottorff (the "Employee") previously entered into an Employment Agreement (the "Agreement") dated March 21, 1995, and

WHEREAS, Section 14 of this Agreement provides that amendments to this Agreement may be made in writing and signed by both parties,

NOW THEREFORE, BE IT RESOLVED that the Agreement be amended by adoption and execution of this Amendment to the Agreement as follows.

1. Revision to Section 4 of the Agreement by inclusion of the following phrase at the end of Section 5 as follows:

   "Notwithstanding anything herein to the contrary, the expiration date of the term of this Agreement shall be as of June 27, 1998, except as may be extend beyond that date by future action of the Board within its sole discretion in accordance with this Agreement."

As Secretary to the Bank, I hereby certify that the foregoing Amendment was adopted and ratified by a majority vote of a meeting of the Board of Directors of the Bank, held on June 27, 1996, a quorum being present.

/s/Cheryl Wilkerson
Cheryl Wilkerson, Secretary

SEAL

IN WITNESS WHEREOF, the parties to the Agreement dated March 21, 1995, do hereby execute this Amendment to the Agreement on this 27 th day of June 1996.

Mid-Continent Federal Savings Bank

By: /s/Ken Dellett

Kenneth B. Dellett

/s/Richard T. Pottorff

Richard T. Pottorff, Employee

ATTEST:

/s/Cheryl Wilkerson
Cheryl Wilkerson, Secretary

AMENDMENT TO EMPLOYMENT AGREEMENT

WHEREAS, Mid-Continent Federal Savings Bank (the "Bank") and Larry R. Goddard (the "Employee") previously entered into an Employment Agreement (the "Agreement") dated March 21, 1995, and

WHEREAS, Section 14 of this Agreement provides that amendments to this Agreement may be made in writing and signed by both parties,

NOW THEREFORE, BE IT RESOLVED that the Agreement be amended by adoption and execution of this Amendment to the Agreement as follows.

1. Revision to Section 4 of the Agreement by inclusion of the following phrase at the end of Section 5 as follows:

   "Notwithstanding anything herein to the contrary, the expiration date of the term of this Agreement shall be as of June 27, 1998, except as may be extend beyond that date by future action of the Board within its sole discretion in accordance with this Agreement."

As Secretary to the Bank, I hereby certify that the foregoing Amendment was adopted and ratified by a majority vote of a meeting of the Board of Directors of the Bank, held on June 27, 1996, a quorum being present.

/s/Cheryl Wilkerson
Cheryl Wilkerson, Secretary

SEAL

IN WITNESS WHEREOF, the parties to the Agreement dated March 21, 1995, do hereby execute this Amendment to the Agreement on this 27 th day of June 1996.

Mid-Continent Federal Savings
Bank

By: /s/Ken Dellett

/s/Larry R. Goddard
Larry R. Goddard, Employee

ATTEST:

/s/Cheryl Wilkerson
Cheryl Wilkerson, Secretary

SEAL

MID CONTINENT BANCSHARES, INC.

EXHIBIT 11

Statement Regarding Computation of Earnings Per Share
Three Months and Year Ended September 30, 1995 and 1996

<TABLE>
<CAPTION>

	Three months Ended September 30,		Year Ended September 30,	
	1995	1996	1995	1996
Primary Earnings per share				
Common shares outstanding,				
<S>	<C>	<C>	<C>	<C>
beginning of period	2,248,250	1,937,803	2,248,250	2,045,235
Net effect of dilutive stock options	52,110	768	21,389	5,942
Allocated (unallocated) ESOP shares	(120,700)	1,700	(125,788)	6,975
Amortized (unamortized) MSBP shares	(57,995)	1,871	(29,909)	7,524
Treasury share purchases	(80,000)	(6,848)	(26,274)	(102,827)
Weighted average common and common equivalent shares outstanding	2,041,665	1,935,294	2,087,668	1,962,849
Net earnings	$ 826	$ 460	$ 4,106	$ 3,126
Per share amount	$ 0.40	$ 0.24	$ 1.97	$ 1.59
Fully Diluted Earnings per share				
Common shares outstanding, beginning of period	2,248,250	1,938,696	2,248,250	2,053,855
Net effect of dilutive stock options	60,730	2,766	26,499	(478)
Allocated (unallocated) ESOP shares	(120,700)	1,700	(125,788)	6,975
Amortized (unamortized) MSBP shares	(57,995)	1,871	(29,909)	7,524
Treasury share purchases	(80,000)	(6,848)	(26,274)	(102,827)
Weighted average common and common equivalent shares outstanding	2,050,285	1,938,185	2,092,778	1,965,049
Net earnings	$ 826	$ 460	$ 4,106	$ 3,126
Per share amount	$ 0.40	$ 0.24	$ 1.96	$ 1.59

</TABLE>

Primary earnings per share have been computed on the treasury stock method using the average market price for the common stock equivalents (options). Fully diluted earnings per share have been computed on the treasury stock method using the closing market price for the common stock equivalents (options).

The Company accounts for the 136,000 shares acquired by the Employee Stock Ownership Plan ("ESOP") in accordance with Statement of Position 93-6 and the 74,833 shares acquired for the Management Stock Bonus Plan (MSBP) in a manner similar to the ESOP shares; shares controlled by the ESOP and MSBP are not considered in the weighted average shares outstanding until the shares are committed for allocation.

[LOGO]

1996 ANNUAL REPORT

Mid Continent Bancshares, Inc.

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A Letter to Our Shareholders

Dear Stockholder:

Mid Continent Bancshares, Inc. and Mid-Continent Federal Savings Bank has had another exceptional year in 1996.

We increased our asset base from $271 million at September 30, 1995 to $340 million at September 30, 1996, or 25.5%, and improved our capital and shareholders' equity from $36.7 million to $36.8 million, with a net income for the year of $3.1 million after the SAIF assessment. 1996 earnings per share was $1.59 after the SAIF assessment. The SAIF assessment reduced our earnings by $0.33 per share after income tax. On a pre-SAIF assessment basis the company's earnings would have been $1.92 per share. When viewed on this basis, and considering the 1995 earnings of $1.97 per share, 1996 was truly a very good year for the Company.

During the year we have continued to increase our mortgage servicing portfolio to in excess of $1.2 billion, or approximately 25,000 loans. Servicing income, net of amortization, increased to $3.1 million. The expansion of our mortgage banking operation continues as we now have more than 100 correspondent brokers. We have two full time account representatives covering Oklahoma, Arkansas, Missouri and Kansas.

Our checking account program continues to grow in popularity. At September 30, 1995, we had approximately 13,500 accounts and as of September 30, 1996 our accounts had increased to over 16,000. We have increased our market share in our total market since 1994 from 6% to 10%. In the Wichita area only, during the same period of time, from 3% to 6%.

The Bank's service charges and other fees increased by 37.5%, from $1.8 million to $2.5 million. The primary source of this income is the High Performance Checking Account program and charges on loans serviced by the Bank, including loans serviced for others.

The Bank, during the last quarter of the fiscal year, has expensed the special assessment on the SAIF fund in the amount of $1,053,000, pre-tax. The Bank has been looking forward to the resolution of the SAIF fund and the reduction in the Bank's deposit insurance premiums to be realized during the coming fiscal year.

On July 24, 1995, the Savings Bank filed a claim in the United States Supreme Court of Claims to recover funds lost as a result of the Financial Institutional Reform and Recovery Enforcement Act of 1989 (FIRREA). The Savings Bank was forced to write-off approximately $7.5 million in Supervisory Goodwill. While the Savings Bank, along with many other financial institutions, has determined to pursue a claim against the United States government, there is no assurance that the Savings Bank will be able to recover any funds arising from the claim, or if any recover is made, the

amount of such recovery.

The Bank has completed construction and opened its fourth office in Wichita. It has also opened a branch in the Dillions store in Winfield, Kansas. The Bank now has nine full service offices with the tenth office under construction in Derby, Kansas.

The Bank has made much progress during the past year as we continued to increase our market share in checking account services and our mortgage banking operation. The Bank is in the process of implementing a new sales and marketing program for our retail banking operation. The Bank intends to increase its market penetration by expansion of the number of products and services offered and sales per customer.

The Board of Directors, management and staff is committed to maintain the Bank's position as a premier financial provider to our customers and communities.

Thanks to you, the stockholders and our customers, for having confidence in the Bank over the past year.

Very truly yours,

/s/Richard T. Pottorff
Richard T. Pottorff
Chairman of the Board, CEO and President

BUSINESS OF THE BANCORP

Mid Continent Bancshares, Inc. ("Bancorp") is a Kansas corporation organized in January, 1994. On June 27, 1994, the Bancorp acquired all the capital stock of Mid-Continent Federal Savings Bank ("Savings Bank") in the conversion of the Savings Bank from a federal mutual savings and loan association to a federal stock savings bank. Bancorp, as a unitary savings and loan holding company, under existing laws, generally is not restricted in the types of business activities in which it may engage provided that the Savings Bank retains a specified amount of its assets in housing-related investments.

Management believes that the holding company structure, should it decide to do so, would facilitate diversification into other non-banking activities and possible future acquisitions of other financial institutions such as other mutual or stock savings institutions and commercial banks, and thereby further its expansion into existing and new market areas and also enable Bancorp to repurchase its own stock. Except for the repurchase of a portion of Bancorp stock, as permitted by Office of Thrift Supervision, there are no present plans, arrangements, agreements, or understandings, written or oral, regarding any such activities.

The Bancorp's business activities to date have been limited to its investment in the Savings Bank, loans made to the Savings Bank for use in the normal course of its business and to the Mid-Continent Federal Savings Bank Employee Stock Ownership Plan ("ESOP") to enable the ESOP to purchase shares of the Bancorp's common stock in the initial public offering and the repurchase of limited amounts of Bancorp stock. The loans bear interest rates and have terms and conditions which prevailed in the market place at the time they were originated. As of September 30, 1996 the Bancorp has reacquired 231,500 shares of its common stock in the open market.

BUSINESS OF THE SAVINGS BANK

Mid-Continent Federal Savings Bank is a federally chartered stock savings bank located in El Dorado, Kansas in Butler County, Kansas. The Savings Bank was founded in 1925 with a charter from Kansas under the name Mid-Continent Savings and Loan Association. In 1935, the Savings Bank adopted a federal charter and changed its name to Mid-Continent Federal Savings and Loan Association of El Dorado. Its present name, Mid-Continent Federal Savings Bank, was obtained in 1994 at the time it obtained a charter as a savings bank. The Savings Bank completed its conversion from mutual to stock form in June, 1994 at which time all of its stock was acquired by Mid Continent Bancshares, Inc. The Savings Bank has been a member of the Federal Home Loan Bank of Topeka since 1937 and its deposits are insured up to the applicable limits by the Federal Deposit Insurance Corporation ("FDIC").

Mid-Continent is primarily engaged in attracting deposits from the general public and using those funds to originate and sell real estate loans on one-to-four family residences and, to a lesser extent,

to originate consumer and construction loans for its portfolio. The Savings Bank purchases one- to- four family residential loans through approximately 110 correspondents located primarily in Kansas and, to a lesser extent, in Oklahoma. The Savings Bank also invests in mortgage-related securities, U.S. government and agency obligations. These activities are funded with deposits from the general public and borrowings from the Federal Home Loan Bank and Mid Continent Bancshares, Inc. The Savings Bank has offices in El Dorado, Newton, Winfield, Augusta and Wichita, Kansas, which are located in its primary market area of Butler, Cowley, Sedgwick and Harvey Counties in the State of Kansas. The Savings Bank opened one full service branch in Wichita, Kansas during 1996 and expects to open another in 1997 in Derby, Kansas. A full service branch was opened in October, 1996 in Winfield, Kansas, to compliment the existing full service branch in that city. The new Winfield branch is located in the local Dillon's supermarket and will maintain extended hours to serve its customer base. The Savings Bank offers its customers fixed-rate and adjustable-rate mortgage loans, as well as FHA/VA loans and consumer loans, including home equity and savings account loans. Adjustable-rate mortgage loans generally are originated for retention in the Savings Bank's portfolio while fixed-rate mortgage loans are generally sold into the secondary market. All consumer loans are retained in the Savings Bank's portfolio.

The Savings Bank is actively engaged in the purchase and sale of certain mortgage loans through a correspondent network. These purchased loans and loans originated by the Savings Bank are sold, generally without recourse, into the secondary market with the Savings Bank generally retaining the servicing rights. The sale of loans in the secondary market is the source of a significant amount of income in the form of gain on the sale of loans and fees generated from servicing the loans.

The principal sources of funds for the Savings Bank's lending activities are deposits and the amortization, repayment and maturity of loans, mortgage-related securities and investment securities. Principal sources of income are interest and fees on loans, mortgage-related securities and investment securities. The Savings Bank's principal expense is interest paid on deposits.

Selected Consolidated Financial Highlights

The following table sets forth certain information at the dates and for the periods indicated. Average data presented herein, for the years 1992 through 1994, is primarily calculated on the basis of month-end balances. Average data presented herein for the 1995 and 1996 is primarily calculated on the basis of daily balances. Management does not believe that the use of month-end balances instead of daily average balances has caused any material differences in the information. All dollar amounts are in thousands except per share data and selected ratios.

SUMMARY OF FINANCIAL CONDITION
<TABLE>
<CAPTION>

	At September 30,				
	1992	1993	1994	1995	1996
	Dollars in Thousands				
Total Amount of:					
<S>	<C>	<C>	<C>	<C>	<C>
Assets	$189,340	$170,012	$202,628	$270,923	$340,186
Loans receivable	78,531	56,623	102,243	124,796	171,158
Mortgage-backed securities	60,804	42,856	45,030	40,004	34,383
Loans held for sale	17,110	27,734	5,527	22,108	13,718
Investments	7,244	15,144	24,374	56,449	90,562
Mortgage servicing rights	2,796	3,243	6,312	11,625	12,496
Excess of cost over fair value of assets acquired (Goodwill)	353	252	161	83	22
Cash and cash equivalents	15,031	17,701	10,823	5,677	5,618
Savings deposits	159,522	145,838	154,764	195,716	214,493
Other borrowings	14,955	7,500	9,000	33,000	81,700
Stockholders' equity	9,988	12,792	35,208	36,735	36,807
Number of:					
Real estate loans outstanding	2,302	2,124	1,985	2,593	2,864
Deposit accounts	18,142	17,557	21,743	27,192	29,609
Full service offices	7	6	6	7	8
Employees	91	100	117	119	150
Principal balance of loans serviced for others	$377,639	$580,768	$908,112	$1,189,892	$1,229,153

</TABLE>

Mid Continent Bancshares, Inc.

<TABLE>
<CAPTION>

SUMMARY OF OPERATIONS	Year Ended September 30,				
	Dollars in Thousands				
	1992	1993	1994	1995	1996
<S>	<C>	<C>	<C>	<C>	<C>
Interest Income	$16,398	$12,885	$11,549	$16,225	$20,173
Interest Expense	11,872	7,376	5,944	9,004	12,268
Net interest income	4,526	5,509	5,605	7,221	7,905
Provision for loan losses	83	154	6	224	75
Net interest income after provision for loan losses	4,443	5,355	5,599	6,997	7,830
Non-interest income:					
Loan servicing fees	1,513	1,804	2,689	4,407	4,779
Amortization of mortgage servicing rights	(676)	(679)	(899)	(1,305)	(1,651)
Gain on sale of mortgage servicing rights				1,961	
Service fees and other charges to customers	607	618	1,032	1,846	2,539
Gain on sale of loans held for sale, net	1,168	2,596	896	706	1,367
Other income	310	358	83	139	138
Total non-interest income	2,922	4,697	3,801	7,754	7,172
Total non-interest expense (1)	5,195	5,632	6,340	8,202	9,983
Income before income tax expense and cumulative effect of change in accounting principle	2,170	4,420	3,060	6,549	5,019
Income tax expense	893	1,616	1,195	2,443	1,893
Income before cumulative effect of change in accounting principle	1,277	2,804	1,865	4,106	3,126
Cumulative effect of change in accounting principle (2)			136		
Net income	$1,277	$2,804	$2,001	$4,106	$3,126
Earnings per share (3)			$0.30	$1.97	$1.59
Cash dividends per share				$0.40	$0.40

Selected Financial Ratios	Year Ended September 30,				
	1992	1993	1994	1995	1996
Return on average assets	0.64%	1.61%	1.14%	1.75%	1.07%

Return on average equity	13.66%	24.12%	10.54%	11.86%	8.54%
Dividend payout ratio	--	--	--	20.30%	25.16%
Average total equity to average assets	4.67%	6.67%	10.81%	14.74%	12.56%
Net interest rate spread	2.40%	3.23%	3.11%	2.87%	2.55%

</TABLE>

(1) For 1996, includes a $1,053 one time assessment to recapitalize the SAIF insurance fund.
(2) The cumulative effect of accounting change reflects the adoption of SFAS No. 109 for fiscal year 1994.
(3) Earnings per share is based on net income subsequent to the Conversion on June 27, 1994.

MARKET AND DIVIDEND INFORMATION

Mid Continent Bancshares, Inc.'s common stock trades on the Nasdaq National Market system under the symbol "MCBS":

The following table sets forth the quarterly high and low sale prices for the common stock throughout the fiscal years ended September 30, 1995 and 1996:
<TABLE>
<CAPTION>

Quarter Ended	High	Low
September 30, 1994	$13	$11 1/4
December 31, 1994	11 1/2	9 5/8
March 31, 1995	13 3/8	10 1/8
June 30, 1995	16 1/4	13
September 30, 1995	19 1/8	15 1/2
December 31, 1995	18 1/2	17
March 31, 1996	18 1/2	17 3/8
June 30, 1996	19 1/4	17 7/8
September 30, 1996	19 3/8	17 1/2

</TABLE>

During the years ended September 30, 1995 and 1996, the Bancorp declared and paid cash dividends to shareholders as follows:
<TABLE>
<CAPTION>

Declaration Date	Shareholder Record Date	Payment Date	Amount Per Share
December 19, 1994	December 31, 1994	January 20, 1995	$0.10
March 23, 1995	April 5, 1995	April 19, 1995	0.10
June 29, 1995	July 13, 1995	July 27, 1995	0.10
September 27, 1995	October 11, 1995	October 25, 1995	0.10
December 21, 1995	January 4, 1996	January 18, 1996	0.10
March 28, 1996	April 11, 1996	April 25, 1996	0.10
June 27, 1996	July 11, 1996	July 25, 1996	0.10
September 26, 1996	October 10, 1996	October 24, 1996	0.10

</TABLE>

According to the records of the Bancorp's transfer agent, there were 386 registered stockholders of record at December 5, 1996. This number does not include any persons or entities who hold their stock in nominee or "street" name through various brokerage firms.

The Bancorp's ability to pay dividends to stockholders is substantially dependent upon the dividends it receives from the Savings Bank. Under current regulations, the Savings Bank is not permitted to pay dividends if its regulatory capital would thereby be reduced below (1) the amount then required for the liquidation account established in connection with the Savings Bank's conversion from mutual to stock form, or (2) the regulatory capital requirements imposed by the Office of Thrift

Supervision. Capital distributions are also subject to certain limitations based on the Savings Bank's net income. See Note 1 of notes to consolidated financial statements. The Savings Bank's total capital at September 30, 1996, exceeded the amounts of its liquidation account and regulatory capital requirements.

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

(Dollars in thousands)

GENERAL

On June 27, 1994, Mid-Continent Federal Savings Bank completed its conversion (the "Conversion") from a federally chartered mutual savings and loan association to a federally chartered stock savings bank and was simultaneously acquired by Mid Continent Bancshares, Inc., a Kansas corporation, which was formed to act as the holding company of the Savings Bank. At the date of conversion, the Bancorp completed the sale of 2,248,250 shares of common stock, $.10 par value, through concurrent Subscription and Community Offerings at $10.00 per share. Net proceeds from the Conversion, after recognizing Conversion expenses and underwriting costs of $754, were $21,729. From the net proceeds, the Bancorp used $11,200 to purchase all of the capital stock of the Savings Bank and $1,360 to fund the purchase of 136,000 shares of the Bancorp stock by the Employee Stock Ownership Plan.

Mid Continent Bancshares, Inc. was formed to purchase all of the common stock of Mid-Continent Federal Savings Bank in connection with the Savings Bank's conversion from the mutual to the stock form of ownership in 1994. In addition, the Bancorp made loans to the Savings Bank and to the Savings Bank's employee stock ownership plan, from which it receives interest income. The loans bear interest rates and have terms and conditions which prevailed in the market place at the time they were originated.

The Bancorp's consolidated results of operations are primarily dependent on the Savings Bank's net interest income, or the difference between the interest income earned on its loan, mortgage-backed securities and investment securities portfolios, and the interest expense paid on its deposits and other borrowings. Net interest income is affected not only by the difference between the yields earned on interest-earning assets and the costs incurred on interest-bearing liabilities, but also by the relative amounts of such interest-earning assets and interest-bearing liabilities.

Other components of net income include: provisions for losses on loans; non-interest income (primarily, loan origination and servicing fees; service fees and other charges to customers; gains on the sale of loans and gain on sale of servicing rights); non-interest expense (primarily, compensation and employee benefits; federal insurance premiums; office occupancy expense; and gains, losses and expenses associated with foreclosed real estate); and income taxes.

Earnings of the Savings Bank are significantly affected by economic and competitive conditions, particularly changes in interest rates, government policies and regulations of regulatory authorities.

MANAGEMENT STRATEGY

The Savings Bank's lending strategy has focused historically on the origination of mortgage loans

on one-to-four family residences pursuant to underwriting standards. The Savings Bank generally retains ownership of the adjustable-rate and short-term fixed-rate loans it originates and sells long-term fixed-rate loans in the secondary market; accordingly, its lending strategy is designed to reduce the risk of losses on its loan portfolio. However, the high concentration of residential mortgage loans in its portfolio subjects the Savings Bank to risks associated with potential declines in real estate values in its lending area.

This risk has been mitigated to some extent, however, through diversification in its investment and mortgage-backed securities portfolios.

In an effort to reduce interest rate risk and protect it from the negative effect of increases in interest rates, the Savings Bank has instituted certain asset and liability management measures. This strategy includes the following primary elements: (i) originating and purchasing long-term fixed-rate loans primarily for sale in the secondary mortgage market, (ii) maintaining a high percentage of total assets in short-term securities and other liquid assets, (iii) increasing sources of other income, such as gain on sale of loans and loan servicing fees, (iv) increasing its ARM loan portfolio and (v) building a loan servicing portfolio whose market value floats inversely to the movement of interest rates. A loan servicing portfolio becomes more valuable as the "turnover" in the mortgage loans slows. Loan portfolios traditionally become more seasoned and experience less turnover after interest rates rise. Therefore, after interest rates rise, the value of a loan servicing portfolio generally increases (assuming credit quality is maintained), causing the opposite effect to the value of the Savings Bank's loans and investments.

CHANGES IN FINANCIAL CONDITION FROM SEPTEMBER 30, 1995 TO SEPTEMBER 30, 1996

Total assets increased $69,263, or 25.6%, from $270,923 at September 30, 1995 to $340,186 at September 30, 1996. The increase is attributable to increases of $34,113 in investment securities and Federal Home Loan Bank (FHLB) stock, $46,362 in loans receivable, and $871 in mortgage servicing rights. Mortgage-related securities decreased $5,621 and loans held for sale decreased $8,390.

Investment securities and FHLB stock increased from $56,449 at September 30, 1995 to $90,562 at September 30, 1996. The increase is primarily due to favorable interest rates offered on these securities during the fiscal year ending September 30, 1996. Included in the securities held at September 30, 1996 are $1,000 of "step-up" securities with an interest rate of 8.04% and a maturity of 1996. If the securities are not called at any of the respective call dates the interest rate will increase. Also included at September 30, 1996 are callable securities with a carrying value of approximately $76,801 bearing interest at various rates ranging from 4.98% to 8.50% with stated maturity dates ranging from 1996 to 2011. The Savings Bank intends to hold these securities to maturity, but the securities are subject to call at the option of the issuer.

Loans receivable increased from $124,796 at September 30, 1995 to $171,158 at September 30,

1996. This increase is due primarily to increases in adjustable-rate mortgages and short-term fixed-rate mortgage loans being held for investment and to a lesser extent to increases in the construction and consumer lending portfolio. First mortgage loans increased $48,440 and consumer loans increased $1,167. The Bank expects to increase its residential (one-to-four unit), first mortgage, loans in fiscial 1997, but not to the extent that these loans were increased in fiscal 1996.

Mortgage servicing rights increased $871 during fiscal 1996. During the fiscal year the Savings Bank increased its servicing portfolio for others from $1,189,892 to $1,229,153.

Deposit accounts increased $18,777 primarily from savings certificate accounts which increased $13,635. Demand and NOW account deposit accounts decreased $712. Demand and NOW accounts which totaled $36,785 at September 30, 1996 provide a significant amount of low interest-rate funds and a source of service fee income to the Savings Bank.

Advances from the Federal Home Loan Bank increased $48,700 from $33,000 at September 30, 1995 to $81,700 at September 30, 1996. The Savings Bank utilizes advances from the Federal Home Loan Bank to meet its cash needs as they arise. The Savings Bank has a $54,400 line of credit with the Federal Home Loan Bank, subject to certain limitations, for the purpose of providing short-term financing. At September 30, 1996, $15,700 was outstanding relative to this line of credit.

Stockholders' equity increased $72, or 0.2%, from $36,735 to $36,807. Net income for the year was $3,126.

Other significant transactions during the year included the acquisition of

151,500 shares of the Bancorp's common stock for treasury at a cost of $2,730 and cash dividends paid or payable to common stockholders of $769. See the accompanying Consolidated Statements of Stockholders' Equity for more detail.

COMPARISON OF OPERATING RESULTS FOR YEARS ENDED SEPTEMBER 30, 1994 AND 1995

GENERAL

Net income before cumulative effect of change in accounting principle increased from $1,865 in 1994 to $4,106 in 1995. Net income increased by $2,105, or 105.2%, from $2,001 for the year ended September 30, 1994 to $4,106 for the year ended September 30, 1995.

TOTAL INTEREST INCOME

Total interest income increased $4,676, or 40.5%, to $16,225 during the year ended September 30, 1995 from $11,549 for the year ended September 30, 1994. Interest income on loans receivable and on investment securities increased $3,448 and $1,513, respectively. The average yield on loans declined from 8.08% in 1994 to 7.95% in 1995, but increases in the loan portfolio resulted in an increase in loan interest in 1995 over 1994. The average yield of investment securities increased from 5.66% in 1994 to 6.92% in 1995. The increase in rates prompted more investment in securities and increased revenue resulted from both volume and rate increases. Interest on mortgage-related securities decreased $9 as mortgage-related securities were allowed to repay in the amount of $4,985. The average yield on mortgage-related securities increased from 6.84% in 1994 to 6.92% in 1995, but as rates increased, increased repayments took place in amounts sufficient to result in an overall decrease in interest from mortgage-related securities. Other interest income decreased $276 due to reduced average cash balances. The average rate of interest earned on interest-bearing cash accounts increased from 1994 to 1995, but the demand for cash to fund loans and investment securities, which paid higher yields, reduced the overall interest yield from cash accounts.

NET INTEREST INCOME

Net interest income increased $1,616, or 28.8%, from $5,605 during the year ended September 30, 1994 to $7,221 for the year ended September 30, 1995. The average interest-earnings assets increased $52,316 from 1994 to 1995. Components of the interest-earning assets are discussed above. Overall the average yield increased from 6.99% in 1994 to 7.46% in 1995. The major increase in interest income was due to the increase in interest-earning assets with a lesser benefit from rate increases.

Average interest-bearing liabilities increased $42,678 from 1994 to 1995. Both deposit accounts and borrowed money increased in 1995. Average rates on deposits increased from 3.65% in 1994 to 4.35% in 1995. The average interest rate on borrowed money, however, declined from 9.47% in 1994 to 6.33% in 1995. Overall rates on interest-bearing liabilities increased from 3.88% in 1994 to 4.59% in 1995.

The ratio of average interest-bearing assets to interest-bearing liabilities increased from 107.7% at September 30, 1994 to 110.9% at September 30, 1995.

PROVISION FOR LOSSES ON LOANS

The Savings Bank currently maintains an allowance for loan losses based upon management's periodic evaluation of known and inherent risks in the loan portfolio, the Savings Bank's past loss experience, adverse situations that may affect the borrowers' ability to repay loans, estimated value of the underlying collateral and current and expected market conditions. The allowance for loan losses was $275 and $423 at September 30, 1994 and 1995, respectively. The provision for losses on loans increased $218 for the year ended September 30, 1995. The increase in the provision resulted from management's evaluation of the adequacy of the allowance for loan losses. While the Savings Bank maintains its allowance for losses at a level which it considers to be adequate to provide for potential losses, there can be no assurance that further additions will not be made to the loss allowances and that such losses will not exceed the estimated amounts.

OTHER INCOME

Other income increased $3,953, or 104%, during the year ended September 30, 1995, as compared to the year ended September 30, 1994. This increase was primarily attributable to increased loan servicing fees (net of amortization), service fees and other charges to customers and a gain on the sale of mortgage servicing rights.

Loan servicing fees (net of amortization) increased by $1,312, or 73.3%, from $1,790 to $3,102 during the years ended September 30, 1994 and 1995, respectively. Servicing fees result primarily from service fees paid by investors and correlate closely with the size of the loan servicing portfolio. The increase in servicing fees during the year ended September 30, 1995, is reflective of the increase in the amount of loans serviced by Mid-Continent for others from $908,112 at September 30, 1994 to $1,189,892 at September 30, 1995. Amortization of mortgage servicing rights increased by $406, or 45.2%, because of the effects of the increased servicing portfolio, scheduled amortization, prepayments and anticipated prepayments of loans.

Service fees and other charges to customers increased by $814, or 78.9%, from $1,032 to $1,846 during the years ended September 30, 1994 and 1995, respectively. This source of income is primarily a function of the amount of deposits and the fees for deposit-related services charged by the Savings Bank. A primary source of this income is the Bank's high performance checking account programs. The Bank also receives late charges related to loans serviced for the Bank, as well as loans serviced for others.

During the fiscal year ended September 30, 1995, gains on the sale of mortgage servicing rights were realized in the amount of $1,961. The Savings Bank periodically evaluates its servicing portfolio. In the latter half of fiscal 1994 interest rates rose and the value of the Savings Bank's loan servicing rights increased. The rise in value afforded the Savings Bank the opportunity in 1995 to restructure a portion of its servicing portfolio by selling a portion of its loan servicing for FNMA and FHLMC. Sales of rights to approximately $304,400 of loans resulted in a pre-tax gain of approximately $1,961. The funds provided by the sales were reinvested in servicing product for GNMA. A service

fee enhancement resulted in that GNMA service fees yield 44 basis points, whereas FNMA and FHLMC servicing yields 25 basis points. The Savings Bank intends to continuously monitor the value of its mortgage loan servicing. The gains recognized should not be viewed as indicative of future servicing revenue.

At September 30, 1995, the Savings Bank was servicing approximately $1,189,892 of mortgage loans for others. At September 30, 1994, the Savings Bank was servicing approximately $908,112 of mortgage loans for others. The growth in gross servicing fees was 63.9% and net servicing fees was 73.3%.

Net gains on sale of loans decreased by $190, or 21.2%, from $896 to $706 during the years ended September 30, 1994 and 1995, respectively. The gains were attributable to the Savings Bank's secondary market activities and result from a combination of interest rates and management strategies.

Gains on the sale of loans were enhanced in 1995 upon implementation of Financial Accounting Standards Board Statement of Accounting Standards No. 122 (SFAS No. 122), Accounting for Mortgage Servicing Rights, effective October 1, 1994. Implementation of this standard increased the gain on the sale of loans in 1995 in the amount of $426 ($267 after income tax). Prior to implementation of SFAS No. 122, the excess of the sale consideration received for purchased loans over the recorded basis of those loans was offset against the cost of any mortgage servicing rights attributable to the loans being sold. This offset is no longer required under SFAS No. 122. Further, SFAS No. 122 requires the recognition of mortgage servicing rights related to Savings Bank's originated loans which are sold with servicing rights retained. These two provision of SFAS No. 122 enhanced gain on the sale of loans in the amounts of $185 and $241, respectively. The effect of SFAS No. 122 on quarterly net income and earnings per share is discussed in footnote 20 of the notes to the consolidated financial statements.

Gains from the sale of loans are dependent on market and economic conditions and, accordingly, there can be no assurance that the gains reported in current periods can be achieved in the future or that there will not be significant variations in the results from such activities.

OTHER EXPENSE

Other expense increased by $1,862, or 29.4%, from $6,340 to $8,202 during the years ended September 30, 1994 and 1995, respectively. This increase is primarily attributable to increases in salaries and related expenses, occupancy, professional fees, office supplies and related expense, advertising and promotion and other expense.

Compensation and employee benefits increased $1,037, or 32.3%, in 1995 over 1994. The increase is due to normal annual salary adjustments and employment of personnel necessary to carry out the business activities of the Savings Bank. Additionally, the Savings Bank recognized $171 related to

the Employee Stock Ownership Plan, $141 for the Directors Retirement Plan and $249 for the Management Stock Bonus Plan in the 1995 year.

Occupancy and office supplies expense increased $88 and $119, respectively in 1995 over 1994. During 1995 the Savings Bank opened one new full service branch in Wichita, Kansas.

Professional fees increased $153 in 1995 over 1994. Additional legal fees were incurred in 1995 in the amount of $103. Added legal expense was incurred as a result of becoming a publicly held company, the legal fees incurred in the design, approval from applicable parties and implementation of various director, officer and employee benefit programs and the filing of a claim in the U.S. Court of Claims related to supervisory goodwill (see Other Matters section). Professional consultants were also retained to assist in the management of corporate assets and liabilities and strategic planning.

Advertising increased $85 in the fiscal year 1995 over fiscal 1994. Advertising was increased primarily to promote the Savings Bank's checking account programs and promote the new full service branch in Wichita, Kansas.

Deposit account expense, related primarily to operation of the Savings Bank's checking account programs, increased from $139 in 1994 to $227 in 1995. The Savings Bank intends to expand its checking account and deposit account programs in the future.

Miscellaneous loan servicing expense increased $73 in 1995 over 1994. These expenses are directly related to the servicing of loans for others, as well as for the Savings Bank, and can be expected to rise as the Savings Bank grows and expands its servicing portfolio for others. See footnote 18 to the consolidated financial statements, Segment Information, for more information relative to the operation of the mortgage banking segment (which includes loan servicing for others) of the Savings Bank.

Operating expenses have increased in recent years due to the Savings Bank's increased mortgage banking operations. For the year ended September 30, 1995, operating expenses totaled 3.5% of average assets, a decrease from the 3.6% of average assets recorded for the year ended September 30, 1994. The operating expense ratios are attributable to loan production and loan servicing activities (which incur operating expenses), and general inflationary pressures on the Savings Bank's operations. Although operating expenses could be expected to decline somewhat if loan production levels decline, certain expenses should increase as a result of being a public company.

INCOME TAX EXPENSE

Income tax expense increased $1,248 from $1,195 for the year ended September 30, 1994 to $2,443 for the year ended September 30, 1995. The primary reason for the increase was a $3,489 increase in pre-tax income. The effective rate for the year ended September 30, 1994 was 39.1% as compared to 37.3% for 1995.

COMPARISON OF OPERATING RESULTS FOR YEARS

ENDED SEPTEMBER 30, 1995 AND 1996

GENERAL

Net income decreased by $980, or 23.9%, from $4,106 for the year ended September 30, 1995 to $3,126 for the year ended September 30, 1996.

TOTAL INTEREST INCOME

Total interest income increased $3,948, or 24.3%, to $20,173 during the year ended September 30, 1996 from $16,225 for the year ended September 30, 1995. Interest income on loans receivable and on investment securities increased $1,413 and $2,669, respectively. The average yield on loans declined from 7.95% in 1995 to 7.76% in 1996, but increases in the loan portfolio resulted in an increase in loan interest in 1996 over 1995. The average yield of investment securities increased from 6.92% in 1995 to 7.15% in 1996. The increase in rates prompted more investment in securities and increased revenue resulted from both volume and rate increases. Interest on mortgage-related securities decreased $84 as mortgage-related securities were allowed to repay in the amount of $6,746. The average yield on mortgage-related securities increased from 6.92% in 1995 to 7.36% in 1996, but as rates increased, increased repayments took place in amounts sufficient to result in an overall decrease in interest from mortgage-related securities. Other interest income decreased $50 due to reduced average cash balances. The average rate of interest earned on interest-bearing cash accounts decreased from 1995 to 1996, plus the demand for cash to fund loans and investment securities, which paid higher yields, reduced the overall interest yield from cash accounts.

NET INTEREST INCOME

Net interest income increased $684, or 9.5%, from $7,221 during the year ended September 30, 1995 to $7,905 for the year ended September 30, 1996. Total average interest-earning assets increased $53,094 from 1995 to 1996. Components of the interest-earning assets are discussed above. Overall the average yield remained unchanged, at 7.46%, for 1995 and 1996. The major increase in interest income was due to the increase in interest-earning assets with a lesser benefit from individual rate increases, primarily on mortgage-related securities and investment securities.

Average interest-bearing liabilities increased $53,614 from 1995 to 1996. Both deposit accounts and borrowed money increased in 1996. Average rates on deposits increased from 4.35% in 1995 to 4.63% in 1996. The average interest rate on borrowed money, however, declined from 6.33% in 1995 to 6.21% in 1996. Overall rates on interest-bearing liabilities increased from 4.59% in 1995 to 4.91% in 1996.

The ratio of average interest-bearing assets to interest-bearing liabilities decreased from 110.9% at September 30, 1995 to 108.4% at September 30, 1996.

PROVISION FOR LOSSES ON LOANS

The Savings Bank currently maintains an allowance for loan losses based upon management's periodic evaluation of known and inherent risks in the loan portfolio, the Savings Bank's past loss experience, adverse situations that may affect the borrowers' ability to repay loans, estimated value of the underlying collateral and current and expected market conditions. The allowance for loan losses was $423 and $421 at September 30, 1995 and 1996, respectively. The provision for losses on loans decreased $149 for the year ended September 30, 1996. The decrease in the provision resulted from management's evaluation of the adequacy of the allowance for loan losses. While the Savings Bank maintains its allowance for losses at a level which it considers to be adequate to provide for potential losses, there can be no assurance that further additions will not be made to the loss allowances and that such losses will not exceed the estimated amounts.

OTHER INCOME

Other income decreased $582, or 7.5%, during the year ended September 30, 1996, as compared to the year ended September 30, 1995. During the year ended September 30, 1995, the Bank realized gain on sale of servicing rights of $1,961. There was no sales of servicing rights in the year ended September 30, 1996. All other significant sources of other income increased in 1996 compared to 1995.

Loan servicing fees (net of amortization) increased by $26, or 0.8%, from $3,102 to $3,128 during the years ended September 30, 1995 and 1996, respectively. Servicing fees result primarily from service fees paid by investors and correlate closely with the size of the loan servicing portfolio. The increase in servicing fees during the year ended September 30, 1996, is reflective of the increase in the amount of loans serviced by Mid-Continent for others from $1,189,892 at September 30, 1995 to $1,229,153 at September 30, 1996. Amortization of mortgage servicing rights increased by $346, or 26.5%, because of the effects of the increased servicing portfolio, scheduled amortization, prepayments and anticipated prepayments of loans. The growth in gross servicing fees was 8.4% and net servicing fees was 0.8%.

Service fees and other charges to customers increased by $693, or 37.5%, from $1,846 to $2,539 during the years ended September 30, 1995 and 1996, respectively. This source of income is primarily a function of the amount of deposits and the fees for deposit-related services charged by the Savings Bank. A primary source of this income is the Bank's high performance checking account program. The Bank also receives late charges related to loans serviced for the Bank, as well as serviced for others.

Net gains on sale of loans increased by $661, or 93.6%, from $706 to $1,367 during the years ended September 30, 1995 and 1996, respectively. The gains were attributable to the Savings Bank's secondary market activities and result from a combination of interest rates and management strategies. Gains from the sale of loans are dependent on market and economic conditions and,

accordingly, there can be no assurance that the gains reported in current periods can be achieved in the future or that there will not be significant variations in the results from such activities.

OTHER EXPENSE

Other expense increased by $1,781, or 21.7%, from $8,202 to $9,983 during the years ended September 30, 1995 and 1996, respectively. This increase is primarily attributable to increases in salaries and related expenses, office supplies and related expense, advertising, federal insurance premiums and promotion.

Compensation and employee benefits increased $291, or 6.9%, in 1996 over 1995. The increase is due to normal annual salary adjustments and employment of personnel necessary to carry out the business activities of the Savings Bank.

Occupancy decreased $22 and office supplies expense increased $114, in 1996 over 1995. During 1996 the Savings Bank opened one new full service branch in Wichita, Kansas.

Data processing costs increased $135 in support of additional branch operations and in response to mortgage banking (including servicing) demands.

Advertising increased $34 in the fiscal year 1996 over fiscal 1995. Advertising was increased primarily to promote the Savings Bank's checking account programs.

Federal insurance premiums increased from $351 for the year ended September 30, 1995 to $1,504 for the year ended September 30, 1996. On September 30, 1996 the Economic Growth and Regulatory Paperwork Reduction Act of 1996 was signed into law. The Act imposed a special assessment on SAIF members to recapitalize the SAIF. The Bank's assessment was $1,053 which was charged to expense immediately. The rate of deposit insurance assessment is expected to materially decline in future periods.

Deposit account expense, related primarily to operation of the Savings Bank's checking account programs, increased from $227 in 1995 to $298 in 1996. The Savings Bank intends to expand its checking account and deposit account programs in the future.

Miscellaneous loan servicing expense increased $149 in 1996 over 1995. These expenses are directly related to the servicing of loans for others, as well as for the Savings Bank, and can be expected to rise as the Savings Bank grows and expands its servicing portfolio for others. See footnote 18 to the consolidated financial statements, Segment Information, for more information relative to the operation of the mortgage banking segment (which includes loan servicing for others) of the Savings Bank.

Operating expenses have increased in recent years due to the Savings Bank's increased mortgage banking operations. For the year ended September 30, 1996, operating expenses totaled 3.4% of average assets, a decrease from the 3.5% of average assets recorded for the year ended September 30, 1995. The operating expense ratios are attributable to loan production and loan servicing activities (which incur operating expenses), and general inflationary pressures on the Savings Bank's operations. Although operating expenses could be expected to decline somewhat if loan production levels decline, certain expenses should increase as a result of being a public company.

INCOME TAX EXPENSE

Income tax expense decreased $550 from $2,443 for the year ended September 30, 1995 to $1,893 for the year ended September 30, 1996. The primary reason for the decrease was a $1,530 decrease in pre-tax income. The effective rate for the year ended September 30, 1995 was 37.3% as compared to 37.7% for 1996.

AVERAGE BALANCES, NET INTEREST INCOME, YIELDS EARNED AND RATES PAID

The following table presents for the periods indicated the total dollar amounts of interest income from average interest earning assets and the resultant yields, as well as the interest expense on the average interest bearing liabilities, expressed both in dollars and rates. Average balances for the year 1994 are derived from month-end balances. Average balances for the years 1995 and 1996 are derived from daily balances. Management does not believe that the use of month-end balances instead of daily average balances for 1994 has caused any material differences in the information presented.

<TABLE>
<CAPTION>

	Year Ended September 30,								
	1994			1995			1996		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
Interest-earning assets:									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Loans receivable	$84,912	6862	8.08%	$129,687	10310	7.95%	$151,078	11723	7.76%
Mortgage-related securities	44101	3015	6.84%	43430	3006	6.92%	39711	2922	7.36%
Investment securities	18866	1068	5.66%	37322	2581	6.92%	73431	5250	7.15%
Other interest-earning assets...	17277	604	3.50%	7033	328	4.66%	6346	278	4.38%
Total interest-earning assets	165156	$11,549	6.99%	217472	$16,225	7.46%	270566	$20,173	7.46%
Non-interest-earning assets	10414			17401			20892		
Total assets	$175,570			$234,873			$291,458		
Interest-bearing liabilities:									
Passbook savings deposits ...	$10,504	$ 243	2.31%	$8,710	$ 239	2.74%	$8,634	$ 238	2.76%
NOW accounts and money market demand deposits	38498	605	1.57%	40131	565	1.41%	47285	756	1.60%
Certificates of deposit	98409	4533	4.61%	123444	6697	5.43%	148922	8491	5.70%
Other interest-bearing liabilities	5947	563	9.47%	23751	1503	6.33%	44809	2783	6.21%
Total interest-bearing liabilities	153358	$ 5,944	3.88%	196036	$ 9,004	4.59%	249650	$12,268	4.91%

Non-interest-bearing liabilities..................	3225			4216			5201		
Total liabilities	156583			200252			254851		
Stockholder's equity	18987			34621			36607		
Total liabilities and stockholders' equity	$175,570			$234,873			$291,458		
Net interest income		$5,605			$7,221			$7,905	
Interest rate spread			3.11%			2.87%			2.55%
Net yield on interest-bearing assets			3.39%			3.32%			2.92%
Ratio of average interest-earning assets to average interest-bearing liabilities			107.69%			110.93%			108.38%

</TABLE>

RATE/VOLUME ANALYSIS

The following schedule presents the dollar amount of changes in interest income and interest expense for the major components of interest-earning assets and interest-bearing liabilities. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (changes in average volume multiplied by old rate); (ii) changes in rates (changes in rate multiplied by old average volume); (iii) changes in rate-volume (changes in rate multiplied by the change in average volume).

<TABLE>
<CAPTION>

	1994 vs. 1995 Increase (Decrease) Due to				1995 vs. 1996 Increase (Decrease) Due to			
	Volume	Rate	Rate/ Volume	Net	Volume	Rate	Rate/ Volume	Net
Interest income:								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Loans receivable	$ 3,616	($ 110)	($ 58)	$ 3,448	$ 1,701	($ 247)	($ 41)	$ 1,413
Mortgage-related securities	(43)	35	(1)	(9)	(258)	190	(16)	(84)
Investment securities	1,042	238	233	1,513	2,497	87	85	2,669
Other interest-earning assets	(357)	200	(119)	(276)	(32)	(20)	2	(50)
Total interest-earning assets	$ 4,258	$ 363	$ 55	$ 4,676	$ 3,908	$ 10	$ 30	$ 3,948
Interest expense:								
Passbook savings deposits	($ 41)	$ 45	($ 8)	($ 4)	($ 2)	$ 1	$ 0	($ 1)
NOW accounts and money market demand deposits	25	(62)	(3)	(40)	100	77	14	191
Certificates of deposit	1154	805	206	2165	1383	341	70	1794
Other interest-bearing liabilities	1686	(187)	(560)	939	1333	(28)	(25)	1280
Total interest-bearing liabilities	$ 2,824	$ 601	($ 365)	$ 3,060	$ 2,814	$ 391	$ 59	$ 3,264
Net change in net interest income	$ 1,434	($ 238)	$ 420	$ 1,616	$ 1,094	($ 381)	($ 29)	$ 684

</TABLE>

LIQUIDITY AND CAPITAL RESOURCES

The Savings Bank is required to maintain minimum levels of "liquid assets", as defined by the Office of Thrift Supervision ("OTS") regulations. This requirement, which may be varied from time to time depending upon economic conditions and deposit flows, is based upon a percentage of deposits and short-term borrowings. The required minimum ratio is currently 5 percent. The Savings Bank's average liquidity ratio was 7.9% percent during September, 1996. The Savings Bank manages its liquidity ratio to meet its funding needs, including: deposit outflows; disbursement of payments collected from borrowers for taxes and insurance; repayment of Federal Home Loan Bank advances and other borrowings; and loan principal disbursements. The Savings Bank also monitors its liquidity position in accordance with its asset/liability management objectives.

In addition to funds provided from operations, the Savings Bank's primary sources of funds are: savings deposits; principal repayments on loans and mortgage-backed securities; and matured or called investment securities. The Savings Bank also borrows funds from time to time from the Federal Home Loan Bank of Topeka (the "FHLB").

Scheduled loan repayments and maturing investment securities are a relatively predictable source of funds. However, savings deposit flows and prepayments on loans and mortgage-backed securities are significantly influenced by changes in market interest rates, economic conditions and competition. The Savings Bank strives to manage the pricing of its deposits to maintain a balanced stream of cash flows commensurate with its loan commitments and other predictable funding needs.

The Savings Bank usually maintains a portion of its cash on hand in interest-bearing demand deposits with the FHLB to meet immediate loan commitment and savings withdrawal funding requirements. When applicable, cash in excess of immediate funding needs is invested into longer-term investment and mortgage-backed securities, some of which may also qualify as liquid investments under current OTS regulations.

The Savings Bank has a $54,400 line of credit with the FHLB which may be used to provide funds necessary to cover cash shortages on a daily basis, and the ability to obtain various other FHLB advances up to a total borrowing limit of approximately $200,000, the amount of the Banks residential housing finance assets. At September 30, 1996, the Savings Bank had total FHLB borrowings of $81,700.

Management believes the Savings Bank has sufficient resources available to meet its foreseeable funding requirements. At September 30, 1996, the Savings Bank had outstanding loan commitments of $63,743, and certificates of deposit scheduled to mature within one year of $97,575.

As required by the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), the Savings Bank must meet or exceed three separate standards of capital adequacy. OTS regulations require financial institutions to have minimum tangible capital equal to 1.50 percent of total adjusted assets; minimum core capital equal to 3.00 percent of total adjusted assets; and risk-based capital equal

to 8.00 percent of total risk-weighted assets.

The Savings Bank's capital requirements and actual capital under the OTS regulations were as follows at September 30, 1996:

	Amount (Thousands)	Percent of Adjusted Assets
Tangible capital:		
Actual amount	$31,827	9.3%
Required amount	5,122	1.5%
Excess	26,705	7.8%
Core capital:		
Actual amount	31,827	9.3%
Required amount	10,244	3.0%
Excess	21,583	6.3%
Risk-based capital:		
Actual amount	32,281	24.5%
Required amount	10,551	8.0%
Excess	21,730	16.5%

OTHER MATTERS

LEGAL PROCEEDINGS

Supreme Court Ruling on Breach of Contract Regarding Supervisory Goodwill:

Mid-Continent Federal Savings Bank, the wholly-owned subsidiary of Mid Continent Bancshares, Inc., is pursuing its claim against the federal government to recover funds lost as a result of the enactment of the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"). In 1986, the Bank was encouraged by the federal government to acquire an insolvent thrift institution ("Reserve Savings and Loan Association"). The federal government allowed the Bank to count the insolvent thrift's losses as "goodwill" assets and to double-count as "capital credit" federal government funds provided to help the Bank take over the failing thrift. The Bank contends (among other things) in its lawsuit that the federal government breached its contract with the Bank when FIRREA was enacted because FIRREA prevented the Bank from counting such assets toward minimum capital requirements. As a result of FIRREA, the Bank was forced to write off approximately $7,500,000 in supervisory goodwill. This write off reduced the Bank's regulatory capital.

On July 1, 1996, the United States Supreme Court Affirmed decisions by a federal appellate court that the government had breached express contracts with three thrifts (U.S., v. Winstar Corp, et al.) and therefore was liable for damages. Those lawsuits stemmed from circumstances that are similar to those of the Bank; in order to persuade those thrifts to acquire certain insolvent thrift institutions, the federal government promised accounting treatment similar to that promised to the Bank.

While the Supreme Court's ruling in U.S. v. Winstar Corp, et al., serves to support the Bank's legal claims in its pending lawsuit against the federal government, it is not possible at this time to predict what effect the Supreme Court's ruling, and subsequent rulings of a lower court concerning damages, will have on the outcome of the Bank's lawsuit. Notwithstanding the Supreme Court's ruling, there can be no assurance that the Bank will be able to recover any funds arising out of its claim and, if any recovery is made, the amount of such recovery.

MID CONTINENT BANCSHARES, INC.
AND SUBSIDIARY

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1010 Grand Avenue
Kansas City, Missouri 64106-2232

INDEPENDENT AUDITORS' REPORT

Board of Directors
Mid Continent Bancshares, Inc.
El Dorado, Kansas

We have audited the accompanying consolidated balance sheets of Mid Continent Bancshares, Inc. and subsidiary (the "Company") as of September 30, 1995 and 1996, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended September 30, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of September 30, 1995 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1996 in conformity with generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for mortgage servicing rights for the year ended September 30, 1995 and changed its method of accounting for income taxes for the year ended September 30, 1994.

/s/ Deloitte & Touche LLP

November 12, 1996

Deloitte Touche
Tohmatsu
International

MID CONTINENT BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 1995 AND 1996
(Dollars in thousands, except share amounts)

ASSETS	1995	1996
CASH AND CASH EQUIVALENTS:		
Cash and amounts due from depository institutions	$ 1,187	1,694

Interest bearing deposits in other banks	4,490	3,924
Total cash and cash equivalents	5,677	5,618
INVESTMENT SECURITIES, At cost (Market value of $53,978 and $83,827)	54,243	86,235
CAPITAL STOCK OF FEDERAL HOME LOAN BANK, At cost	2,206	4,327
MORTGAGE-RELATED SECURITIES, At cost (Market value of $40,342 and $34,366)	40,004	34,383
LOANS HELD FOR SALE (Market value of $22,335 and $13,816)	22,108	13,718
LOANS RECEIVABLE (Less allowance for loan losses of $423 and $421)	124,796	171,158
PREMISES AND EQUIPMENT, Net	4,757	6,271
REAL ESTATE OWNED (Less allowance for losses of $51 and $34)	187	28
ACCRUED INTEREST RECEIVABLE:		
Loans receivable	1,111	1,285
Mortgage-related securities	291	262
Investment securities	817	1,197
Total accrued interest receivable	2,219	2,744
EXCESS OF COST OVER FAIR VALUE OF ASSETS ACQUIRED (Less accumulated amortization of $994 and $1,055)	83	22
MORTGAGE SERVICING RIGHTS, Net	11,625	12,496
OTHER ASSETS	3,018	3,186
TOTAL ASSETS	$270,923	$340,186

(Continued)

MID CONTINENT BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 1995 AND 1996
(Dollars in thousands, except share amounts)

<TABLE>
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LIABILITIES AND STOCKHOLDERS' EQUITY	1995	1996
<S>	<C>	<C>
DEPOSITS	$ 195,716	$ 214,493
ADVANCE PAYMENTS BY BORROWERS FOR TAXES AND INSURANCE	2,029	1,805
INCOME TAXES PAYABLE	607	
DEFERRED INCOME TAXES	168	698
ACCRUED AND OTHER LIABILITIES	2,668	4,683
ADVANCES FROM FEDERAL HOME LOAN BANK	33,000	81,700
Total liabilities	234,188	303,379
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value; 10,000,000 shares authorized, no shares issued or outstanding		
Common stock, $.10 par value, 20,000,000 shares authorized, 2,248,250 shares issued	225	225

Additional paid-in capital	21,553	21,663
Unearned compensation - Employee Stock Ownership Plan	(1,190)	(1,054)
Unearned compensation - Management Stock Bonus Plan	(746)	(547)
Retained earnings, substantially restricted	18,067	20,424
	37,909	40,711
Treasury stock, 80,000 and 231,500 shares, at cost	(1,174)	(3,904)
Total stockholders' equity	36,735	36,807
TOTAL LIABILITIES AND STOCKHOLDER' EQUITY	$ 270,923	$ 340,186

</TABLE>

See notes to consolidated financial statements

MID CONTINENT BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED SEPTEMBER 30, 1994, 1995 AND 1996
(Dollars in thousands, except share amounts)

<TABLE>
<CAPTION>

	1994	1995	1996
INTEREST INCOME:			
<S>	<C>	<C>	<C>
Loans receivable	$ 6,862	$ 20,310	$ 11,723
Mortgage-related securities	3,015	3,006	2,922
Investment securities	1,068	2,581	5,250
Other interest - cash and cash equivalents	604	328	278
Total interest income	11,549	16,225	20,173
INTEREST EXPENSE:			
Deposits	5,380	7,501	9,485
Advances from Federal Home Loan Bank	525	1,503	2,783
Other borrowed funds	39		
Total interest expense	5,944	9,004	12,268
NET INTEREST INCOME	5,605	7,221	7,905
PROVISION FOR LOAN LOSSES	6	224	75
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,599	6,997	7,830
OTHER INCOME:			
Loan servicing fees	2,689	4,407	4,779
Amortization of mortgage servicing rights	(899)	(1,305)	(1,651)
Gain on sale of mortgage servicing rights		1,961	
Service fees and other charges to customers	1,032	1,846	2,539
Gain on sale of loans held for sale, net	896	706	1,367
Insurance commissions	107	100	54
Other	(24)	39	84
Total other income	3,801	7,754	7,172
OTHER EXPENSES:			
Salaries and employee benefits	3,208	4,245	4,536
Occupancy of premises	778	866	844
Office supplies and related expenses	410	529	643
Data processing	490	455	590
Advertising and promotions	329	414	448
Federal insurance premiums	330	351	1,504
Professional services	160	313	272
Provision for losses on real estate owned	59	81	18
Amortization of excess cost over fair value of assets acquired	91	78	60
Deposit accounts	139	227	298
Loan servicing	120	193	342
Other	226	450	428
Total other expenses	6,340	8,202	9,983

INCOME BEFORE INCOME TAX EXPENSE AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES	3,060	6,549	5,019
INCOME TAX EXPENSE	1,195	2,443	1,893
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES	1,865	4,106	3,126
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES	136		
NET INCOME	$ 2,001	$ 4,106	$ 3,126
EARNINGS PER SHARE (FROM JUNE 27, 1994):			
Income before cumulative effect of change in accounting for income taxes	$ 0.30	$ 1.97	$ 1.59
Net income	$ 0.30	$ 1.97	$ 1.59

See notes to consolidated financial statements.

</TABLE>

MID CONTINENT BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED SEPTEMBER 30, 1994, 1995 AND 1996
(Dollars in thousands, except share amounts)

<TABLE>
<CAPTION>

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Employee Stock Ownership Plan	Unearned Compensation- Management Stock Bonus Plan	Unearned Compensation - Retained Earnings, Substantially Restricted	Treasury Stock Shares	Treasury Stock Amount	Total Stockholders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, October 1, 1993						$ 12,791			$ 12,791
Issuance of common stock, net	2,112,250	$211	20,158						20,369
Common stock issued to Employee Stock Ownership Plan	136,000	14	1,346	(1,360)					
Common stock committed to be released for allocation- Employee Stock Ownership Plan				48					48
Net income						2,001			2,001
BALANCE, September 30, 1994	2,248,250	225	21,504	(1,312)		14,792			35,209
Acquisition of common stock for Management Stock Bonus Plan					$ (995)				(995)
Acquisition of Treasury Stock							80,000	(1,174)	(1,174)
Common stock committed to be released for allocation- Employee Stock Ownership Plan				122					122
Increase in fair market value of Employee Stock Ownership Plan shares committed to be released for allocation			49						49
Amortization of unearned compensation - Management Stock Bonus Plan					249				249
Dividends on common stock to stockholders						(831)			(831)
Net income						4,106			4,106
BALANCE, September 30, 1995	2,248,250	225	21,553	(1,190)	(746)	18,067	80,000	(1,174)	36,735
Acquisition of Treasury Stock							151,500	(2,730)	(2,730)

Common stock committed to be released for allocation - Employee Stock Ownership Plan				136					136
Increase in fair market value of Employee Stock Ownership Plan shares committed to be released for allocation			110						110
Amortization of unearned compensation - Management Stock Bonus Plan					199				199
Dividends on common stock to stockholders						(769)			(769)
Net income						3,126			3,126
	----------	----	-------	-------	-----	--------	---------	-------	-------
BALANCE, September 30, 1996	$2,248,250	$225	$21,663	$(1,054)	$(547)	$ 20,424	$ 231,500	$(3,904)	$36,807
	==========	====	=======	=======	=====	========	=========	=======	=======

</TABLE>
See notes to consolidated financial statements.

MID CONTINENT BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 1994, 1995 AND 1996
(Dollars in thousands, except share amounts)

<TABLE>
<CAPTION>

	1994	1995	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
<S>	<C>	<C>	<C>
Net income	$ 2,001	$ 4,106	$ 3,126
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Cumulative effect of change in accounting for income taxes	(136)		
Common stock committed to be released for allocation - Employee Stock Ownership Plan	48	122	136
Increase in fair market value of Employee Stock Ownership Plan shares committed to be released for allocation		49	110
Amortization of unearned compensation - Management Stock Bonus Plan		249	199
Stock dividend on capital stock of Federal Home Loan Bank			(172)
Amortization (accretion) of premiums and discounts on mortgage-related securities and investment securities, net	(120)	(134)	(155)
Provision for loan losses	6	224	75
Provision for losses on real estate owned	59	81	18
Net loan origination fees capitalized	368	380	1,602
Amortization of net deferred loan origination fees	(116)	(371)	(168)
Amortization of mortgage servicing rights	899	1,305	1,651
Amortization of excess of cost over fair value of assets acquired	91	78	60
(Gain) loss on sale of real estate owned, net	34	(7)	(34)
Depreciation and amortization on premises and equipment	358	393	344
Gain on sale of premises and equipment		(12)	
Gain on sale of loans held for sale, net	(896)	(706)	(1,367)
Origination/purchase of loans held for sale	(196,388)	(107,341)	(195,873)
Proceeds from sale of loans held for sale	219,491	91,466	205,630
Gain on sale of mortgage servicing rights		(1,961)	
Provision (benefit) for deferred income taxes	347	(225)	530
Changes in:			
Accrued interest receivable	(263)	(935)	(525)
Other assets	(1,502)	(27)	(698)
Income taxes payable	(212)	607	(77)
Accrued and other liabilities	(487)	1,091	2,028
	--------	--------	--------
Net cash provided by (used in) operating activities	23,582	(11,568)	16,440
	--------	--------	--------
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturities of investment securities	1,300	10,100	29,000
Purchases of investment securities	(10,371)	(42,000)	(62,753)
Principal collected on mortgage-related securities	14,097	4,985	6,746
Purchases of mortgage-related securities	(16,310)		(1,158)
Loan originations net of principal collected on loans receivable	(45,608)	(23,171)	(48,069)
Proceeds from sales of premises and equipment	43	117	
Acquisitions of mortgage servicing rights, net	(3,968)	(8,423)	(2,522)
Proceeds from sales of mortgage servicing rights		3,766	

Purchases of premises and equipment	(1,124)	(1,416)	(1,858)
Proceeds from sales of real estate owned	427	170	374
Net cash used in investing activities	(61,514)	(55,872)	(80,240)

</TABLE>

(Continued)

MID CONTINENT BANCSHARES, INC.
AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 1994, 1995 AND 1996
(Dollars in thousands, except share amounts)

<TABLE>
<CAPTION>

	1994	1995	1996
CASH FLOWS FROM FINANCING ACTIVITIES:			
<S>	<C>	<C>	<C>
Receipts for deposits, net	$ 8,926	$ 40,952	$ 18,779
Increase (decrease) in advance payments by borrowers for taxes and insurance, net	260	126	(225)
Proceeds from advances from Federal Home Loan Bank	8,000	96,600	199,500
Repayments on advances from Federal Home Loan Bank	(6,500)	(72,600)	(150,800)
Acquisition of common stock for Management Stock Bonus Plan		(995)	
Acquisition of treasury stock		(1,174)	(2,730)
Cash dividends on common stock to stockholders		(615)	(783)
Issuance of common stock	20,369		
Net cash used in financing activities	31,055	62,294	63,741
DECREASE IN CASH AND CASH EQUIVALENTS	(6,877)	(5,146)	(59)
CASH AND CASH EQUIVALENTS:			
Beginning of year	17,700	10,823	5,677
End of year	$ 10,823	$ 5,677	$ 5,618
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Income tax payments, net of refunds	$ 1,414	$ 1,708	$ 2,424
Interest payments, including interest credited to deposits of approximately $5,353, $7,218 and $9,434	$ 5,935	$ 8,758	$ 12,287
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:			
Loans held for sale securitized into mortgage-related securities	$ 81,962	$ 40,544	$ 88,413
Common stock issued to Employee Stock Ownership Plan	$ 1,360		
Loans transferred to real estate owned	$ 212	$ 386	$ 238
Loans made upon the sale of real estate owned	$ 373		$ 40
Accrued dividends on common stock		$ 204	$ 190

</TABLE>

See notes to consolidated financial statements. (Concluded)

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1. STOCK CONVERSION

On November 23, 1993, the Board of Directors of Mid-Continent Federal Savings and Loan Association of El Dorado unanimously adopted a Plan of Conversion to convert from a federally chartered mutual savings and loan association to a federally chartered stock savings bank to be known as Mid-Continent Federal Savings Bank (the "Savings Bank") and to form Mid Continent Bancshares, Inc., (the "Company"), a Kansas corporation, to act as the holding company of the Savings Bank. At the date of conversion, June 27, 1994, the Company completed the sale of 2,248,250 shares of common stock, $.10 par value, through concurrent Subscription and Community Offerings at $10.00 per share. Included in the total shares sold are 136,000 shares which were purchased by the Employees Stock Ownership Plan ("ESOP") at $10.00 per share. Net proceeds from the conversion, after recognizing conversion expenses and underwriting costs of $754 were $21,729. From the net proceeds, the Company used $11,241 to purchase all of the capital stock of the Savings Bank and $1,360 to fund the purchase of 136,000 shares of the Company stock by the ESOP. The Company owns 100% of the Savings Bank's common stock.

At the time of conversion, the Savings Bank segregated and restricted $13,434 of retained earnings, which was the amount of its regulatory capital as of December 31, 1993, in a liquidation account for the benefit of eligible account holders who continue to maintain their deposit accounts in the Savings Bank after conversion. In the event of a complete liquidation of the Savings Bank (and only in such an event), eligible depositors who continue to maintain accounts shall be entitled to received a distribution from the liquidation account in an amount proportionate to the current adjusted balances of all qualifying deposits then held. The liquidation account will be reduced annually to the extent that eligible account holders have reduced their qualifying deposits.

Subsequent to the conversion, the Company or the Savings Bank may not declare or pay a cash dividend on any of its shares of common stock if the effect would reduce stockholders' equity below either the amount required for the liquidation account discussed above or the applicable regulatory capital requirements or if such declaration and payment would otherwise violate regulatory requirements.

2. ACCOUNTING POLICIES AND PROCEDURES

Principles of Consolidation - The consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary, Mid-Continent Federal Savings Bank. The Savings Bank grants mortgage and consumer loans primarily to customers within the state of Kansas. The Savings Bank has a wholly owned subsidiary, Laredo Investment, Inc., that is engaged in promoting the sale of tax deferred annuities and receives related commissions. Significant intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, amounts due from depository institutions, treasury bills and interest bearing deposits in other banks purchased with an original maturity of three months or less.

The Savings Bank is required by regulation to maintain liquid assets in the form of cash and securities approved by federal regulations, at a monthly average of not less than 5% of customer deposits and short-term borrowings.

Investment Securities - Investment securities include securities of the United States Government and its agencies and are recorded at amortized cost. Related premiums and discounts are accreted or amortized into income over the lives of the securities using the level-yield method. Securities are not adjusted to the lower of amortized cost or market because management has both the ability and intent to hold these securities to maturity.

Capital Stock of Federal Home Loan Bank - Capital stock of Federal Home Loan Bank is carried at cost. Dividends received on such stock are reflected as interest income on investment securities in the consolidated statements of income.

Mortgage-Related Securities - Mortgage-related securities are recorded at amortized cost. The related premiums and discounts are accreted or amortized over the estimated lives of the underlying securities using the level-yield method. These securities are not adjusted to the lower of amortized cost or market because management has both the ability and intent to hold these securities to maturity.

Loans Held for Sale - The Savings Bank's management designates certain loans receivable at the date of origination or purchase as held for sale as management does not intend to hold such loans to maturity. Accordingly, such loans are carried at the lower of cost (outstanding principal adjusted for net unearned fees and costs) or market value (determined on an aggregate basis with consideration given to forward delivery commitments). Such loans are originated or purchased and intended for sale in the secondary market and are generally sold with servicing retained by the Savings Bank. Gains or losses on such sales are recognized utilizing the specific identification method for financial reporting and income tax purposes at the time of sale. Loan fees, net discounts, premiums and other related costs are recognized at the time the related loans are sold to third-party investors. Interest on these loans is included in interest income on loans receivable.

Loans Receivable - Loans are stated at the amount of unpaid principal less a provision for loan losses, undisbursed loan funds and unearned discounts and loan fees, net of certain direct loan origination costs. Interest on loans is credited to income as earned and accrued only if deemed collectible. Loans are placed on nonaccrual status when, in the opinion of management, the full timely collection of principal or interest is in doubt. As a general rule, the accrual of interest is discontinued when principal or interest payments become 90 days past due or earlier if conditions warrant. When a loan is placed on nonaccrual status, previously accrued but unpaid interest is reversed against current income. Subsequent collections of cash may be applied as reductions to the principal balance, interest in arrears or recorded as income, depending on management's assessment of the ultimate collectibility of the loan. Nonaccrual loans may be restored to accrual status when principal and interest become current and full payment of principal and interest is expected.

Net loan origination and commitment fees are amortized as a yield adjustment to interest income using the level-yield method over the contractual lives of the related loans.

Provision for Loan Losses - The Savings Bank considers a loan to be impaired when management believes it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan. If a loan is impaired, the Savings Bank is required to record a loss valuation allowance equal to the present value of the estimated future cash flows discounted at the loan's effective rate or based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. These estimates are susceptible to changes that could result in a material adjustment to operations. Recovery of the carrying value of such loans is dependent to a great extent upon economic, operating and other conditions that may be beyond the Savings Bank's control.

Premises and Equipment - Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed primarily on the straight-line method over the estimated useful lives of the related assets. The following represents a summary of estimated useful lives:

	Years
Building and improvements	40
Furniture, fixtures and equipment	5-10
Automobiles	3

Real Estate Owned - Real estate owned represents foreclosed assets held for sale and is recorded at fair value as of the date of foreclosure or transfer less estimated disposal costs (the new basis) and is subsequently carried at the lower of the new basis or fair value on the current measurement date. Subsequently, properties are evaluated and any additional declines which reduce the fair value to less than carrying value are provided for as a provision for losses on real estate owned. Costs and expenses related to major additions and improvements are capitalized while maintenance and repairs which do not improve or extend the lives of the assets are expensed currently. Gains on the sale of real estate owned for which the Savings Bank grants a loan are recognized upon disposition of the property to the extent allowable considering certain down payments and other requirements.

Excess of Cost Over Fair Value of Assets Acquired - Excess of cost over fair value of assets acquired is amortized using a level-yield method over the estimated remaining life of the long-term interest-bearing assets acquired. Level-yield amortization is determined based upon the carrying amount of the long-term interest-bearing assets acquired. The estimated remaining life of the excess of cost over fair value of assets acquired is two years as of September 30, 1996.

Mortgage Servicing Rights - Mortgage servicing rights consist of the following:

Originated Mortgage Servicing Rights - The Savings Bank adopted Statement of Financial Accounting Standards ("SFAS") No. 122, Accounting for Mortgage Servicing Rights, effective for the year ended September 30, 1995. This Statement requires the recognition of mortgage servicing rights related to mortgage loans acquired through origination activities of the Savings Bank. The originated mortgage servicing rights are recorded at cost based upon the relative fair values of the loans and the servicing rights. Servicing release fees paid on comparable loans and discounted cash flows are used to determine estimates of fair values. The Savings Bank capitalized originated mortgage servicing rights of $322 in 1995 related to the adoption of SFAS No. 122 which effect is included in the gain on sale of loans, net, to the extent such originated loans were sold prior to September 30, 1995. These rights are amortized in proportion to and over the period of expected net servicing income.

Purchased Mortgage Servicing Rights - Purchased mortgage servicing rights are acquired from independent third-party originators and are recorded at the lower of cost or fair value. Prior to the adoption of SFAS No. 122, the excess of the sale consideration received for purchased loans over the recorded basis of those loans was offset against the cost of the mortgage servicing right instead of being recorded as income. As the Savings Bank has adopted SFAS No. 122, no gains on the sale of loans were offset against the cost of the mortgage servicing rights in 1995. The offset was $714 in 1994. Such rights are amortized in proportion to and over the period of expected net servicing income.

Impairment Evaluation - The Savings Bank evaluates the carrying value of capitalized mortgage servicing rights on a periodic basis based on their estimated fair value. For purposes of evaluating and measuring impairment of capitalized servicing rights, in accordance with SFAS No 122, the Savings Bank stratifies the rights based on their predominant risk characteristics. The significant risk characteristics considered by the Savings Bank are loan type, period of origination and stated interest rate. If the fair value estimated, using a discounted cash flow methodology, is less than the carrying amount of the portfolio, the portfolio is written down to the amount of the discounted expected cash flows utilizing a valuation allowance. The Savings Bank utilizes consensus market prepayment assumptions and discount rates to evaluate its capitalized servicing rights which considers the risk characteristics of the underlying servicing rights. For the years ended 1994, 1995 and 1996, there were no write downs or valuation allowances established for capitalized servicing.

Sale of Mortgage Servicing Rights - The Savings Bank recognizes gains on sales of mortgage servicing rights when a legal closing of the sale occurs with title passing to the buyer, all significant risks and rewards of ownership have transferred to the buyer, including risks related to default prepayment (including no uncapped risks related to defaults or prepayments) and there are no significant unresolved contingencies. The Savings Bank defers the gain on sale of servicing until these conditions are met.

Income Taxes - The Company, the Savings Bank and its subsidiary file a consolidated Federal income tax return. State income tax returns are individually filed for each of the entities.

On October 1, 1993, the Company changed its method of accounting for income taxes to conform to the requirements of SFAS No. 109, Accounting for Income Taxes, which specifies the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are established for the temporary differences between the financial accounting basis and tax basis of the Company's assets and liabilities at the current statutory tax rates. A valuation allowance is established for deferred tax assets when their realization is in doubt based on a "more likely than not" analysis. The cumulative effect of the change in accounting for income taxes was to increase net income by $136 for the year ended September 30, 1994. The Company reflected this cumulative effect in operations during the year ended September 30, 1994.

The Savings Bank is permitted under the Internal Revenue Code to deduct an annual addition to a reserve for bad debts in determining taxable income, subject to certain limitations. This addition differs from the bad debt experience used for financial accounting purposes. Bad debt deductions for income tax purposes are included in taxable income of later years only if the bad debt reserve is used subsequently for purposes other than to absorb bad debt losses. Under SFAS No. 109, a deferred tax liability is provided only to the extent the tax bad debt reserve exceeds the base year reserve. The base year reserve is the tax bad debt reserve as of September 30, 1988. Retained earnings as of

September 30, 1996 includes approximately $2,071 representing such bad debt reserve as of the base year for which no deferred income taxes have been provided.

On August 20, 1996, the Small Business Job Protection Act of 1996 (the "Act") was enacted into legislation. The Act repeals the special bad debt reserve method for thrift institutions. The Act requires thrifts to recapture any reserves accumulated after 1987 but forgives taxes owed on reserves accumulated prior to 1988. Thrift institutions will be given six years to account for the recaptured excess reserves, beginning with the first taxable year after 1995, and will be permitted to delay the timing of this recapture for one or two years subject to whether they meet certain residential loan tests. The Act will not have a material impact on the Company's financial statements as a deferred tax liability has been provided on the excess reserves.

Revenue Recognition - Servicing fees, interest income, late fees, and other ancillary income related to the Savings Bank's servicing activities are accrued as earned.

Earnings Per Share - The Company completed its initial stock offering on June 27, 1994, and, accordingly, earnings per share for 1994 was computed on net income and the weighted average number of common and common equivalent shares outstanding subsequent to June 27, 1994. Common equivalent shares include shares usable upon exercise of dilutive options outstanding determined under the treasury stock method. The Company accounts for the shares acquired by its ESOP in accordance with the American Institute of Certified Public Accountants' (AICPA) Statement of Position 93-6 and the shares acquired for its Management Stock Bonus Plan (MSBP) in a manner similar to the ESOP shares; shares acquired by the ESOP and MSBP are not considered in the weighted average shares outstanding until the shares are committed for allocation or vested to an employee's individual account. The weighted average number of common and common equivalent shares outstanding for the periods indicated below are:

June 27, 1994 through September 30, 1994	2,114,894 shares
October 1, 1994 through September 30, 1995	2,087,668 shares
October 1, 1995 through September 30, 1996	1,962,849 shares

Regulatory Compliance - Under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), the Office of Thrift Supervision ("OTS") established capital regulations requiring savings associations to maintain: (i) core capital equal to 3.0% of adjusted total assets, (ii) tangible capital equal to 1.5% of adjusted total assets and (iii) risk-based capital equal to 8.0% of risk-weighted assets.

The Savings Bank meets all of the minimum capital requirements as of September 30, 1996. The Savings Bank's capital amounts and ratios as of September 30, 1996 are as follows:

<TABLE>
<CAPTION>

	Required		Actual		Excess	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
Core capital to adjusted total assets	$ 10,244	3.0 %	$ 31,827	9.3 %	$ 21,583	6.3 %
Tangible capital to adjusted total assets	5,122	1.5 %	31,827	9.3 %	26,705	7.8 %
Total capital to risk-weighted assets	10,551	8.0 %	32,281	24.5 %	21,730	16.5 %

</TABLE>

A reconciliation of the Savings Bank's stockholders' equity under generally accepted accounting principles to regulatory capital amounts as of September 30, 1996 is as follows:

Stockholders' equity, core and tangible capital - as reported by the Savings Bank	$31,827
General loan loss reserves	454
Risk-based capital	$32,281

The ability to include supervisory goodwill for purposes of the core capital requirement was phased out on January 1, 1995.

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") required each federal banking agency to implement prompt corrective actions for institutions that it regulates. In response to this requirement, OTS adopted final rules, based upon FDICIA's five capital tiers. The rules provide that a savings bank is "well capitalized" if its total risk-based capital ratio is 10% or greater, its Tier 1 risk-based capital ratio is 6% or greater, its leverage is 5% or greater and the institution is not subject to a capital directive. Under this regulation, the Savings Bank is deemed to be "well capitalized" as of September 30, 1996.

Estimates - The preparation of these financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of September 30, 1994, 1995 and 1996 and the reported amounts of revenues and expenses during the years then ended. Significant estimates include the loan loss reserve and fair value of financial instruments. Actual results could differ from those estimates.

New Statements of Financial Accounting Standards - In March 1995, FASB issued SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of, which will become effective for the Company beginning October 1, 1996. This Statement establishes accounting standards for the impairment of long-lived assets, certain identifiable intangibles and goodwill related to those assets to be held and used and for long-lived assets and certain identifiable intangibles to be disposed of. The Statement requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the entity should estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized to reduce the carrying amount to the fair value of the asset. Generally, long-lived assets and certain identifiable intangibles that are to be disposed of should be reported at the lower of the carrying amount or fair value less costs to sell. The Company does not anticipate that the implementation of this Statement will have a material impact on the consolidated financial statements.

In October 1995, the FASB issued SFAS No. 123, Accounting for Stock-Based Compensation, which will become effective for the Company beginning October 1, 1996. SFAS No. 123 will require increased disclosure of compensation expense arising from both fixed and performance stock compensation plans. Such expense will be measured as the fair value of the award at the date it is granted using an option-pricing model that takes into account the exercise price and expected volatility, expected dividends on the stock and the expected risk-free rate of return during the term of the option. The compensation cost would be recognized over the service period, usually the period from the grant

date to the vesting date. SFAS No. 123 encourages, rather than requires, companies to adopt a new method that accounts for stock compensation awards based on their estimated fair value at the date they are granted. Companies would be permitted, however, to continue accounting under Accounting Principles Board ("APB") Opinion No. 25. The Company will continue to apply APB Opinion No. 25 in their financial statements and will be required to disclose pro forma net income and earnings per share in a footnote, determined as if the Company had applied the new method.

In June 1996, the FASB issued SFAS No. 125, Accounting for Transfers and

Servicing of Financial Assets and Extinquishments of Liabilities, which will become effective for the Company for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996. This Statement supersedes SFAS No. 122, Accounting for Mortgage Servicing Rights. For each servicing contract in existence before January 1, 1997, previously recognized servicing rights and "excess servicing" receivables shall be combined, net of any previously recognized servicing obligations under that contract, as a servicing asset or liability. The Statement provides that servicing assets and other retained interests in transferred assets be measured by allocating the previous carrying amount between the assets sold, if any, and retained interests, if any, based on their relative fair values at the date of the transfer, and servicing assets and liabilities be subsequently measured by (1) amortization in proportion to and over the period of estimated net servicing income or loss, and (2) assessment for asset impairment or increased obligation based on their fair values. The Company does not anticipate that the implementation of this Statement will have a material impact on the consolidated financial statements.

Reclassifications - Certain reclassifications have been made to the 1994 and 1995 consolidated financial statements in order to conform with the 1996 presentation.

3. INVESTMENT SECURITIES

<TABLE>
<CAPTION>

	September 30, 1995			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<S>	<C>	<C>	<C>	<C>
United States Treasury and other U.S. Government agencies:				
Securities maturing after one year through five years	$ 18,153	$ 82	$ 603	$ 17,632
Securities maturing after five years through ten years	26,000	178	1	26,177
Securities maturing after ten years	10,090	79		10,169
	$ 54,243	$ 339	$ 604	$ 53,978

</TABLE>

<TABLE>
<CAPTION>

	September 30, 1996			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
United States Treasury and other U.S. Government agencies:				
<S>	<C>	<C>	<C>	<C>
Securities maturing within one year	$ 2,000		$ 25	$ 1,975
Securities maturing after one year through five years	13,332		606	12,726
Securities maturing after five years through ten years	17,500	$ 16	441	17,075
Securities maturing after ten years	53,403	111	1,463	52,051
	$ 86,235	$ 127	$ 2,535	$ 83,827

</TABLE>

As of September 30, 1995 and 1996, the Savings Bank held "step up" securities with aggregate carrying values of $2,000 and $1,000, respectively. The securities bear interest at rates ranging from 5.05% to 8.04% with stated maturity dates ranging from 1996 to 2004. The securities are callable on specified "step up" dates. At each call date, if the securities are not called, the coupon rate increases.

As of September 30, 1996, the Savings Bank held callable securities with an aggregate carrying value of $76,801. The securities bear interest at rates ranging from 4.98% to 8.5% with stated maturity dates ranging from 1996 to 2011.

4. MORTGAGE-RELATED SECURITIES

	September 30, 1995			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Pass-through certificates - fixed rate:				
Government National Mortgage Association	$ 7,293	$ 339		$ 7,632
Federal National Mortgage Association	459	19		478
Federal Home Loan Mortgage Corporation	13,835	153	$ 48	13,940
Pass-through certificates - adjustable rate:				
Government National Mortgage Association	5,729		35	5,694
Federal National Mortgage Association	2,990		41	2,949
Federal Home Loan Mortgage Corporation	6,786		49	6,737
Mortgage Guarantee Insurance Corporation	2,912	7	7	2,912
	$ 40,004	$ 518	$ 180	$ 40,342

	September 30, 1996			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Pass-through certificates - fixed rate:				
Government National Mortgage Association	$ 6,151	$ 224		$ 6,375
Federal National Mortgage Association	365	12		377
Federal Home Loan Mortgage Corporation	11,853	138	$ 176	11,815
Pass-through certificates - adjustable rate:				
Government National Mortgage Association	5,043		24	5,019
Federal National Mortgage Association	2,616		70	2,546
Federal Home Loan Mortgage Corporation	6,219		119	6,100
Mortgage Guarantee Insurance Corporation	2,136	3	5	2,134
	$ 34,383	$ 377	$ 394	$ 34,366

Certain mortgage-related securities have been pledged as collateral for deposits (See Note 11).

5. LOANS RECEIVABLE

	1995	1996
First mortgage loans:		
Residential - one-to-four units	$115,803	$157,494
Secured by other properties	1,280	1,013
Construction loans	10,351	17,367
Total first mortgage loans	127,434	175,874
Other installment loans:		
Property improvements, auto and other	3,915	5,195
Mobile home	499	305
Deposits	688	769
Total installment loans	5,102	6,269
Total loans	132,536	182,143

Less:		
Unearned discounts and loan fees	693	157
Undisbursed loan funds	6,624	10,407
Allowance for loan losses	423	421
	$124,796	$171,158

</TABLE>

There were no commercial real estate or business loans purchased or originated during 1994, 1995 or 1996.

The Savings Bank originates and purchases both adjustable and fixed rate loans. The approximate composition of these loans is as follows:

<TABLE>
<CAPTION>

September 30, 1995

Fixed Rate		Adjustable Rate	
Term to Maturity	Book Value	Term to Rate Adjustment	Book Value
<S>	<C>	<C>	<C>
1 mo. - 1 yr.	$ 11,138	1 mo. - 1 yr.	$ 23,982
1 yr. - 3 yrs.	1,766	1 yr. - 3 yrs.	53,675
3 yrs. - 5 yrs.	1,815	3 yrs. - 5 yrs.	2,821
5 yrs. - 10 yrs.	5,020	5 yrs - 10 yrs.	1,376
10 yrs. - 20 yrs.	19,640		
Over 20 years	11,303		
	$ 50,682		$ 81,854

</TABLE>

<TABLE>
<CAPTION>

September 30, 1996

Fixed Rate		Adjustable Rate	
Term to Maturity	Book Value	Term to Rate Adjustment	Book Value
<S>	<C>	<C>	<C>
1 mo. - 1 yr.	$ 18,246	1 mo. - 1 yr.	$ 50,379
1 yr. - 3 yrs.	2,009	1 yr. - 3 yrs.	48,341
3 yrs. - 5 yrs.	2,219	3 yrs. - 5 yrs.	9,419
5 yrs. - 10 yrs.	5,422	5 yrs - 10 yrs.	1,170
10 yrs. - 20 yrs.	28,615		
Over 20 years	16,323		
	$ 72,834		$ 109,309

</TABLE>

The adjustable rate loans have interest rate adjustment limitations and are generally indexed to the weekly average yield on United States Treasury securities adjusted to a constant maturity of 1 year.

The Savings Bank is subject to numerous lending-related regulations. Under FIRREA, the Savings Bank may not make real estate loans to one borrower in excess of the greater of 15% of its unimpaired capital and surplus or $500, whichever is greater. As of September 30, 1996, the Savings Bank is in compliance with this limitation.

A summary of the activity in the allowance for loan losses is as follows:

<TABLE>
<CAPTION>

1994	1995	1996

<S>

Balance, beginning of year	$ 346	$ 275	$ 423
Provision charged to expense	6	224	75
Losses charged against the allowance	(80)	(80)	(90)
Recoveries	3	4	13
Balance, end of year	$ 275	$ 423	$ 421

</TABLE>

During 1995, the Savings Bank restructured loans with a carrying value of approximately $3,039. No provision for loss was considered necessary based on the restructured terms and the cash flows expected to be generated by the underlying collateral. The Savings Bank did not engage in any troubled debt restructurings during the years ended September 30, 1994, 1995 and 1996.

Aggregate loans to executive officers, directors and their associates, including companies in which they have partial ownership interest did not exceed 5% of stockholders' equity as of September 30, 1995 and 1996. Management believes such loans were made under terms and conditions substantially the same as loans made to parties not affiliated with the Savings Bank.

As of September 30, 1995 and 1996, loans totaling approximately $392 and $484, respectively, were on nonaccrual status. Gross interest income would have been increased by $31 and $45 for the year ended September 30, 1995 and 1996, respectively, for nonaccrual status loans.

6. MORTGAGE LOANS SERVICED

The Savings Bank services primarily single family residential loans for others which are not included in the accompanying consolidated balance sheets. The approximate unpaid principal balances of these loans are summarized as follows:

<TABLE>
<CAPTION>

	1994	1995	1996
Government National Mortgage Association	$ 501,781	$ 902,977	$ 875,381
Federal National Mortgage Association	228,889	132,209	115,492
Federal Home Loan Mortgage Corporation	133,227	146,624	231,515
Other investors	44,215	8,082	6,765
	$ 908,112	$1,189,892	$1,229,153

</TABLE>

The Savings Bank services loans in 45 states. The five largest state concentrations, based on unpaid principal balances, are as follows: Kansas (48.8%), Oklahoma (22.2%), Louisiana (9.8%), Michigan (9.9%), and Illinois (4.5%), aggregating approximately 95.2% of the portfolio. The risk inherent in such concentrations is dependent not only upon regional and general economic stability which affects property values, but also the financial well-being and creditworthiness of the borrower.

Mortgage loans and their related servicing rights are sold under agreements that define certain criteria for the mortgage loan. If the criteria is not met, the Savings Bank may be required to repurchase the mortgage loan. Conforming conventional loans serviced by the Savings Bank are securitized through FNMA or FHLMC programs on a non-recourse basis, whereby foreclosure losses are generally the responsibility of FNMA or FHLMC and not the Savings Bank. Similarly, the government loans serviced by the Savings Bank are securitized through GNMA programs, whereby the Savings Bank is insured against loss by the Federal Housing Administration ("FHA") or partially guaranteed against loss by the Veterans Administration ("VA"). With respect to sales of loans, under certain circumstances, the Savings Bank may become liable for the unpaid principal and interest on defaulted loans or other loans if there has been a breach of representations or warranties. In the opinion of management, adequate reserves have been established for losses that may be incurred as a result of repurchased mortgage loans.

The servicing of loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors and foreclosure processing. Loan servicing income includes servicing fees from investors and certain charges collected from borrowers, such as late payment fees. The Savings Bank held borrowers' escrow balances and principal and interest payments related to loans serviced for others of $17,220, $19,169 and $16,917 as of September 30, 1994, 1995 and 1996, respectively. These balances are segregated in special bank accounts which are included in deposits in the accompanying consolidated balance sheets.

In connection with its fiduciary responsibilities, the Savings Bank advances funds relative to the foreclosure of serviced loans, which are repaid from sale proceeds by way of reimbursement from investors or through claims submitted to private mortgage insurance companies, the FHA and/or the VA. These advances totaled $1,880 and $1,995 as of September 30, 1995 and 1996, respectively, and are included in other assets in the accompanying consolidated balance sheets.

7. LOANS HELD FOR SALE

	1995	1996
Loans held for sale	$ 22,219	$ 13,787
Deferred net discounts, premiums and other related costs	(111)	(69)
Loans held for sale, net	$ 22,108	$ 13,718

A summary of gross realized gains (losses) on sales of loans held for sale is as follows:

	1994	1995	1996
Gross realized gains	$ 1,599	$ 794	$ 1,651
Gross realized losses	(703)	(88)	(284)
Gains on sale of loans, net	$ 896	$ 706	$ 1,367

8. PREMISES AND EQUIPMENT

	1995	1996
Land	$ 1,718	$ 2,099
Building and improvements	3,642	4,555
Furniture, fixtures and equipment	2,547	2,980
Automobiles	42	38
	7,949	9,672
Less accumulated depreciation	(3,192)	(3,401)
	$ 4,757	$ 6,271

9. REAL ESTATE OWNED

	1995	1996
Real estate owned (acquired by foreclosure or by deed in lieu of foreclosure)	$ 238	$ 62
Less allowance for losses	(51)	(34)
	$ 187	$ 28

A summary of the activity in the allowance for losses on real estate owned is as follows:

	1994	1995	1996
Balance, beginning of year	$ 26	$ 16	$ 51

Provision charged to expense	59	81	18
Losses charged against the allowance	(77)	(47)	(35)
Recoveries	8	1	
Balance, end of year	$ 16	$ 51	$ 34

10. MORTGAGE SERVICING RIGHTS

The following is an analysis of the changes in mortgage servicing rights:

	1994	1995	1996
Balance, beginning of year	$ 3,243	$ 6,312	$11,625
Additions:			
Purchased mortgage servicing rights	4,000	8,107	1,970
Originated mortgage servicing rights		322	589
	4,000	8,429	2,559
Reductions:			
Amortization	899	1,305	1,651
Bulk sales		1,805	
Servicing released sales	32	6	37
	931	3,116	1,688
Balance, end of year	$ 6,312	$11,625	$12,496

During 1995, the Savings Bank sold (in bulk) the mortgage servicing rights to loans with a principal balance of approximately $304,000 resulting in a gain of $1,961.

11. DEPOSITS
<TABLE>
<CAPTION>

	1995		1996	
	Amount	Percent	Amount	Percent
<S>	<C>	<C>	<C>	<C>
Passbook and checking accounts:				
Demand and NOW accounts, including noninterest bearing deposits of approximately $24,495 and $22,384 as of September 30, 1995 and 1996 (rates, excluding noninterest bearing deposits, of 2.5% to 2.6% as of September 30, 1995 and 1996)	$ 37,497	19.2 %	$ 36,785	17.1 %
Money market accounts (rates of 3.00% and 2.65% as of September 30, 1995 and 1996)	6,245	3.2	12,387	5.8
Passbook savings accounts (rate of 2.75% as of September 30, 1995 and 1996)	8,978	4.6	8,690	4.1
Total passbook and checking accounts	52,720	27.0	57,862	7.0
Certificate accounts:				
2.00% to 3.00%	22		12	
3.01% to 4.00%	3			
4.01% to 5.00%	14,629	7.4	6,13	42.9
5.01% to 6.00%	76,776	39.2	106,577	49.7
6.01% to 7.00%	50,010	25.6	43,526	20.3
7.01% to 8.00%	656	0.3	275	0.1
8.01% to 9.00%	900	0.5	107	
Total certificate accounts	142,996	73.0	156,631	73.0
	$195,716	100.0 %	$214,493	100.0%

Weighted average interest rate on deposits during year	4.35 %	4.63 %
	====	====

</TABLE>

The aggregate amount of jumbo certificates of deposit with a minimum denomination of $100 as of September 30, 1995 and 1996 was $30,318 and $57,151, respectively.

Certain savings deposits of public institutions were collateralized by investment and mortgage-related securities with aggregate amortized cost of $35,965 and aggregate market value of $36,113 as of September 30, 1995, and aggregate amortized cost of $41,371 and aggregate market value of $40,281 as of September 30, 1996.

Certificate accounts mature as follows:

1997	$97,575
1998	42,703
1999	7,227
2000	1,462
2001	1,873
Thereafter	5,791

	$156,631
	========

A summary of interest expense by deposit type is as follows:
<TABLE>
<CAPTION>

	1994	1995	1996
<S>	<C>	<C>	<C>
Passbook savings deposits	$ 243	$ 239	$ 238
NOW accounts and money market demand deposits	604	565	756
Certificate accounts	4,533	6,697	8,491
	-------	-------	-------
	$ 5,380	$ 7,501	$ 9,485
	=======	=======	=======

</TABLE>

12. INCOME TAXES

	1994	1995	1996
Current	$ 848	$ 2,668	$ 1,363
Deferred	347	(225)	530
	-------	-------	-------
	$ 1,195	$ 2,443	$ 1,893
	=======	=======	=======

Income tax expense has been provided at effective rates of 39.1%, 37.3% and 37.7% for the years ended September 30, 1994, 1995 and 1996, respectively. The differences between such effective rates and the statutory Federal income tax rate computed on income before income tax expense and cumulative effect of change in accounting for income taxes result from the following:
<TABLE>
<CAPTION>

	1994		1995		1996	
	Amount	%	Amount	%	Amount	%
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Federal income tax expense computed at statutory rate	$ 1,040	34.0	$ 2,227	34.0	$ 1,706	34.0
Increases (decreases) in taxes resulting from:						
State income taxes	112	3.7	304	4.6	181	3.6
Amortization of cost over fair value of assets acquired	31	1.0	26	0.4	21	0.4
Other	12	0.4	(114)	(1.7)	(15)	(0.3)
	-------	----	-------	----	-------	----
	$ 1,195	39.1	$ 2,443	37.3	$ 1,893	37.7
	=======	====	=======	====	=======	====

</TABLE>

Deferred tax expense results from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these differences and the tax effect of each were as follows:

	1994	1995	1996
Market adjustment on loans held for sale	$ 172	$(134)	$(125)
Bad debt reserves	202	2	164
Depreciation	18	(7)	49
Deferred loan fees and costs	(111)	12	402
Excess amortization of mortgage servicing rights		(72)	(28)
Outside Directors' Retirement Plan accrual		(52)	(1)
Management Stock Bonus Plan accrual		(19)	
Federal Home Loan Bank stock dividends			66
Other	66	45	3
	$ 347	$(225)	$ 530

The components of net deferred tax assets and liabilities as of September 30, 1995 and 1996 are as follows:

	1995	1996
Deferred tax assets:		
Deferred loan fees	$ 164	
Excess amortization of mortgage servicing rights	72	$ 100
Outside Directors' Retirement Plan accrual	52	53
Management Stock Bonus Plan accrual	19	19
Market adjustment on loans held for sale		94
Other	39	44
	346	310
Deferred tax liabilities:		
Federal Home Loan Bank stock dividends	330	396
Market adjustment on loans held for sale	31	
Bad debt reserves	37	201
Prepaid expenses	75	90
Fixed assets	21	70
Deferred loan fees		238
Other	20	13
	514	1,008
Net deferred tax liabilities	$ 168	$ 698

13. ADVANCES FROM FEDERAL HOME LOAN BANK

<TABLE>
<CAPTION>

1995 Fiscal Year Maturity	1995 Amount	1995 Weighted Average Interest Rate	1996 Fiscal Year Maturity	1996 Amount	1996 Weighted Average Interest Rate
<S>	<C>	<C>	<C>	<C>	<C>
1996	$ 18,000	6.24 %			
1997	7,000	6.80	1997	$ 63,200	5.98 %
1998	5,000	7.19	1998	18,500	6.43
2000	3,000	7.67			
	$ 33,000	6.63 %		$ 81,700	6.08 %

</TABLE>

The advances are collateralized as of September 30, 1996 by a blanket pledge agreement, including all Capital Stock of Federal Home Loan Bank, qualifying first mortgage loans, certain mortgage-related securities and other investment securities.

The Savings Bank has entered into a line-of-credit agreement with the Federal Home Loan Bank wherein the Savings Bank can borrow up to approximately $54,400, subject to certain limitations. As of September 30, 1996, there was $15,700 outstanding relative to this agreement. The agreement expires December 27, 1996.

14. EMPLOYEE BENEFIT PLANS

Profit-Sharing Plan - The profit sharing plan covers substantially all employees and is a savings plan under Section 401(k) of the Internal Revenue Code in which an employee's contributions may be matched by the Savings Bank up to a limit based upon the employee's compensation. Employees may contribute up to a specified percentage of their annual compensation. Prior to April 30, 1994, the Savings Bank would match the employee contributions in an amount equal to 1.5% of annual compensation for the first 3% of annual compensation contributed by the employees. The Savings Bank's matching contribution was discontinued effective April 30, 1994. The Savings Bank's matching contributions amounted to $17 for the year ended September 30, 1994.

Pension Plan - The Savings Bank has a noncontributory defined-benefit pension plan covering substantially all employees completing one year of employment and 1,000 hours of service. Plan benefits are based upon years of service and compensation. The Savings Bank funding policy is, acting under the advice of the actuary for the plan, that the Savings Bank intends to make contributions to the trust in such amounts and at such times as they are required to maintain the plan and trust for its employees in compliance with ERISA and Section 412 of the Internal Revenue Code.

The following table sets forth the funded status of the plan:
<TABLE>
<CAPTION>

<S>	1995 <C>	1996 <C>
Projected benefit obligation:		
Vested benefits	$ 909	$ 1,111
Nonvested benefits	53	49
Accumulated benefit obligation	962	1,160
Effect of projected future compensation levels	504	453
Projected benefit obligation	1,466	1,613
Fair value of plan assets	948	1,162
Projected benefit obligation in excess of fair value of plan assets	518	451
Unrecognized net obligation existing at initial application of SFAS No. 87	(152)	(141)
Unrecognized net loss	(156)	(52)
Accrued pension cost	$ 210	$ 258

</TABLE>

The assets of the plan consist primarily of certificates of deposit which are included in the Savings Bank's deposits.

Net periodic pension cost includes the following:

	1994	1995	1996
Service cost	$ 144	$ 172	$ 181
Interest cost	63	83	101
Actual return on assets	(55)	(63)	(87)
Net amortization and deferral	10	7	19
Net periodic pension cost	$ 162	$ 199	$ 214

The weighted average discount rate used in determining the actuarial present value of the projected obligation was 7.0%, the expected rate of increase in future salary levels for plan beneficiaries was 4.0% and the expected long-term rate of return on plan assets was 7.5% for each of the plan years ending September 30, 1994, 1995 and 1996.

Employee Stock Ownership Plan - The Company has an ESOP for the benefit of Savings Bank employees who meet the eligibility requirement which includes having completed 1,000 hours of service within a 12 month period with the Company. The ESOP Trust acquired 136,000 shares of common stock in the Company's initial public offering with proceeds from a loan from the Company. The Savings Bank makes cash contributions to the ESOP on a quarterly basis sufficient to enable the ESOP to make the required loan payments to the Company.

The note payable referred to above bears interest at prime rate adjustable quarterly with interest payable quarterly and future principal payable in nine installments of $136 beginning December 31, 1995 and annually thereafter and one installment of $68 payable on June 26, 2004. The loan is secured by the shares of the stock purchased.

As the debt is repaid, shares are released from collateral and allocated to qualified employees based on the proportion of debt service paid in the year. The Company accounts for its ESOP in accordance with AICPA Statement of Position 93-6. Accordingly, the shares pledged as collateral are reported as a reduction of stockholders' equity in the consolidated balance sheet. As shares are released from collateral, the Company reports compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings per share computations. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings.

Compensation expense related to the ESOP was $48, $172 and $246 for the years ended September 30, 1994, 1995 and 1996, respectively. Following is a summary of shares held in the ESOP Trust as of September 30, 1996:

Allocated shares	19,938
Shares released for allocation or committed to be released	10,200
Unreleased shares	105,128
Total ESOP shares	135,266
Fair value of unreleased shares at September 30, 1996	$ 1,997

Management Stock Bonus Plan - The Savings Bank adopted a Management Stock Bonus Plan ("MSBP"), the objective of which is to enable the Savings Bank to retain personnel of experience and ability in key positions of responsibility. Employees of the Savings Bank are eligible to receive benefits under the MSBP at the sole discretion of a committee appointed by the Board of Directors of the Savings Bank. The MSBP is managed by trustees who are non-employee directors of the Savings Bank.

The MSBP purchased 74,833 shares of the Company's stock for $995 during 1995. These shares were granted in the form of restricted stock payable 20% upon date of award (June 27, 1995) and the remaining equally over a four year period beginning June 27, 1996. Compensation expense in the amount of the fair market value of the common stock at the date of the grant to the employee will be recognized over the period during which the shares are payable. A recipient of such restricted stock will be entitled to all voting and other stockholder rights (including the right to receive dividends on vested and nonvested shares), except that the shares, while restricted, may not be sold, pledged or otherwise disposed of and are required to be held in escrow. If a holder of such restricted stock terminates employment for reasons other than death, disability or retirement, the employee forfeits all rights to the allocated shares under restriction. If the participant's service terminates as a result of death, disability, retirement or a change in control of the Savings Bank, all restrictions expire and all shares allocated become unrestricted. The Board of Directors can terminate the MSBP at any time, and if it does so, any shares not allocated will revert to the Company.

Stock Option Plan - In connection with the stock conversion, the Company's Board of Directors adopted the 1994 Stock Option Plan (the "Option Plan"). Pursuant to the Option Plan, 224,825 shares of common stock are reserved for issuance by the Company upon exercise of stock options granted to officers, directors and employees of the Company from time to time under the Option Plan. The purpose of the Option Plan is to provide additional incentive to certain officers, directors and key employees by facilitating their purchase of a stock interest in the Company. The Option Plan provides for a term of ten years, after which no awards may be made, unless earlier terminated by the Board of Directors pursuant to the Option Plan.

The Option Plan will be administered by a committee of at least three non-employee directors designated by the Board of Directors (the "Option Committee"). The Option Committee will select the employees to whom options are to be granted and the number of shares to be granted. The option price may not be less than 100% of the fair market value of the shares on the date of the grant, and no option shall be exercisable after the expiration of ten years from the grant date. In the case of any employee who owns more than 10% of the outstanding common stock at the time the option is granted, the option price may not be less than 110% of the fair market value of the shares on the date of the grant, and the option shall not be exercisable after the expiration of five years from the grant date. The exercise price may be paid in cash, shares of the common stock, or a combination of both.

The Option Committee granted options for 165,476 shares of common stock, at an exercise price of $11.75 (market value at date of grant) per share during the year ended September 30, 1995. All such options are exercisable immediately (for nonemployee directors) or otherwise at the rate of one-third following one year after the date of the grant and one-third annually thereafter. Accordingly, options on 85,135 shares are exercisable at September 30, 1996.

15. OUTSIDE DIRECTORS' RETIREMENT PLAN

The Savings Bank has a consultation and retirement plan for outside directors which became effective January 1, 1995. The plan provides retirement benefits for outside directors after they have completed ten years of service to the Savings Bank and reached age 65. The benefits include $300 per month payment for 120 months beginning at age 75. In the event of death, disability or retirement of a director on or after age 65 or in the event of a change in control of the Company or the Savings Bank, such payments will commence to the director or their beneficiary as if age 75 was attained. Expense related to the retirement plan is amortized ratably over the service period which is also the period until full vesting occurs. Adoption of the retirement plan resulted in a charge to operations (included in salaries and employee benefits) during the year ended September 30, 1995. Total expense related to this plan was $141 and $10 for the years ended September 30, 1995 and 1996, respectively. The plan is unfunded.

16. COMMITMENTS AND CONTINGENT LIABILITIES

As of September 30, 1995, the Savings Bank had commitments to originate loans approximating $36,933 of which approximately $23,711 were fixed-rate (interest rates ranging from 5.63% to 8.62%) and $13,222 were floating rate commitments. As of September 30, 1996, the Savings Bank had commitments to originate loans approximating $63,743 of which approximately $39,491 were fixed-rate (interest rates ranging from 6.00% to 9.00%) and $24,252 were floating rate commitments. These commitments are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Certain of the commitments are expected to expire without

being fully drawn upon; the total commitments amount disclosed above does not necessarily represent future cash requirements due to normal fallout experience. The Savings Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if considered necessary by the Savings Bank upon extension of credit is based on management's credit evaluation of the counterparty.

As of September 30, 1995 and 1996, the Savings Bank has approximately $35,950 and $28,345 of commitments to sell loans to third parties, which includes $23,600 and $28,345 of forward commitments to sell mortgage-related securities, respectively. It is management's intent to securitize loans held for sale to fill these commitments. These instruments contain an element of risk in the event the counterparties may be unable to meet the terms of such agreements. In the event the parties to delivery commitments were unable to fulfill their obligations, the Savings Bank would be required to sell its product to other parties and would be exposed to market fluctuations. The Savings Bank minimizes its risk exposure by limiting the counterparties to those that meet established credit and capital guidelines. Management does not expect any counterparty to default on their obligations and, therefore, does not expect to incur any cost due to counterparty default. The Savings Bank does not require nor place collateral for any delivery commitments. Any unrealized gain or loss on these commitment obligations are considered in conjunction with the Savings Bank's lower of cost or market valuation of its loans held for sale.

The Savings Bank is contingently liable on loans sold with recourse. The principal balance of these loans was $127 as of September 30, 1995. There were no loans sold with recourse outstanding as of September 30, 1996.

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value amounts have been determined by the Company using available market information and a selection from a variety of valuation methodologies. However, considerable judgment is necessarily required to interpret market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amount the Company could realize in a current market exchange. The use of different market assumptions and estimation methodologies may have a material effect on the estimated fair value amounts.

The estimated fair value of the Company's financial instruments as of September 30, 1995 and 1996 are as follows:

	1995		1996	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	$ 5,677	$ 5,677	$ 5,618	$ 5,618
Investment securities	54,243	53,978	86,235	83,827
Capital stock of Federal Home Loan Bank	2,206	2,206	4,327	4,327
Mortgage-related securities	40,004	40,342	34,383	34,366
Loans held for sale	22,108	22,335	13,718	13,816
Loans receivable	124,796	127,254	171,158	173,295
Mortgage servicing rights	11,625	18,225	12,496	18,326
Liabilities:				
Deposits	195,716	196,098	214,493	215,016
Advances from Federal Home Loan Bank	33,000	33,063	81,700	81,857
Accrued and other liabilities	2,668	2,668	4,683	4,683

<TABLE>
<CAPTION>

	1995		1996	
	Contract or Notional Amount	Estimated Unrealized Gain (Loss)	Contract or Notional Amount	Estimated Unrealized Gain (Loss)
Off-balance sheet financial instruments:				
<S>	<C>	<C>	<C>	<C>
Lending commitments - fixed rate, net	$ 23,711	$ 30	$ 39,491	$ 117
Lending commitments - floating rate	13,222		24,252	
Commitments to sell loans	35,950	70	28,345	(64)

</TABLE>

The following methods and assumptions were used to estimate the fair value of the financial instruments.

Cash and Cash Equivalents and Accrued and Other Liabilities - The carrying amounts of cash and cash equivalents and accrued and other liabilities are a reasonable estimate of their fair value.

Investment Securities, Mortgage-Related Securities and Loans Held for Sale - Estimated fair values of investment securities, mortgage-related securities and loans held for sale are based on quoted market prices where available. If quoted market prices are not available, fair values are estimated using quoted market prices for similar instruments.

Capital Stock of Federal Home Loan Bank - The carrying value of capital stock of Federal Home Loan Bank approximates its fair value.

Mortgage Servicing Rights - Fair values are determined by discounting the estimated future net cash flows using consensus market prepayment assumptions and discount rates which consider the risk characteristics of the underlying servicing rights. The significant risk characteristics considered by the Company are loan type, period of origination and interest rate.

Loans Receivable - Fair values are estimated for portfolios with similar financial characteristics. Loans are segregated by type, such as single family residential mortgages, multi-family residential mortgages, nonresidential and installment loans. Each loan category is further segmented into fixed and variable interest rate categories. Future cash flows of these loans are discounted using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Deposits - The estimated fair value of demand deposits and savings accounts is the amount payable on demand at the reporting date. The estimated fair value of fixed-maturity certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

Advances from Federal Home Loan Bank - The estimated fair value of advances from Federal Home Loan Bank is determined by discounting the future cash flows of existing advances using rates currently available on advances from Federal Home Loan Bank having similar characteristics.

Lending Commitments - Fixed Rate - The estimated fair value of commitments to originate fixed-rate loans is determined based on the difference between current levels of interest rates and the committed rates. The notional amount of lending commitments - fixed rate represents the net amount which the Savings Bank expects to fund. The Savings Bank's estimate, based on experience, is that 25% of its lending commitments - fixed rate will not close.

Lending Commitments - Floating Rate - There is no estimated unrealized gain (loss) attributable to floating rate lending commitments due to their floating interest rate nature.

Commitments to Sell Loans - The estimated unrealized gain (loss) associated with commitments to sell loans is based on current market prices that the buyer will pay for such commitments.

The fair value estimates presented herein are based on pertinent information available to management as of September 30, 1995 and 1996. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these financial statements since that date. Therefore, current estimates of fair value may differ significantly from the amounts presented herein.

18. SEGMENT INFORMATION

The Savings Bank's operations include two reportable segments: savings and loan and mortgage banking. The savings and loan segment is composed of those operations involved in originating mortgage loans held for investment, primarily on single family residences; investing in mortgage-related securities, United States Treasury and other U.S. Government agencies' securities and receiving deposits from customers. The mortgage banking segment is composed of those operations involved in originating and purchasing residential mortgage loans for resale in the secondary mortgage market and in servicing loans for others.

Intersegment interest income and expense represent interest on loans and advances from the savings and loan segment to the mortgage banking segment computed at the prime rate of interest.

<TABLE>
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	1994			
	Savings Bank	Mortgage Banking	Eliminations	Consolidated
Interest income:				
<S>	<C>	<C>	<C>	<C>
Unaffiliated customers	$ 9,467	$ 2,082		$ 11,549
Intersegment	2,330		$ (2,330)	
Total interest income	11,797	2,082	(2,330)	11,549
Interest expense:				
Unaffiliated customers	5,944			5,944
Intersegment		2,330	(2,330)	
Total interest expense	5,944	2,330	(2,330)	5,944
Net interest income (expense)	5,853	(248)	$	5,605
Provision for loan losses	(6)			(6)
Other income	1,116	2,685		3,801

Other expense	(3,919)	(2,421)		(6,340)
Income before income taxes	$ 3,044	$ 16		$ 3,060
Identifiable assets	$ 170,984	$ 31,644		$ 202,628
Depreciation and amortization expense	$ 284	$ 74		$ 358
Capital expenditures	$ 911	$ 214		$ 1,125

</TABLE>

<TABLE>
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	1995			
	Savings Bank	Mortgage Banking	Eliminations	Consolidated
Interest income:				
<S>	<C>	<C>	<C>	<C>
Unaffiliated customers	$ 14,499	$ 1,726		$ 16,225
Intersegment	1,937		$ (1,937)	
Total interest income	16,436	1,726	(1,937)	16,225
Interest expense:				
Unaffiliated customers	9,004			9,004
Intersegment		1,937	(1,937)	
Total interest expense	9,004	1,937	(1,937)	9,004
Net interest income (expense)	7,432	(211)	$	7,221
Provision for loan losses	(224)			(224)
Other income	1,580	6,174		7,754
Other expense	(5,431)	(2,770)		(8,201)
Income before income taxes	$ 3,357	$ 3,193		$ 6,550
Identifiable assets	$ 214,649	$ 56,274		$ 270,923
Depreciation and amortization expense	$ 338	$ 53		$ 391
Capital expenditures	$ 1,014	$ 403		$ 1,417

</TABLE>
<TABLE>
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	1996			
	Savings Bank	Mortgage Banking	Eliminations	Consolidated
Interest income:				
<S>	<C>	<C>	<C>	<C>
Unaffiliated customers	$ 17,859	$ 2,314		$ 20,173
Intersegment	2,723		$ (2,723)	
Total interest income	20,582	2,314	(2,723)	20,173
Interest expense:				
Unaffiliated customers	12,268			12,268
Intersegment		2,723	(2,723)	
Total interest expense	12,268	2,723	(2,723)	12,268
Net interest income (expense)	8,314	(409)	$	7,905

Provision for loan losses	(75)		(75)
Other income	2,121	5,051	7,172
Other expense	(6,962)	(3,021)	(9,983)
Income before income taxes	$ 3,398	$ 1,621	$ 5,019
Identifiable assets	$ 293,415	$ 46,771	$ 340,186
Depreciation expense	$ 257	$ 87	$ 344
Capital expenditures	$ 1,489	$ 369	$ 1,858

</TABLE>

19. PARENT COMPANY FINANCIAL INFORMATION (PARENT COMPANY ONLY)

Mid Continent Bancshares, Inc. was organized to serve as the holding company for Mid-Continent Federal Savings Bank and began operations on June 27, 1994 in conjunction with the Savings Bank's mutual-to-stock conversion and the Company's initial public offering of common stock. The Company's (Parent company only) balance sheets as of September 30, 1995 and 1996 and related statements of income and cash flows for the periods then ended are as follows:

BALANCE SHEETS
SEPTEMBER 30, 1995 AND 1996
(Dollars in thousands, except share amounts)

ASSETS	1995	1996
CASH AND CASH EQUIVALENTS	$ 1,029	$ 287
NOTES RECEIVABLE FROM MID-CONTINENT FEDERAL SAVINGS BANK	7,292	4,951
INVESTMENT IN AND ADVANCES TO MID-CONTINENT FEDERAL SAVINGS BANK	28,672	31,827
OTHER ASSETS	108	76
TOTAL ASSETS	$ 37,101	$ 37,141
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES -		
Income taxes payable	$ 126	$ 112
Accrued and other liabilities	240	222
Total liabilities	366	334
STOCKHOLDERS' EQUITY		
Common stock $.10 par value, 20,000,000 authorized, 2,248,250 shares issued	225	225
Additional paid-in capital	21,553	21,663
Unearned compensation - Employee Stock Ownership Plan	(1,190)	(1,054)
Unearned compensation - Management Stock Bonus Plan	(746)	(547)
Retained earnings, substantially restricted	18,067	20,424
	37,909	40,711
Treasury stock, 80,000 and 231,500 shares, at cost	(1,174)	(3,904)
Total stockholders' equity	36,735	36,807
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 37,101	$ 37,141

STATEMENTS OF INCOME

YEARS ENDED SEPTEMBER 30, 1995 AND 1996
(Dollars in thousands, except share amounts)

	1995	1996
INTEREST INCOME	$ 575	$ 361
OTHER EXPENSES:		
Professional fees	82	44
Other	105	94
Total other expense	187	138
INCOME BEFORE INCOME TAX EXPENSE AND EQUITY IN UNDISTRIBUTED NET INCOME OF SUBSIDIARY	388	223
INCOME TAX EXPENSE	140	85
INCOME BEFORE EQUITY IN UNDISTRIBUTED NET INCOME OF SUBSIDIARY	248	138
EQUITY IN UNDISTRIBUTED NET INCOME OF SUBSIDIARY	3,858	2,988
NET INCOME	$4,106	$3,126

STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 1995 AND 1996
(Dollars in thousands, except share amounts)

	1995	1996
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 4,106	$ 3,126
Adjustment to reconcile net income to net cash provided by operating activities:		
Equity in undistributed earnings of subsidiary	(3,858)	(2,988)
Changes in:		
Other assets	(39)	6
Accrued and other liabilities	24	100
Income taxes payable	94	(14)
Net cash flows provided by operating activities	327	230
CASH FLOWS FROM INVESTING ACTIVITIES:		
Principal collected on notes receivable from Mid-Continent Federal Savings Bank	2,968	2,342
Net cash flows provided by investing activities	2,968	2,342
CASH FLOWS FROM FINANCING ACTIVITIES:		
Acquisition of common stock for Management Stock Bonus Plan	(995)	
Receipt of funds for Management Stock Bonus Plan stock	199	199
Acquisition of treasury stock	(1,174)	(2,730)
Cash dividends on common stock to stockholders	(615)	(783)
Net cash flows used in financing activities	(2,585)	(3,314)
NET INCREASE (DECREASE) CASH AND CASH EQUIVALENTS	710	(742)
CASH AND CASH EQUIVALENTS:		
Beginning of year	319	1,029
End of year	$ 1,029	$ 287

SUPPLEMENTAL DISCLOSURES OF NONCASH
INVESTING AND FINANCING ACTIVITIES -

Accrued dividends on common stock	$ 205	$ 188
	=======	=======

These statements should be read in conjunction with the other notes related to the consolidated financial statements.

20. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

<TABLE>
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	Quarter Ended (In thousands, except earnings per share)			
	December 31, 1994	March 31, 1995	June 30, 1995	September 30, 1995
<S>	<C>	<C>	<C>	<C>
Interest income	$ 3,607	$ 3,750	$ 4,371	$ 4,497
Interest expense	1,823	2,045	2,466	2,670
Net interest income	1,784	1,705	1,905	1,827
Net income	880	1,317	1,083	826
Earnings per share -				
Net income	0.41	0.62	0.54	0.40

</TABLE>

<TABLE>
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	Quarter Ended (In thousands, except earnings per share)			
	December 31, 1995	March 31, 1996	June 30, 1996	September 30, 1996
<S>	<C>	<C>	<C>	<C>
Interest income	$ 4,726	$ 4,707	$ 5,089	$ 5,651
Interest expense	2,806	2,913	3,051	3,498
Net interest income	1,920	1,794	2,038	2,153
Net income	951	820	896	459(1)
Earnings per share -				
Net income	0.48	0.42	0.46	0.23

</TABLE>

(1) Reflects a fourth quarter charge for the one-time assessment of federal insurance premiums (See Note 22).

The Company has restated its fiscal year 1995 quarterly financial information for the effects of the adoption of SFAS No. 122 as of the beginning of the fiscal year (See Note 2). The implementation of this Statement increased net income approximately $174 in the three fiscal quarters ended June 30, 1995. Net income previously reported on Form 10-Q was $823, $1,279, $1,004 and earnings per share previously reported was $.39, $.60 and $.49, respectively, for the fiscal 1995 quarters ended December 31, March 31 and June 30.

21. INTEREST RATE RISK

The Company is engaged principally in providing first mortgage loans to individuals. For the year ending September 30, 1996, the Company had average interest earnings assets of approximately $270,566 having a weighted average effective yield of 7.46% and average interest bearing liabilities of approximately $249,650 having a weighted average effective interest rate of 4.91%. The average maturity or repricing of interest earning assets is generally longer than that of the liabilities. The shorter duration of interest sensitive liabilities indicates that the Company is exposed to interest rate risk because, in a rising rate environment, liabilities will be repricing upwards more rapidly than the Company's interest sensitive assets, thereby reducing net interest income.

22. FEDERAL LEGISLATION

In September 1996, legislation was enacted which included a comprehensive reform of the banking and thrift industries. The legislation imposes a one-time assessment on qualifying thrift deposits to recapitalize the Savings Association Insurance Fund ("SAIF"), the fund which insures thrift deposits, and ultimately merges the Bank Insurance Fund ("BIF") and the SAIF, at which time banks and thrifts would pay the same deposit insurance premiums. The amount of the one-time assessment is .657% on qualifying thrift deposits as of March 31, 1995. This one-time assessment of $1,053 is included in federal insurance premiums for the year ended September 30, 1996.

* * * * * *

Directors of Mid Continent Bancshares, Inc.	Directors of Mid-Continent Federal Savings Bank
Richard T. Pottorff - Chairman	Richard T. Pottorff - Chairman
Officer - Mid-Continent Federal Savings Bank	Dr. Ken Dellett
Dr. Ken Dellett - Vice Chairman	Thomas C. Hand
Retired - Physician	Ron McGraw
Thomas C. Hand	Don Adlesperger
President - Hand Realty Co.	Larry R. Goddard
Ron McGraw	Robert Lasater *
President - Sunflower Roofing, Inc.	Clem Silvers *
Don Adlesperger	* Advisory Directors
President - Triple A Builders Supply	
Larry R. Goddard	
Officer - Mid-Continent Federal Savings Bank	

Officers of Mid Continent Bancshares, Inc.	Officers of Mid-Continent Federal Savings Bank
Richard T. Pottorff	Richard T. Pottorff
Chairman, President & CEO	Chairman, President & CEO
Larry R. Goddard	Larry R. Goddard
Executive Vice President & CFO	Executive Vice President & CFO
Harold Siemens	Harold Siemens
Senior Vice President	Senior Vice President
Cheryl A. Wilkerson	Cheryl A. Wilkerson
Secretary	Vice President, Secretary
David L. Walter	David L. Walter
Vice President	Vice President/Treasurer
Richard O. Nelson	Craig Yaryan
Vice President	Vice President
	Eric Hawkins
	Vice President
	William Cole
	Vice President
	Diane Griffin
	Vice President
	Larry E. Haury
	Vice President
	Jill Norman
	Vice President

LEGAL COUNSEL

General Counsel	Special Counsel
Adams, Jones, Robinson and Malone	Malizia, Spidi, Sloane & Fisch, P.C.
155 N. Market	One Franklin Square
Wichita, KS 67202	1301 K Street, NW - Suite 700 East
	Washington, DC 20005

AUDITORS	TRANSFER AGENT
Deloitte & Touche LLP	American Securities Transfer & Trust, Inc.
Suite 400	938 Quail St. Suite 101
1010 Grand Avenue	Lakewood, CO 80215
Kansas City, MO 64106	Phone: (303) 234-5300

OFFICE LOCATIONS

Executive and Administrative Office

124 W. Central
El Dorado, Kansas 67042
(316) 321-2700

El Dorado
405 N. Main
El Dorado, KS 67042
(316) 321-2700

Augusta
1420 N. Ohio
Augusta, KS 67010
(316) 775-2208

Winfield
1113 S. Main
Winfield, KS 67156
(316) 221-3830

Winfield
2310 S. Main
Winfield, KS 67156
(316) 221-0158

Newton
100 W. 12th
Newton, KS 67114
(316) 283-7310

Wichita
255 N. Main
Wichita, KS 67202
(316) 264-4133

762 N. West St.
Wichita, KS 67203
(316) 946-0202

2123 N. Maize Road
Wichita, KS 67212
(316) 729-7999

3055 N. Rock Road
Wichita, KS 67226
(316) 634-2800

FUTURE LOCATIONS
Derby
79th and Rock Road
Derby, KS 67037

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 33-92224 of Mid Continent Bancshares, Inc. on Form S-8 of our report dated November 12, 1996 appearing in and incorporated by reference in this Annual Report on Form 10-K of Mid Continent Bancshares, Inc. for the year ended September 30, 1996.

/s/Deloitte & Touche LLP
Kansas City, Missouri
December 23, 1996

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Mid Continent Bancshares, Inc.
El Dorado, Kansas

We have audited the consolidated financial statements of Mid Continent Bancshares, Inc. and subsidiary as of September 30, 1995 and 1996 and for each of the three years in the period ended September 30, 1996, and have issued our report thereon dated November 12, 1996; such consolidated financial statements and report are included in your 1996 Annual Report to Stockholders and are incorporated herein by reference. Our audits also included the financial statement schedule of Mid Continent Bancshares, Inc. and subsidiary, listed in Item 14(a)2. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/Deloitte & Touche LLP
Kansas City, Missouri
December 12, 1996