FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1996-12-30** | Period of Report: **1996-09-30**
SEC Accession No. 0000950124-96-005668

FILER

DAMEN FINANCIAL CORP
CIK:**947223**| IRS No.: **364029638** | State of Incorp.:**DE** | Fiscal Year End: **0930**
Type: **10-K** | Act: **34** | File No.: **000-26574** | Film No.: **96687993**
SIC: **6035** Savings institution, federally chartered

Mailing Address
200 WEST HIGGINS ROAD
SCHAUMBURG IL 60195

Business Address
200 W HIGGINS ST
SCHAUMBURG IL 60195
8478825320

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

Commission file number 0-25484

DAMEN FINANCIAL CORPORATION
(Exact Name of Issuer as Specified in its Charter)

Delaware	36-4029638
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 West Higgins Road, Schaumburg, Illinois	60195
(Address of principal executive offices)	(Zip Code)

Issuer's telephone number, including area code: (847) 882-5320

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 $.01 per share
(Title of Class)

Check whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past twelve months (or for such shorter period that the Issuer was required to file such reports), and (2) has been subject to such requirements for the past 90 days. YES [X] NO [ ]

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K contained in this form, and no disclosure will be contained, to the best of Issuer'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. [ ]

As of December 23, 1996, there were issued and outstanding 3,750,278 shares of the Issuer's Common Stock. The aggregate market value of the voting stock held by non-affiliates of the Issuer, computed by reference to the average of the closing bid and asked price of such stock on the Nasdaq National Market System as of December 23, 1996 was approximately $43.5 million. (The exclusion from such amount of the market value of the shares owned by any person shall not be deemed an admission by the Issuer that such person is an affiliate of the Issuer.)

DOCUMENTS INCORPORATED BY REFERENCE

PART II of Form 10-K--Annual Report to Stockholders for the fiscal year ended September 30, 1996.
PART III of Form 10-K--Proxy Statement for the Annual Meeting of Stockholders to be held in 1997 for the fiscal year ended September 30, 1996.

PART I

ITEM 1. BUSINESS

GENERAL

Damen Financial Corporation ("DFC" or the "Company") was formed at the direction of Damen Federal Savings Bank ("Damen" or the "Bank") in 1995 for the purpose of becoming a savings and loan holding company and owning all of the outstanding stock of the Bank issued on September 29, 1995 in connection with the Bank's conversion from the mutual to stock form of organization (the "Conversion"). The Company is incorporated under the laws of the State of Delaware and is authorized to do business in the State of Illinois, and generally is authorized to engage in any activity that is permitted by the Delaware General Corporation Law. The Company issued 3,967,500 shares of Common Stock at $10.00 per share in the Conversion.

At September 30, 1996, the Company had total assets of $234.6 million, deposits of $119.0 million and stockholders' equity of $52.9 million. The Company's Common Stock is quoted on the Nasdaq National Market System under the symbol "DFIN." Unless the context otherwise requires, all references herein to the Bank or the Company include the Company and the Bank on a consolidated basis.

Damen was originally chartered in 1916 to service a primarily Slovak community on Chicago's South Side and became a federal savings bank in 1990. The Company serves the financial needs of communities in its market area through its main office located at 200 West Higgins Road, Schaumburg, Illinois and two branch offices located in Chicago and Burbank, Illinois.

The Company's business involves attracting deposits from the general public and using such deposits, together with other funds, to originate one- to four-family residential mortgage loans and, to a much lesser extent, multi-family, commercial real estate and consumer loans primarily in its market area. See " - Lending Activities." At September 30, 1996, $77.7 million, or 83.09% of the Damen's total loan portfolio consisted of residential one- to four-family mortgage loans.

The Company also invests in mortgage-backed and related securities and investment securities and other permissible investments. See " - Investment Securities" and " - Mortgage-Backed and Related Securities."

The executive offices of the Company and the Bank are located at 200 West Higgins Road, Schaumburg, Illinois 60195-3788, and the telephone number at that address is (847) 882-5320.

The Company's and the Bank's operations are regulated by the Office of Thrift Supervision (the "OTS"). The Bank is a member of the Federal Home Loan Bank System ("FHLB System") and a stockholder in the Federal Home Loan Bank ("FHLB") of Chicago. The Bank is also a member of the Savings Association Insurance Fund ("SAIF") and its deposit

accounts are insured up to applicable limits by the Federal Deposit Insurance Corporation ("FDIC").

LENDING ACTIVITIES

GENERAL. With the exception of a loan to its Employee Stock Ownership Plan, all of the Company's lending activities are conducted through the Bank. The principal lending activity of the Bank is originating for its portfolio primarily fixed-rate mortgage loans secured by one- to four-family residences located primarily in Damen's market area. In addition, in order to provide more comprehensive financial services in its market area, the Bank also originates a limited amount of multi-family, commercial real estate and consumer loans, primarily in its market area. See " - Originations, Purchases and Sales of Loans and Mortgage-Backed and Related Securities." At September 30, 1996, the Bank's total loans receivable, net, totaled $91.1 million.

Damen's President and Senior Vice President have the authority to approve owner occupied, one- to four-family residential mortgage loans which satisfy the following criteria: (i) the applicant and the property fall within Damen's loan underwriting guidelines; (ii) the borrower is salaried; (iii) the mortgage's loan-to-value ratio does not exceed 80%; and (iv) the mortgage amount does not exceed $200,000. All other loan applications are considered by Damen's Loan Committee and those loans which satisfy the Bank's lending policies are submitted to the Bank's Board of Directors for ratification.

Under Damen's loan policy, the loan officer processing an application is responsible for ensuring that all documentation is obtained prior to the submission of the application to the Loan Committee. In addition, the loan officer verifies that the application meets the underwriting guidelines described below.

All of the Bank's lending is subject to its written underwriting standards and to loan origination procedures. Decisions on loan applications are made on the basis of detailed applications and property valuations (consistent with the Bank's appraisal policy). The loan applications are designed primarily to determine the borrower's ability to repay and the more significant items on the application are verified through use of credit reports, financial statements, tax returns or confirmations.

The Bank requires title insurance on its mortgage loans as well as fire and extended coverage casualty insurance in amounts at least equal to the principal amount of the loan or the value of improvements on the property, depending on the type of loan. The Bank also requires flood insurance to protect the property securing its interest when the property is located in a flood plain.

LOAN PORTFOLIO COMPOSITION. The following information concerning the composition of the Bank's loan portfolios in dollar amounts and in percentages (before deductions for loans in process, deferred fees and discounts and allowances for losses) as of the dates indicated.

<TABLE>
<CAPTION>

	September 30,				November 30,					
	1996		1995		1994		1993		1992	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
					(Dollars in Thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real Estate Loans:										
One- to four-family	$77,725	83.09%	$75,471	83.56%	$76,736	84.71%	$77,460	86.41%	$75,094	90.11%
Multi-family	12,239	13.08	12,060	13.35	11,218	12.38	10,171	11.34	6,835	8.20
Commercial	3,317	3.55	2,598	2.88	2,473	2.73	1,802	2.01	1,238	1.49
Total real estate loans	93,281	99.72%	90,129	99.79%	90,427	99.82%	89,433	99.76%	83,167	99.80%
Other Loans:										
Consumer Loans:										
Deposit account	260	.28	188	.21	167	.18	219	.24	166	.20
Total consumer loans	260	.28%	188	.21%	167	.18%	219	.24%	166	.20%
Total loans	93,541	100.00%	90,317	100.00%	90,594	100.00%	89,652	100.00%	83,333	100.00%
Less:										
Loans in process	466		792		527		3,007		3,206	
Deferred fees and discounts	1,584		1,694		1,717		1,706		1,455	
Allowance for losses	345		275		125		125		125	
Total loans receivable, net ...	$91,146		$87,556		$88,225		$84,814		$78,547	

</TABLE>

The following table shows the composition of the Bank's loan portfolios by fixed- and adjustable-rate at the dates indicated.

<TABLE>
<CAPTION>

	September 30,				November 30,					
	1996		1995		1994		1993		1992	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent

	(Dollars in Thousands)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Fixed-Rate Loans:										
Real Estate:										
One- to four-family	$77,577	82.93%	$75,321	83.40%	$76,509	84.45%	$76,857	85.73%	$72,739	87.29%
Multi-family	12,239	13.08	12,060	13.35	11,218	12.38	10,171	11.34	6,835	8.20
Commercial real estate	3,317	3.55	2,598	2.88	2,473	2.73	1,802	2.01	1,238	1.49
Total real estate loans	93,133	99.56%	89,979	99.63	90,200	99.56	88,830	99.08	80,812	96.98
Consumer	260	.28	188	.21	167	.18	219	.24	166	.20
Total fixed-rate loans	93,393	99.84	90,167	99.84	90,367	99.74	89,049	99.32	80,978	97.18
Adjustable-Rate Loans:										
Real estate:										
One- to four-family	148	.16%	150	.16	227	.26	603	.68	2,355	2.82
Total loans	93,541	100.00%	90,317	100.00%	90,594	100.00%	89,652	100.00%	83,333	100.00%
Less:										
Loans in process	466		792		527		3,007		3,206	
Deferred fees and discounts	1,584		1,694		1,717		1,706		1,455	
Allowance for loan losses	345		275		125		125		125	
Total loans receivable, net ...	$91,146		$87,556		$88,225		$84,814		$78,547	

</TABLE>

The following schedule sets forth the weighted average interest rate by contractual maturity of the Bank's loan portfolio at September 30, 1996. The table does not reflect prepayments, scheduled principal repayments or enforcement of due-on-sale clauses. Loans which have adjustable or renegotiable interest rates are shown as maturing in the period during which the contract is due.

<TABLE>
<CAPTION>

	Real Estate							
	One- to Four-Family		Multi-family and Commercial real estate		Consumer		Total	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in Thousands)							
Due During Twelve Months Ending September 30,								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
1997	$ 117	8.13%	$ ---	---%	$ 89	7.84%	$ 206	8.00%
1998	149	9.29	8	13.00	98	7.19	255	8.60
1999 and 2000	2,651	7.63	373	7.95	73	7.24	3,097	7.66
2001 to 2005	19,823	7.49	5,388	8.03	--	--	25,211	7.61
2006 to 2020	45,617	7.40	9,787	8.04	--	--	55,404	7.51
2021 and following ...	9,368	7.87	---	---	--	--	9,368	7.87
	$77,725		$15,556		$260		$93,541	

</TABLE>

The total amount of loans due after September 30, 1996, which have predetermined interest rates is approximately $93.4 million, while the total amount of loans due after such dates which have floating or adjustable interest rates is $148,000.

Under the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA"), the aggregate amount of loans that the Bank is permitted to make to any one borrower is generally limited to 15% of unimpaired capital and surplus (25% if the security for such loan has a "readily ascertainable" value or 30% for certain residential development loans). At September 30, 1996, based on the above, the Bank's regulatory loans-to-one borrower limit was approximately $5.5 million. On the same date, the Bank had no borrowers with outstanding balances in excess of this amount. As of September 30, 1996, the two largest dollar amounts outstanding to one borrower or, group of related borrowers, were approximately $961,000 and $848,000. These loans are secured by both one- to four-family and multi-family properties located primarily in the Bank's market area and, as of September 30, 1996, were performing in accordance with their terms.

ONE- TO FOUR-FAMILY RESIDENTIAL REAL ESTATE LENDING. The cornerstone of the Bank's lending program is the origination of loans secured by mortgages on owner-occupied one- to four-family residences. The Bank offers fixed-rate loans with terms of 7, 10, 15, 20 and 30 years and during the mid 1980s originated a limited amount of one and three year adjustable rate mortgage loans ("ARMs"). At September 30, 1996, $77.7 million, or 83.09% of the Bank's loan portfolio consisted of mortgage loans on one- to four-family residences. At that date, the average outstanding residential loan balance was approximately $48,800.

Substantially all of the one- to four-family residential loans originated by Damen are secured by properties located in the Bank's market area and all mortgage loans originated by the Bank are retained and serviced by it. Because of competitive factors, most of the Bank's one- to four-family residential loans have been made to persons residing near its Chicago office, which is located in a low and moderate income community. The Bank has been an active lender in this market for many years and has never experienced a delinquency level on these loans which was not consistent with that of its loan portfolio as a whole.

The Bank offers fixed-rate loans with maximum terms of up to 30 years for retention in its own portfolio as a central part of its lending program. However, consistent with its asset/liability management philosophy, the Bank focuses its fixed-rate loan origination activities on loans having terms to maturity of 15 years or less. At September 30, 1996, $80.4 million or 86.2% of the Bank's mortgage loans had original terms of 15 years or less. The interest rate on the Bank's fixed-rate loans is generally set based on competitive factors.

During the mid 1980s, the Bank originated a limited amount of ARMs for retention in its own portfolio. However, as a result of strong competition and price cutting on these loans in its market area, the Board concluded that continued efforts to originate ARMs were no longer justified from an economic point of view. In the future, the Board may consider reinstating the Bank's ARM lending program, although there can be no assurance as to when, if ever, this will be the case.

In underwriting one- to four-family residential real estate loans, the Bank evaluates the borrower's ability to make principal, interest and escrow payments, the value of the property that will secure the loan and the borrower's debt to income ratios. Because of the economic conditions in parts of the Bank's market area, the Bank's underwriting practices do not comply in every way with those required by most purchasers in the secondary market. For instance, some of the Bank's low and moderate income borrowers do not have the net worth or income/debt service levels required by many secondary market purchasers. The non-compliance of many of the Bank's loans with secondary market standards limits the Bank's ability to build a held-for-sale portfolio, which could be useful for asset/liability management structuring and for the development of non-interest income. Also, such non-compliance may limit to some extent the Bank's ability to use such loans as collateral for borrowings. However, the Bank believes that non-compliance with secondary market standards does not in and of itself cause credit problems since the Bank has engaged in this type of lending for many years and its delinquency experience on these loans has been satisfactory to date.

Properties securing one- to four-family residential real estate loans made by Damen are appraised by independent appraisers. Damen originates virtually all of its residential mortgage loans with loan-to-value ratios of less than 95%; provided, however, that private mortgage insurance is obtained in an amount sufficient to reduce the Bank's exposure to not more than 80% of the appraised value or sales price, as applicable.

The Bank's residential mortgage loans customarily include due-on-sale clauses giving the Bank the right to declare the loan immediately due and payable in the event that, among other things, the borrower sells or otherwise disposes of the property subject to the mortgage and the loan is not repaid.

Many of the Bank's one- to four-family loans are on properties with more than one unit. In some cases, at least one unit in the property is occupied by the borrower while other one- to four-family loans are on non-owner occupied properties.

MULTI-FAMILY AND COMMERCIAL REAL ESTATE LENDING. During recent years, Damen has increased its origination of permanent multi-family and commercial real estate loans secured by properties generally located in its market area. At September 30, 1996, the Bank had $12.2 million in multi-family loans representing 13.08% of the Bank's total loan portfolio, and $3.3 million in commercial real estate loans, or 3.55% of the Bank's total loan portfolio.

The Bank's multi-family and commercial real estate loan portfolio includes loans secured by apartment buildings and other non-residential building properties. Because of competitive factors, most of the Bank's multi-family and commercial real estate loans are originated in the southern portion of the Bank's market area.

Permanent multi-family and commercial real estate loans are generally originated for a maximum term of 15 years and have fixed rates. Multi-family and commercial real estate loans are written in amounts of up to 75% of the appraised value of the property.

Appraisals on properties serving multi-family and commercial real estate loans originated by the Bank are performed by an independent appraiser prior to the time the loan is made. All appraisals on commercial and multi-family real estate are reviewed by the Bank's management. The Bank's underwriting procedures require verification of the borrower's credit history, income and financial statements, banking relationships. The Bank generally requires personal guarantees on loans secured by multi-family and commercial real estate.

Multi-family and commercial real estate loans generally present a higher level of risk than loans secured by one- to four-family residences. This greater risk is due to 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 multi-family and 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 (for example, if leases are not obtained or renewed), the borrower's ability to repay the loan may be impaired. At September 30, 1996, the Bank had two multi-family loans totaling $252,000 and no commercial real estate loans 90 days or more delinquent.

In the future, the Bank intends to continue to emphasize multi-family and commercial real estate lending.

CONSUMER LENDING. The Bank offers only consumer loans secured by certain types of deposit accounts. At September 30, 1996, deposit loans totaled $260,000 or .28% of net loans outstanding.

The Bank's consumer loans secured by deposit accounts are made in amounts not to exceed 90% of the deposit holders available passbook or certificate of deposit balance and carry a maximum term of three years when secured by passbook accounts and as of the maturity date

for loans secured by certificates of deposit. Such loans carry an interest rate which is 2.5% above the stated interest rate for the pledged account. The Bank may determine to increase the types of consumer loan products offered.

ORIGINATIONS, PURCHASES AND SALES OF LOANS AND MORTGAGE-BACKED AND RELATED SECURITIES

Real estate loans are originated by Damen's staff of salaried loan officers through referrals from real estate brokers, attorneys and customers. In addition, in the future, the Bank may utilize commissioned loan originators in an attempt to increase loan production, although there are no specific plans to do so at this time. Loan applications are taken and processed at each of Damen's offices.

The Bank's ability to originate loans is dependent upon customer demand for loans in its market and to a limited extent, various marketing efforts. Demand is affected by both the local economy and the interest rate environment. Historically, all loans originated by Damen are retained in the Bank's portfolio.

In order to supplement loan originations, the Company has acquired mortgage-backed and related securities which are held, depending on the investment intent, in the "held-to-maturity" or "available-for-sale" portfolios. During the year ended September 30, 1996 and the ten months ended September 30, 1995, the Company purchased $23.2 million and $21.9 million, respectively, of mortgaged-backed and related securities. During the same periods, the Company sold $920,000 and $1.3 million, respectively, of mortgage-backed and related securities. In the future, in order to supplement loan production, the Bank may also consider purchasing loans from third party originators, although there are no specific plans to do so at this time and the Bank has not done so in recent years. See " - Investment Activities - Mortgage-Backed and Related Securities" and Notes 4 and 5 to the Notes to Consolidated Financial Statements in the Annual Report to Stockholders for the fiscal year ended September 30, 1996 attached hereto as Exhibit 13 (the "Annual Report").

The following table shows the loan origination, purchase, sale and repayment activities of the Company for the periods indicated.

<TABLE>
<CAPTION>

<S>	Year Ended September 30, 1996 <C>	Ten Months Ended September 30, 1995 <C>	Year Ended November 30, 1994 <C>
	(In Thousands)		
ORIGINATIONS BY TYPE:			
Fixed rate:			
Real estate - one- to four-family	$15,612	$ 9,280	$14,881
- multi-family	2,137	2,051	3,777
- commercial	1,528	626	1,058
Consumer	212	315	146
Total loans originated	19,489	12,272	19,862
PURCHASES:			
Mortgage-backed securities (excluding REMICs and CMOs)	21,828	18,911	25,565
REMICs and CMOs	1,365	2,986	14,491
Total purchased	23,193(1)	21,897	40,056
SALES AND REPAYMENTS:			
Mortgage-backed securities	920	1,288	3,575
Total sales	920	1,288	3,575
Principal repayments	31,888	20,212	51,046
Total reductions	32,808	21,500	54,621
Increase (decrease) in other items, net ..	(377)	1,111	594
Net increase	$ 9,497	$13,780	$ 5,891

</TABLE>

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(1) Includes $8.6 million of adjustable-rate mortgage-backed and related securities.

DELINQUENCIES AND NON-PERFORMING ASSETS

DELINQUENCY PROCEDURES. When a borrower fails to make a required payment on a loan, the Bank attempts to cure the delinquency by contacting the borrower. A late notice is sent on all delinquent loans. Additional written and verbal contacts may be made with the borrower between 30 and 90 days after the due date. If the loan is contractually delinquent 90 days, the Bank either arranges payment with the borrower or institutes appropriate action to foreclose on the property. If a borrower agrees to a payment plan to bring a delinquent loan current, a designated officer monitors the loan for compliance with the payment agreement. If foreclosed, the property is sold at sheriff's sale and may be purchased by the Bank. Delinquent consumer loans are generally handled in a similar manner. Once a loan has been set to Damen's attorney to begin foreclosure proceedings, no payments are accepted without the prior approval of Damen's President.

Real estate acquired by Damen as a result of foreclosure or by deed in lieu of foreclosure is classified as real estate owned until it is sold. When property is acquired by foreclosure or deed in lieu of foreclosure, it is recorded at the lower of cost or estimated fair value less estimated selling costs. After acquisition, all costs incurred in maintaining the property are expensed. Costs relating to the development and improvement of the property, however, are capitalized.

The following table sets forth the Bank's loan delinquencies by type, by amount and by percentage of type at September 30, 1996.

<TABLE>
<CAPTION>

	Loans Delinquent For:								
	60-89 Days			90 Days and Over			Total Delinquent Loans		
	Number	Amount	Percent of Total Loans	Number	Amount	Percent of Total Loans	Number	Amount	Percent of Total Loans
	(Dollars in Thousands)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real Estate:									
One- to four-family	3	$29	.03%	6	$ 99	.11%	9	$128	.14%
Multi-family	--	--	--	2	252	.27	2	252	.27
Commercial real estate ..	--	--	--	--	--	--	--	--	--
Consumer	--	--	--	--	--	--	--	--	--
Total	3	$29	.03%	8	$351	.38%	11	$380	.41%

</TABLE>

CLASSIFICATION OF ASSETS. Federal regulations require that each savings institution classify its own assets on a regular basis. In addition, in connection with examinations of savings institutions, OTS and FDIC examiners have authority to identify problem assets and, if appropriate, require them to be classified. There are three classifications for problem assets: Substandard, Doubtful and Loss. Substandard assets have one or more defined weaknesses and are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected. Doubtful assets have the weaknesses of Substandard assets, with the additional characteristics that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a high possibility of loss. An asset classified Loss is considered uncollectible and of such little value that continuance as an asset on the balance sheet of the institution is not warranted. Assets classified as Substandard or Doubtful require the institution to establish prudent general allowances for loan losses. If an asset or portion thereof is classified as Loss, the institution must either establish specific allowances for loan losses in the amount of 100% of the portion of the asset classified Loss, or charge off such amount. If an institution does not agree with an examiner's classification of an asset, it may appeal this determination to the District Director of the OTS.

On the basis of management's review of its assets, at September 30, 1996, the Bank had classified a total of $351,000 of its loans and other assets as follows:

	At September 30, 1996 (In Thousands)
Special Mention	$--
Substandard	243
Doubtful assets	108
Loss assets	--
Total	351
General loss allowance	345
Specific loss allowance	--
Charge-offs	--

Damen's classified assets consist of the non-performing loans and loans and other assets of concern discussed herein. As of the date hereof, these asset classifications are materially consistent with those of the OTS and FDIC.

NON-PERFORMING ASSETS. Loans are reviewed monthly and any loan whose collectibility is doubtful is placed on non-accrual status. Loans are placed on non-accrual status when either principal or interest is 90 days or more past due, unless, in the judgment of management, the loan is well collateralized and in the process of collection. Interest accrued and unpaid at the time a loan is placed on non-accrual status is charged against interest income. Subsequent payments are either applied to the outstanding principal balance or recorded as interest income, depending on the assessment of the ultimate collectibility of the loan. Restructured loans include troubled debt restructurings (which involved forgiving a portion of interest or principal on any loans or making loans at a rate materially less than the market rate). At September 30, 1996, the Bank had no restructured loans or foreclosed assets.

NON-PERFORMING ASSETS. The following table sets forth the amounts and categories of non-performing assets in the Bank's portfolio.

	September 30,		November 30,		
	1996	1995	1994	1993	1992
	(Dollars in Thousands)				
Non-accruing loans:					
One- to four-family	$ 99	$65	$109	$156	$ 159
Multi-family	252	--	--	--	--
Commercial real estate	--	--	--	--	--
Consumer	--	--	7	--	--
Total	351	65	116	156	159
Accruing loans delinquent more than 90 days:					
Total	--	--	--	--	--
Foreclosed assets:					
Commercial real estate	--	--	--	--	2,079(1)
Total	--	--	--	--	2,079
Total non-performing assets	$351	$65	$116	$156	$2,238
Total as a percentage of total assets	.15%	.03%	.06%	.09%	1.27%

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</TABLE>

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(1) Represents Damen's Schaumburg office.

For the year ended September 30, 1996 and the ten months ended September 30, 1995, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to $8,900 and $4,800, respectively.

OTHER LOANS OF CONCERN. In addition to the non-performing assets set forth in the table above, as of September 30, 1996, there were no loans with respect to which known information about the possible credit problems of the borrowers or the cash flows of the security properties have caused management to have concerns as to the ability of the borrowers to comply with present loan repayment terms and which may result in the future inclusion of such items in the non-performing asset categories.

Management has considered the Bank's non-performing and "of concern" assets in establishing its allowance for loan losses.

ALLOWANCE FOR LOSSES ON LOANS. The following table sets forth information with respect to the Bank's allowance for loan losses for the periods indicated. During each of the periods presented, there were no recoveries of amounts charged off.

<TABLE>
<CAPTION>

	Year Ended September 30,	Ten Months Ended September 30,	Year Ended November 30,		
	1996	1995	1994	1993	1992
		(Dollars in Thousands)			
<S>	<C>	<C>	<C>	<C>	<C>
Balance at beginning of period	$275	$ 125	$125	$125	$100
Charge-offs:					
One- to four-family	--	9	--	--	4
Multi-family	--	--	--	--	--
Consumer	--	4	--	--	--
Total	--	13	--	--	4
Recoveries:					
Total	--	--	--	--	--
Net charge-offs	--	13	--	--	4
Additions charged to operations	70	163	--	--	29
Balance at end of period	$345	$ 275	$125	$125	$125
Ratio of net charge-offs during the period to average loans outstanding during the period	--%	.01%	-- %	-- %	.01%
Ratio of net charge-offs during the period to average non-performing assets	--%	11.21%	-- %	-- %	.02%

</TABLE>

The following table sets forth the allocation of the Bank's allowance for loan losses by loan category and the percent of loans in each category to total loans receivable, net, at the end of the periods indicated. The portion of the loan loss allowance allocated to each loan category does not represent the total available for future losses which may occur within the loan category since the total loan loss allowance is a valuation reserve applicable to the entire loan portfolio.

<TABLE>
<CAPTION>

	September 30,					
	1996			1995		
	Amount of Loan Loss Allowance	Loan Amounts by Category	Percent of Loans in Each Category to Total Loans	Amount of Loan Loss Allowance	Loan Amounts by Category	Percent of Loans in Each Category to Total Loans
	(In Thousands)					
One- to four-family	$201	$77,725	83.09%	$196	$75,471	83.56%
Multi-family	119	12,239	13.08	57	12,060	13.35
Commercial real estate ...	25	3,317	3.55	19	2,598	2.88
Consumer	--	260	.28	--	188	.21
Unallocated	--	--	--	3	--	--
Total	$345	$93,541	100.00%	$275	$90,317	100.00%

<CAPTION>

	November 30,								
	1994			1993			1992		
	Amount of Loan Loss Allowance	Loan Amounts by Category	Percent of Loans in Each Category to Total Loans	Amount of Loan Loss Allowance	Loan Amounts by Category	Percent of Loans in Each Category to Total Loans	Amount of Loan Loss Allowance	Loan Amounts by Category	Percent of Loans in Each Category to Total Loans
	(In Thousands)								
One- to four-family	$ 82	$76,736	84.71	$ 85	$77,460	86.41	$ 86	$75,094	90.11
Multi-family	22	11,218	12.38	20	10,171	11.34	14	6,835	8.20
Commercial real estate ...	6	2,473	2.73	5	1,802	2.01	1	1,238	1.49
Consumer	1	167	.18	--	219	.24	---	166	.20
Unallocated	14	--	--	15	---	---	24	---	---
Total	$125	$90,594	100.00%	$125	$89,652	100.00%	$125	$83,333	100.00%

</TABLE>

The allowance for losses on loans is established through a provision for losses on loans charged to earnings based on management's evaluation of the risk inherent in its entire loan portfolio and changes in the nature and volume of its loan activity. Such evaluation, which includes a review of all loans of which full collectibility may not be reasonably assured, considers specific occurrences, general and local economic conditions, loan portfolio composition, historical and local experience and other factors that warrant recognition in providing for an adequate allowance for loan losses. In determining the general reserves under these policies, historical charge-offs and recoveries, changes in the mix and levels of the various types of loans, net realizable values, the current loan portfolio and current economic conditions are considered. The Bank also requires additional reserves for all classified loans.

While management believes that it uses the best information available to determine the allowance for losses on loans, unforeseen economic and market conditions could result in adjustments to the allowance for losses on loans, and net earnings could be significantly affected, if circumstances differ substantially from the assumptions used in making the final determination.

INVESTMENT ACTIVITIES

GENERAL. Damen must maintain minimum levels of investments and other assets that qualify as liquid assets under OTS regulations. Liquidity may increase or decrease depending upon the availability of funds and comparative yields on investments in relation to the return on loans. Historically, Damen has maintained liquid assets at levels significantly above the minimum requirements imposed by the OTS regulations and above levels believed adequate to meet the requirements of normal operations, including potential deposit outflows. At September 30, 1996, Damen's liquidity ratio for regulatory purposes was 8.36%. Damen's level of liquidity is a result of management's asset/liability strategy. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset/Liability Management" and " - Liquidity and Capital Resources" in the Annual Report.

Generally, the investment policy of DFC and the Bank is to invest funds among categories of investments and maturities based upon the Company's and the Bank's asset/liability management policies, investment quality, loan and deposit volume, liquidity needs and performance objectives. Prior to December 1, 1994, the Company recorded its investments in its investment securities portfolio at the lower of cost or current market value if held-for-sale or at amortized cost if held-for-investment. Unrealized declines in the market value of securities held-to-maturity were not reflected in the financial statements; however, unrealized losses in the market value of securities held-for-sale were recorded as a charge to current earnings. Effective December 1, 1994, the Company adopted SFAS 115, which resulted in a one-time charge to stockholders' equity of approximately $1.1 million, while the cumulative effect of this change in accounting principle, net of taxes, resulted in a one-time $907,000 credit to earnings. As required by SFAS 115, securities are classified into three categories: trading, held-to-maturity and available-for-sale. Securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and are reported at fair value with unrealized gains and losses included in trading account activities in the statement of operations. Securities that DFC has the positive intent and ability to hold to maturity are classified as held-to-maturity and reported at amortized cost. All other securities not classified as held-to-maturity are classified as available-for-sale. At September 30, 1996, DFC had no

securities which were classified as trading. Available-for-sale securities are reported at fair market value with unrealized gains and losses included, on an after-tax basis, in a separate component of stockholders' equity. At September 30, 1996, $43.3 million of investment securities and $52.6 million of mortgage-backed and related securities were classified as available-for-sale.

INVESTMENT SECURITIES. The Company and the Bank have used investment securities to supplement loan volume and to provide adjustable rate and/or short and intermediate-term assets for asset/liability management purposes. To date, the Company's and the Bank's investments have been directed toward high-quality assets with various terms to maturity. In the last several years, the Bank has increased its holdings in tax-exempt investments based on their after tax yield. In addition to federal agency obligations and tax-exempt municipal bonds, but to a much lesser extent, the Company and the Bank invest in FHLB stock, equity securities and mutual funds. At September 30, 1996 and 1995, the Company's investment securities portfolio totaled $48.2 million and $37.3 million, respectively. At September 30, 1996, the Company did not own any investment securities of a single issuer which exceeded 10% of the Company's equity, other than federal agency obligations, Federal Home Loan Mortgage Corporation ("FHLMC") stock and FHLB stock. See Notes 2 and 3 of the Notes to the Consolidated Financial Statements in the Annual Report for additional information regarding the Company's investment securities portfolio.

As part of DFC's asset/liability management strategy, the Company's investment securities portfolio contains both short- and intermediate-term (five years or less) securities. At September 30, 1996, $17.9 million of the Company's investment securities (excluding FHLB stock) had terms to maturity of five years or less. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Asset/Liability Management" in the Annual Report.

In the past several years, DFC carried a portion of this investment portfolio as "held-for-sale", contributing to some earnings' volatility. However, subsequent to the adoption of SFAS 115 effective December 1, 1994 and the recording of a cumulative effect adjustment, the effect of changes in the value of securities available-for-sale caused by interest rate movements will affect the Company's stockholders' equity and not results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Recent Accounting Pronouncements" in the Annual Report.

The following table sets forth the carrying value of the Company's investment securities and FHLB stock at the dates indicated. At September 30, 1996, the market value of the Company's held-to-maturity investment securities portfolio was $4.9 million.

<TABLE>
<CAPTION>

	September 30,				November 30,	
	1996		1995		1994	
	Book Value	% of Total	Book Value	% of Total	Book Value	% of Total
	(Dollars in Thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Investment securities:						
Held-to-Maturity:						
Tax-Exempt securities(1)	$ --	-- %	$ --	-- %	$16,711	59.27%
FHLB stock	3,110	6.45	2,570	6.88	2,220	7.87
Other	1,777	3.68	1,090	2.92	1,017	3.61
Subtotal	4,887	10.13	3,660	9.80	19,948	70.75
Available-for-Sale:						
Tax-Exempt securities(1)	$24,905	51.64%	$20,478	54.83%	$ --	-- %
Federal Agency Obligations	14,785	30.66	11,166	29.90	6,407	22.73
Equity securities	3,653	7.57	2,045	5.47	1,839	6.52
Subtotal	43,343	89.87	33,689	90.20	8,246	29.25
Total investment securities	$48,230	100.00%	$37,349	100.00%	$28,194	100.00%
Average remaining life of investment securities (excluding FHLB stock and other equities)	9.4 years		11.3 years		9.9 years	
Other interest-earning assets:						
Interest-earning deposits with banks	$ 1,011	100.00%	$19,938	100.00%	$ 172	100.00%

</TABLE>

----
(1) Effective with the adoption of SFAS 115 on December 1, 1994, the Company's tax-exempt securities were classified as available-for-sale.

The following table sets forth certain information regarding the composition and maturities of the securities portfolio, excluding FHLB stock, equity securities and other items, at September 30, 1996. See Note 3 of the Notes to the Consolidated Financial Statements in the Annual Report for a discussion of the Company's investment securities portfolio. A portion of the Company's municipal bonds have been prerefunded and the maturity on these bonds reflect the prerefunded maturity dates.

<TABLE>
<CAPTION>

	September 30, 1996					
	Less Than 1 Year	1 to 5 Years	5 to 10 Years	Over 10 Years	Total Investment Securities	
	Book Value	Book Value	Book Value	Book Value	Book Value	Market Value
	(Dollars in Thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Municipal bonds	$1,929	$ 5,054	$1,375	$16,547	$24,905	$24,905

Federal agency obligations	2,497	8,409	3,879	---	14,785	14,785
Total investment securities (excluding FHLB stock, equity securities and other items)	$4,426	$13,463	$5,254	$16,547	$39,690	$39,690
Weighted average yield	6.87%	6.41%	6.67%	5.97%	6.31%	6.31%

</TABLE>

MORTGAGE-BACKED AND RELATED SECURITIES. In order to supplement loan and investment activities and achieve its asset/liability management goals, the Company invests in mortgage-backed and related securities. As of September 30, 1996, all of the mortgage-backed and related securities owned by the Company are issued, insured or guaranteed either directly or indirectly by a federal agency or are rated "A" (in most cases "AAA") or higher by a nationally recognized credit rating agency. However, it should be noted that, while a (direct or indirect) federal guarantee or a high credit rating may indicate a high degree of protection against default, they do not indicate that the securities will be protected from declines in value based on changes in interest rates or prepayment speeds.

At September 30, 1996, DFC had $88.1 million of mortgage-backed and related securities, representing 37.6% of total assets. On that date, the Company had $48.1 million of Federal National Mortgage Association ("FNMA"), FHLMC and Government National Mortgage Association ("GNMA") participation certificates and conventional mortgage-backed securities and $40.0 million of collateralized mortgage obligations ("CMOs") and real estate mortgage investment conduits ("REMICs"). At September 30, 1996, $40.9 million of the Company's mortgage-backed securities were issued by either FHLMC, FNMA or GNMA and the remaining $7.2 million were privately issued mortgage-backed securities. On that date, $12.5 million of the Company's CMOs and REMICs were issued either by FHLMC or FNMA and the remaining $27.5 million were privately issued securities. None of the Company's privately issued mortgage-backed or related securities are insured or guaranteed by FHLMC or FNMA. All of the privately issued securities were rated "AA" or higher by a nationally recognized credit rating agency at the time of purchase.

Consistent with its asset/liability management strategy, at September 30, 1996, $40.2 million or 45.6% of DFC's mortgage-backed and related securities had adjustable interest rates. In addition, the Company has a substantial portfolio of CMOs and REMICs with anticipated average lives of five years or less. For information regarding the Company's mortgage-backed and related securities portfolio, see Notes 4 and 5 of the Notes to the Consolidated Financial Statements in the Annual Report.

At September 30, 1996, the Company did not have any mortgage-backed or related securities in excess of 10% of stockholders' equity except for FNMA, FHLMC and GNMA issues, amounting to $18.9 million, $9.6 million and $24.9 million, respectively.

In addition to its conventional mortgage-backed securities, the Company invests in CMOs and REMICs. CMOs and REMICs are securities derived by reallocating the cash flows from mortgage-backed securities or pools of mortgage loans in order to create multiple classes, or tranches, of securities with coupon rates and average lives that differ from the underlying collateral as a whole. The terms to maturity of any particular tranche is dependent upon the prepayment speed of the underlying collateral as well as the structure of the particular CMO or REMIC. Although a significant proportion of the Company's CMOs are interests in tranches which have been structured (through the use of cash flow priority and "support" tranches) to give somewhat more predictable cash flows, the cash flow and hence the value of CMOs and REMICs are subject to change.

The Company invests in CMOs and REMICs as an alternative to mortgage loans and conventional mortgage-backed securities as part of its asset/liability management strategy. Management believes that CMOs and REMICs can represent attractive investment alternatives relative to other investments due to the wide variety of maturity and repayment options available through such investments. In particular, the Company has from time to time concluded that short and intermediate duration CMOs and REMICs (five year or less average life) represent a better combination of rate and duration than adjustable rate mortgage-backed securities. Because the Company's CMOs and REMICs (with the exception of those classified as "high risk" at the time of purchase, as described below) are purchased as an alternative to mortgage loans and because the Company has the ability and intent to hold such securities to maturity, all such securities (with the exception of those classified as "high risk" at the time of purchase) are classified as held-to-maturity. At September 30, 1996, the Company held $40.0 million of CMOs and REMICs, including $34.4 million of short and intermediate duration (five year or less average life) or adjustable rates.

Substantially all mortgage derivatives recently purchased by the Company are not classified as "high-risk" under regulatory guidelines and are subject to normal effects of changes in interest rates. To assess price volatility, the Federal Financial Institutions Examination Council ("FFIEC") adopted a policy in 1992 which requires an annual "stress" test of mortgage derivative securities. This policy, which has been adopted by the OTS, requires the Bank to annually test its CMOs and other mortgage-related securities to determine whether they are high-risk or nonhigh-risk securities. Mortgage derivative products with an average life or price volatility in excess of a benchmark 30-year mortgage-backed pass-through security are considered high-risk mortgage securities. Under the policy, savings institutions may generally only invest in high-risk mortgage securities in order to reduce interest rate risk. In addition, all high-risk mortgage securities acquired after February 9, 1992 which are classified as high risk at the time of purchase must be carried in the institution's trading account or as assets held-for-sale. Additionally, DFC's investment policy limits the amount of "high-risk" CMOs that the Company may purchase to 12% of total assets and mandates that these assets must be retested and monitored quarterly. At September 30, 1996, the Company held CMOs and REMICs that did not meet the criteria established by the FFIEC policy and were classified as "high-risk" with a carrying value of $12.0 million (including $8.6 million of securities which were held for investment because there was an ability and intent to hold to maturity and such securities were either acquired before February 9, 1992 or were not classified as high risk until sometime after purchase) and a market value of $11.6 million. While the Company's current investment policy permits its investment, subject to certain limitations, in CMOs and REMICs classified as "high-risk," it is currently anticipated that any future investments in "high-risk" securities will be minimal. To date, the OTS has not required the Company to dispose of any high-risk securities.

The following table sets forth the contractual maturities of the Company's mortgage-backed and related securities at the dates indicated. These securities are anticipated to be repaid in advance of their contractual maturities as a result of projected mortgage loan prepayments. In addition, under the structure of the Company's REMICs, the Company's short- and intermediate-tranche interests have repayment priority over the longer term tranches of the same underlying mortgage pool. The amounts set forth below represent principal balances only and do not include premiums, discounts and market value adjustments.

<TABLE>
<CAPTION>

	5 to 10 Years	10 to 20 Years	Over 20 Years	September 30, 1996 Balance Outstanding
		(In Thousands)		
<S>	<C>	<C>	<C>	<C>
CMOs and REMICs	$ --	$8,136	$32,144	$40,280
FNMA participation certificates	--	27	10,832	10,859
Conventional mortgage-backed securities	--	--	7,117	7,117
FHLMC participation certificates	--	156	4,846	5,002
GNMA participation certificates	--	--	24,929	24,929
Total	$ --	$8,319	$79,868	$88,187

</TABLE>

The Company's holdings of mortgage-backed and related securities have increased in recent years as a result of loan competition and deposit growth. Since federal agency mortgage-backed securities generally carry a yield approximately 50 to 100 basis points below that of the corresponding type of residential loan (due to the implied federal agency guarantee fee and the retention of a servicing spread by the loan servicer), and the Company's other mortgage related securities also carry lower yields (due to the implied federal agency guarantee and because such securities tend to have shorter actual durations than 30 year loans), in the event that the proportion of the Company's assets consisting of mortgage-backed and related securities increases, the Company's asset yields could be somewhat adversely affected. The Company will evaluate mortgage-backed and related securities purchases in the future based on its asset/liability objectives, market conditions and alternative investment opportunities.

The market values of a significant portion of the Company's mortgage-backed and related securities held-to-maturity have been from time to time significantly lower than their carrying values. However, for financial reporting purposes, such declines in value are considered to be temporary in nature since they have been due to changes in interest rates rather than credit concerns. See Note 4 of the Notes to the Consolidated Financial Statements in the Annual Report.

The following table sets forth the carrying value of the Company's mortgage-backed and related securities at the dates indicated. At September 30, 1996, the market value of the Company's mortgage-backed and related securities portfolio was $87.2 million.

<TABLE>
<CAPTION>

	September 30,				November 30,	
	1996		1995		1994	
	Book Value	% of Total	Book Value	% of Total	Book Value	% of Total
	(Dollars in Thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Held-to-Maturity:						
CMOs and REMICs	$35,504	40.30%	$42,533	51.75%	$44,832	66.18%
Subtotal	35,504	40.30	42,533	51.75	44,832	66.18
Available-for-Sale:						
CMOs and REMICs	$ 4,458	5.06%	$ 3,636	4.42%	$ 3,386	5.00%
FNMA participation certificates	10,928	12.40	13,711	16.68	7,978	11.78
FHLMC participation certificates	5,149	5.85	7,232	8.80	6,214	9.17
GNMA participation certificates	24,826	28.18	7,833	9.53	2,717	4.01
Conventional mortgage-backed securities	7,233	8.21	7,247	8.82	2,615	3.86
Subtotal	52,594	59.70	39,659	48.25	22,910	33.82
Total mortgage-backed securities	$88,098	100.00%	$82,192	100.00%	$67,742	100.00%

</TABLE>

SOURCES OF FUNDS

GENERAL. The Company's primary sources of funds are deposits, payments (including prepayments) of loan principal, interest earned on loans and securities, repayments of securities, borrowings and funds provided from operations.

DEPOSITS. Damen offers a variety of deposit accounts having a wide range of interest rates and terms. The Bank's deposits consist of passbook, NOW, money market and various certificate accounts. The Bank relies primarily on competitive pricing policies and customer service to attract and retain these deposits.

The variety of deposit accounts offered by the Bank has allowed it to be competitive in obtaining funds and to respond with flexibility to changes in consumer demand. However, as customers have become more interest rate conscious, the Bank has become more susceptible to short-term fluctuations in deposit flows.

The Bank manages the pricing of its deposits in keeping with its asset/liability management, profitability and growth objectives. For instance, the Bank has recently implemented several marketing initiatives in order to attract intermediate and long term deposits. However, the Bank has found it difficult to increase rapidly its deposits on a cost effective basis as a result of intense competition throughout its market area and slow economic growth in the community located near its Chicago office. For information regarding the amount of the Bank's deposit accounts in prior periods, see Note 10 of the Notes to the Consolidated Financial Statements in the Annual Report.

The following table sets forth the savings flows at the Bank during the periods indicated.

	Year Ended September 30, 1996	Ten Months Ended September 30, 1995	Year Ended November 30, 1994
	(Dollars in Thousands)		
Opening balance	$126,632	$126,210	$126,586
Deposits	66,969	67,709	82,777
Withdrawals	(79,781)	(71,146)	(87,316)
Interest credited	5,153	3,859	4,163
Ending balance	$118,973	$126,632	$126,210
Net increase (decrease)	$ (7,659)	$ 422	$ (376)
Percent increase (decrease)	(6.05)%	.33%	(.30)%

Deposits in the Bank as of September 30, 1996, were represented by various types of savings programs described below.

	September 30, 1996 Amount	September 30, 1996 Percent of Total	September 30, 1995 Amount	September 30, 1995 Percent of Total	November 30, 1994 Amount	November 30, 1994 Percent of Total
	(Dollars in Thousands)					
TRANSACTIONS AND SAVINGS DEPOSITS:						
Passbook Accounts 3.05%(1)	$ 20,386	17.13%	$ 23,350	18.44%	$ 27,181	21.54%
NOW and Money Market Accounts 2.50 - 4.35%(1)	10,764	9.05	11,467	9.05	12,292	9.74
Total Non-Certificates	31,150	26.18	34,817	27.49	39,473	31.28
CERTIFICATES:						
2.00 - 3.99%	--	--	1	.03	15,134	11.99
4.00 - 5.99%	63,143	53.07	54,536	43.05	53,810	42.64
6.00 - 7.99%	23,390	19.66	35,729	28.21	12,433	9.85
8.00 - 9.99%	1,290	1.09	1,549	1.22	5,360	4.24

Total Certificates	87,823	73.82	91,815	72.51	86,737	68.72
Total Deposits	$118,973	100.00%	$126,632	100.00%	$126,210	100.00%

</TABLE>

----
(1) Rates in effect at September 30, 1996.

The following table shows rate and maturity information for the Bank's certificates of deposit as of September 30, 1996.

<TABLE>
<CAPTION>

(Dollars in Thousands)

	0.00-3.99%	4.00-4.99%	5.00-5.99%	6.00-6.99%	7.00-7.99%	8.00-8.99%	9.00-9.99%	Total	Percent of Total
Certificate accounts maturing in quarter ending:									
December 31, 1996	$---	$3,600	$12,906	$ 1,502	$1,358	$---	$218	$19,584	22.30%
March 31, 1997	---	772	12,275	352	4,523	18	---	17,940	20.43
June 30, 1997	---	195	6,766	1,007	---	---	---	7,968	9.07
September 30, 1997	---	123	6,547	1,914	---	---	---	8,584	9.77
December 31, 1997	---	13	2,323	398	---	---	7	2,741	3.12
March 31, 1998	---	---	3,333	118	---	75	---	3,526	4.01
June 30, 1998	---	---	2,987	218	---	331	400	3,936	4.48
September 30, 1998	---	---	2,984	4,354	---	---	---	7,338	8.36
December 31, 1998	---	---	2,558	145	74	---	91	2,868	3.27
March 31, 1999	---	---	2,756	151	7	---	107	3,021	3.44
June 30, 1999	---	---	1,340	737	---	---	43	2,120	2.41
September 30, 1999	---	---	253	1,879	---	---	---	2,132	2.43
Thereafter	---	---	1,412	3,222	1,431	---	---	6,065	6.91
Total	$---	$4,703	$58,440	$15,997	$7,393	$424	$866	$87,823	100.00%
Percent of total	---%	5.36%	66.54%	18.22%	8.42%	.48%	.98%		

</TABLE>

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

<TABLE>
<CAPTION>

(In Thousands)

	Maturity				
	3 Months or Less	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 months	Total
Certificates of deposit less than $100,000	$ 9,848	$12,524	$11,481	$25,203	$59,056
Certificates of deposit of $100,000 or more (excluding Public Funds)	4,534	1,874	4,294	8,544	19,246
Public funds(1)	5,202	3,542	777	---	9,521
Total certificates of deposit	$19,584	$17,940	$16,552	$33,747	$87,823

</TABLE>

----

(1) Deposits from governmental and other public entities.

For additional information regarding the composition of the Bank's deposits, see Note 10 of the Notes to the Consolidated Financial Statements in the Annual Report.

BORROWINGS. The Bank's other available sources of funds include advances from the FHLB of Chicago and other borrowings. As a member of the FHLB of Chicago, the Bank is required to own capital stock in the FHLB of Chicago and is authorized to apply for advances from the FHLB of Chicago. Each FHLB credit program has its own interest rate, which may be fixed or variable, and range of maturities. The FHLB of Chicago may prescribe the acceptable uses for these advances, as well as limitations on the size of the advances and repayment provisions.

Consistent with its asset/liability management strategy, the Bank may utilize FHLB advances to extend the term to maturity of its liabilities. Also, the Bank uses FHLB borrowings to fund loan demand and other investment opportunities and to offset deposit outflows. At September 30, 1996, the Bank had $59.6 million of FHLB advances outstanding with a weighted average interest rate of 6.05%. See Note 11 of the Notes to the Consolidated Financial Statements in the Annual Report.

The following table sets forth the maximum month-end balance and average balance of FHLB advances and all other borrowings for the periods indicated.

<TABLE>
<CAPTION>

	Year Ended September 30, 1996	Ten Months Ended September 30, 1995	Year Ended November 30, 1994
<S>	<C>	<C>	<C>
	(In Thousands)		
MAXIMUM BALANCE:			
FHLB advances	$61,800	$51,400	$44,400
AVERAGE BALANCE:			
FHLB advances	$51,950	$45,949	$37,564

</TABLE>

The following table sets forth certain information as to the Bank's FHLB advances at the dates indicated.

<TABLE>
<CAPTION>

	September 30, 1996	September 30, 1995	November 30, 1994
<S>	<C>	<C>	<C>
	(Dollars in Thousands)		
FHLB advances	$59,600	$45,500	$44,000
Total borrowings	$59,600	$45,500	$44,000
Weighted average interest rate of FHLB advances	6.05%	6.33%	6.10%

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SUBSIDIARY AND OTHER ACTIVITIES

As a federally chartered savings bank, Damen is permitted by OTS regulations to invest up to 2% of its assets in the stock of, or loans to, service corporation subsidiaries, and may invest an additional 1% of its assets in service corporations where such additional funds are used for inner-city or community development purposes. In addition to investments in service corporations, federal institutions are permitted to invest an unlimited amount in operating subsidiaries engaged solely in activities which a federal savings bank may engage in directly.

At September 30, 1996, Damen had one wholly-owned service corporation, Dasch, Incorporated ("Dasch" or the "Subsidiary"). Dasch, an Illinois corporation, was incorporated on March 25, 1976 for the purpose of operating a retail insurance agency selling primarily homeowners and mortgage disability insurance. The insurance agency was sold in August 1985 and since that time the Subsidiary has remained inactive. The Company may utilize Dasch in the future to promote investment sales operations through a third party.

At September 30, 1996, the Subsidiary's assets consisted entirely of $185,700 in a savings and a money market account at Damen. At that date, the Subsidiary had liabilities of $3,400 and equity consisted of $5,000 of capital stock owned by Damen and $177,300 of retained earnings. Net income for the year ended September 30, 1996 and the ten months ended September 30, 1995 was $3,895 and $3,115, respectively.

COMPETITION

The Bank faces strong competition both in originating real estate and consumer loans and in attracting deposits. Competition in originating loans comes primarily from other savings institutions, commercial banks, credit unions and mortgage bankers which also make loans secured primarily by real estate located in the Bank's market area. The Bank competes for loans principally on the basis of the interest rates and loan fees it charges, the types of loans it originates and the quality of services it provides to borrowers.

The Bank attracts its deposits through its main and branch offices, primarily from the communities in which those offices are located; therefore, competition for those deposits is principally from other savings institutions, commercial banks, credit unions, mutual funds and securities firms located in the same communities. The ability of the Bank to attract and retain deposits depends on its ability to provide an investment opportunity that satisfies the requirements of investors as to rate of return, liquidity, risk, convenient locations and other factors. The Bank competes for these deposits by offering a variety of deposit accounts at competitive rates, convenient business hours, interbranch deposit and withdrawal privileges and a customer oriented staff. The Bank's share of the loan and deposit markets in its market area is less than 1%.

EMPLOYEES

At September 30, 1996, the Company had a total of 32 full-time employees. None of the Company's employees are represented by any collective bargaining agreement. Management considers its employee relations to be good.

REGULATION

GENERAL. Damen is a federally chartered mutual savings bank, the deposits of which are federally insured and backed by the full faith and credit of the United States Government. Accordingly, Damen is subject to broad federal regulation and oversight extending to all its operations. Damen is a member of the FHLB of Chicago and is subject to certain limited regulation by the Federal Reserve Board. Damen is a member of the SAIF and the deposits of Damen are insured by the FDIC. As a result, the FDIC has certain regulatory and examination authority over Damen.

Certain of these regulatory requirements and restrictions are discussed below or elsewhere in this document.

FEDERAL REGULATION OF SAVINGS ASSOCIATIONS. The OTS has extensive authority over the operations of savings associations. As part of this authority, Damen is required to file periodic reports with the OTS and is subject to periodic examinations by the OTS and the FDIC. The last regular OTS and FDIC examinations of Damen were as of December 31, 1995 for the OTS examination and September 30, 1990, respectively. Under agency scheduling guidelines, it is likely that another examination will be initiated in the near future. When these examinations are conducted by the OTS and the FDIC, the examiners may require Damen to provide for higher general or specific loan loss reserves. All savings associations are subject to a semi-annual assessment, based upon the savings association's total assets, to fund the operations of the OTS. The Bank's OTS assessment for the fiscal period ended September 30, 1996 was approximately $62,000.

The OTS also has extensive enforcement authority over all savings institutions, including Damen and the Company. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease-and-desist or removal orders and to initiate injunctive actions. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with the OTS. Except under certain circumstances, public disclosure of final enforcement actions by the OTS is required.

In addition, the investment, lending and branching authority of Damen is prescribed by federal laws and it is prohibited from engaging in any activities not permitted by such laws. For instance, no savings association may invest in non-investment grade corporate debt securities. In addition, the permissible level of investment by federal associations in loans secured by non-residential real property may not exceed 400% of total capital, except with approval of the OTS. Federal savings associations are also generally authorized to branch nationwide. Damen is in compliance with the noted restrictions.

Damen's general permissible lending limit for loans-to-one-borrower is equal to the greater of $500,000 or 15% of unimpaired capital and surplus (except for loans fully secured by certain readily marketable collateral, in which case this limit is increased to 25% of unimpaired capital and surplus). At September 30, 1996, Damen's lending limit under this restriction was $5.5 million. Damen is in compliance with the loans-to-one borrower limitation.

The OTS, as well as the other federal banking agencies, has adopted guidelines establishing safety and soundness standards on such matters as loan underwriting and documentation, internal controls and audit systems, interest rate risk exposure and compensation and other employee benefits. Any institution which fails to comply with these standards must submit a compliance plan. A failure to submit a plan or to comply with an approved plan will subject the institution to further enforcement action. The OTS and the other federal banking agencies have also proposed additional guidelines on asset quality and earnings standards. No assurance can be given as to whether or in what form the proposed regulations will be adopted.

INSURANCE OF ACCOUNTS AND REGULATION BY THE FDIC. Damen is a member of the SAIF, which is administered by the FDIC. Deposits are insured up to applicable limits by the FDIC and such insurance is backed by the full faith and credit of the United States Government. As

insurer, the FDIC imposes deposit insurance premiums and is authorized to conduct examinations of and to require reporting by FDIC-insured institutions. It also may prohibit any FDIC-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious risk to the FDIC. The FDIC also has the authority to initiate enforcement actions against savings associations, after giving the OTS an opportunity to take such action, and may terminate the deposit insurance if it determines that the institution has engaged in unsafe or unsound practices, or is in an unsafe or unsound condition.

The FDIC's deposit insurance premiums are assessed through a risk-based system under which all insured depository institutions are placed into one of nine categories and assessed insurance premiums, based upon their level of capital and supervisory evaluation. Under the system, institutions classified as well capitalized (i.e., a core capital ratio of at least 5%, a ratio of Tier 1 or core capital to risk-weighted assets ("Tier 1 risk-based capital") of at least 6% and a risk-based capital ratio of at least 10%) and considered healthy pay the lowest premium while institutions that are less than adequately capitalized (i.e., core or Tier 1 risk-based capital ratios of less than 4% or a risk-based capital ratio of less than 8%) and considered of substantial supervisory concern pay the highest premium. Risk classification of all insured institutions will be made by the FDIC for each semi-annual assessment period.

On September 30, 1996, federal legislation was enacted that requires the Savings Association Insurance Fund ("SAIF") to be recapitalized with a one-time assessment on virtually all SAIF-insured institutions, such as the Bank, equal to 65.7 basis points on SAIF-insured deposits maintained by those institutions as of March 31, 1995. This SAIF assessment, which is to be paid to the FDIC by November 27, 1996, is approximately $860,000 and has been accrued by the Company at September 30, 1996.

As a result of the SAIF recapitalization, the FDIC has proposed to amend its regulation concerning the insurance premiums payable by SAIF-insured institutions. Effective October 1, 1996 through December 31, 1996, the FDIC has proposed that the SAIF insurance premium for all SAIF-insured institutions that are required to pay the Financing Corporation (FICO) obligation, such as the Bank, be reduced to a range of 18 to 27 basis points from 23 to 31 basis points per $100 of domestic deposits. The Bank currently qualifies for the minimum SAIF insurance premium of 23 basis points. The FDIC has also proposed to further reduce the SAIF insurance premium to a range of 0 to 27 basis points per $100 of domestic deposits, effective January 1, 1997. Management cannot predict whether or in what form the FDIC's final regulation may be promulgated.

REGULATORY CAPITAL REQUIREMENTS. Federally insured savings associations, such as Damen, are required to maintain a minimum level of regulatory capital. The OTS has established capital standards, including a tangible capital requirement, a leverage ratio (or core capital) requirement and a risk-based capital requirement applicable to such savings associations. These capital requirements must be generally as stringent as the comparable capital requirements for national banks. The OTS is also authorized to impose capital requirements in excess of these standards on individual associations on a case-by-case basis.

The capital regulations require tangible capital of at least 1.5% of adjusted total assets (as defined by regulation). Tangible capital generally includes common stockholders' equity and retained income, and certain noncumulative perpetual preferred stock and related income. In addition, all intangible assets, other than a limited amount of purchased mortgage servicing rights, must be deducted from tangible capital. At September 30, 1996, Damen had no intangible assets which were required to be deducted from tangible capital. Unrealized gains and losses on debt securities available-for-sale are excluded from tangible, core and risk-based capital.

The OTS regulations establish special capitalization requirements for savings associations that own subsidiaries. In determining compliance with the capital requirements, all subsidiaries engaged solely in activities permissible for national banks or engaged in certain other activities solely as agent for its customers are "includable" subsidiaries that are consolidated for capital purposes in proportion to the Bank's level of ownership. For excludable subsidiaries the debt and equity investments in such subsidiaries are deducted from assets and capital. The Bank's Subsidiary is an includable subsidiary.

At September 30, 1996, Damen had tangible capital of $36.6 million, or 16.48% of adjusted total assets, which is approximately $33.3 million above the minimum requirement of 1.5% of adjusted total assets in effect on that date.

The capital standards also require core capital equal to at least 3% of adjusted total assets. Core capital generally consists of tangible capital plus certain intangible assets, including a limited amount of purchased credit card relationships. As a result of the prompt corrective action provisions discussed below, however, a savings association must maintain a core capital ratio of at least 4% to be considered adequately capitalized unless its supervisory condition is such to allow it to maintain a 3% ratio. At September 30, 1996, Damen had no intangibles which were subject to these tests.

At September 30, 1996, Damen had core capital equal to $36.6 million, or 16.48% of adjusted total assets, which is $29.9 million above the minimum leverage ratio requirement of 3% as in effect on that date.

The OTS risk-based requirement requires savings associations to have total capital of at least 8% of risk-weighted assets. Total capital consists of core capital, as defined above, and supplementary capital. Supplementary capital consists of certain permanent and maturing capital instruments that do not qualify as core capital and general valuation loan and lease loss allowances up to a maximum of 1.25% of risk-weighted assets. Supplementary capital may be used to satisfy the risk-based requirement only to the extent of core capital. At September 30, 1996, Damen had no capital instruments that qualify as supplementary capital and $345,000 of general loss reserves, which was less than 1.25% of risk-weighted assets.

Certain exclusions from capital and assets are required to be made for the purpose of calculating total capital. Such exclusions consist of equity investments (as defined by regulation) and that portion of land loans and nonresidential construction loans in excess of an 80% loan-to-value ratio and reciprocal holdings of qualifying capital instruments. Damen had no such exclusions from capital and assets at September 30, 1996.

In determining the amount of risk-weighted assets, all assets, including certain off-balance sheet items, will be multiplied by a risk weight, ranging from 0% to 100%, based on the risk inherent in the type of asset. For example, the OTS has assigned a risk weight of 50% for prudently underwritten permanent one- to four-family first lien mortgage loans not more than 90 days delinquent and having a loan to value ratio of not more than 80% at origination unless insured to such ratio by an insurer approved by the FNMA or FHLMC.

The OTS has adopted a final rule that requires every savings association with more than normal interest rate risk exposure to deduct from its total capital, for purposes of determining compliance with such requirement, an amount equal to 50% of its interest-rate risk exposure multiplied by the present value of its assets. This exposure is a measure of the potential decline in the net portfolio value of a savings association, greater than 2% of the present value of its assets, based upon a hypothetical 200 basis point increase or decrease in interest rates (whichever results in a greater decline). Net portfolio value is the present value of expected cash flows from assets, liabilities and off-balance sheet contracts. The rule provides for a two quarter lag between calculating interest rate risk and recognizing any deduction from capital. The rule will not become effective until the OTS evaluates the process by which savings associations may appeal an interest rate risk deduction determination. It is uncertain as to when this evaluation may be completed. Any savings association with less than $300 million in assets and a total capital ratio in excess of 12% is exempt from this requirement unless the OTS determines otherwise.

On September 30, 1996, Damen had total capital of $36.9 million (including $36.6 million in core capital and $345,000 in qualifying supplementary capital) and risk-weighted assets of $75.4 million (including no converted off-balance sheet assets); or total risk-based capital of 48.97% of risk-weighted assets. This amount was $30.9 million above the 8% requirement in effect on that date.

The OTS and the FDIC are authorized and, under certain circumstances required, to take certain actions against savings associations that fail to meet their capital requirements. The OTS is generally required to take action to restrict the activities of an "undercapitalized association" (generally defined to be one with less than either a 4% core capital ratio, a 4% Tier 1 risked-based capital ratio or an 8% risk-based capital ratio). Any such association must submit a capital restoration plan and until such plan is approved by the OTS may not increase its assets, acquire another institution, establish a branch or engage in any new activities, and generally may not make capital distributions. The OTS is authorized to impose the additional restrictions that are applicable to significantly undercapitalized associations.

As a condition to the approval of the capital restoration plan, any company controlling an undercapitalized association must agree that it will enter into a limited capital maintenance guarantee with respect to the institution's achievement of its capital requirements.

Any savings association that fails to comply with its capital plan or is "significantly undercapitalized" (i.e., Tier 1 risk-based or core capital ratios of less than 3% or a risk-based capital ratio of less than 6%) must be made subject to one or more of additional specified actions and operating restrictions which may cover all aspects of its operations and include a forced merger or acquisition of the association. An association that becomes "critically

undercapitalized" (i.e., a tangible capital ratio of 2% or less) is subject to further mandatory restrictions on its activities in addition to those applicable to significantly undercapitalized associations. In addition, the OTS must appoint a receiver (or conservator with the concurrence of the FDIC) for a savings association, with certain limited exceptions, within 90 days after it becomes critically undercapitalized. Any undercapitalized association is also subject to the general enforcement authority of the OTS and the FDIC, including the appointment of a conservator or a receiver.

The OTS is also generally authorized to reclassify an association into a lower capital category and impose the restrictions applicable to such category if the institution is engaged in unsafe or unsound practices or is in an unsafe or unsound condition.

The imposition by the OTS or the FDIC of any of these measures on the Bank may have a substantial adverse effect on the Bank's operations and profitability. DFC shareholders do not have preemptive rights, and therefore, if the Company is directed by the OTS or the FDIC to issue additional shares of Common Stock, such issuance may result in the dilution in the percentage of ownership of the Company.

LIMITATIONS ON DIVIDENDS AND OTHER CAPITAL DISTRIBUTIONS. OTS regulations impose various restrictions or requirements on associations with respect to their ability to pay dividends or make other distributions of capital. OTS regulations prohibit an association from declaring or paying any dividends or from repurchasing any of its stock if, as a result, the regulatory capital of the Bank would be reduced below the amount required to be maintained for the liquidation account established in connection with its mutual to stock conversion.

The OTS utilizes a three-tiered approach to permit associations, based on their capital level and supervisory condition, to make capital distributions which include dividends, stock redemptions or repurchases, cash-out mergers and other transactions charged to the capital account. See " - Regulatory Capital Requirements."

Generally, Tier 1 associations, which are associations that before and after the proposed distribution meet their fully phased-in capital requirements, may make capital distributions during any calendar year equal to the greater of 100% of net income for the year-to-date plus 50% of the amount by which the lesser of the Bank's tangible, core or risk-based capital exceeds its fully phased-in capital requirement for such capital component, as measured at the beginning of the calendar year, or the amount authorized for a Tier 2 association. However, a Tier 1 association deemed to be in need of more than normal supervision by the OTS may be downgraded to a Tier 2 or Tier 3 association as a result of such a determination. Damen meets the requirements for a Tier 1 association and has not been notified of a need for more than normal supervision. Tier 2 associations, which are associations that before and after the proposed distribution meet their current minimum capital requirements, may make capital distributions of up to 75% of net income over the most recent four quarter period.

Tier 3 associations (which are associations that do not meet current minimum capital requirements) that propose to make any capital distribution and Tier 2 associations that propose to make a capital distribution in excess of the noted safe harbor level must obtain OTS approval prior to making such distribution. Tier 2 associations proposing to make a capital distribution

within the safe harbor provisions and Tier 1 associations proposing to make any capital distribution need only submit written notice to the OTS 30 days prior to such distribution. As a subsidiary of the Holding Company, Damen will also be required to give the OTS 30 days' notice prior to declaring any dividend on its stock. The OTS may object to the distribution during that 30-day period based on safety and soundness concerns. See " - Regulatory Capital Requirements."

The OTS has proposed regulations that would revise the current capital distribution restrictions. The proposal eliminates the current tiered structure and the safe-harbor percentage limitations. Under the proposal a savings association may make a capital distribution without notice to the OTS (unless it is a subsidiary of a holding company) provided that it has a CAMEL 1 or 2 rating, is not in troubled condition and would remain adequately capitalized (as defined in the OTS prompt corrective action regulations) following the proposed distribution. Savings associations that would remain adequately capitalized following the proposed distribution but do not meet the other noted requirements must notify the OTS 30 days prior to declaring a capital distribution. The OTS stated it will generally regard as permissible that amount of capital distributions that do not exceed 50% of the institution's excess regulatory capital plus net income to date during the calendar year. An institution may not make a capital distribution without prior approval of the OTS and the FDIC if it is undercapitalized before, or as a result of, such a distribution. As under the current rule, the OTS may object to a capital distribution if it would constitute an unsafe or unsound practice. No assurance may be given as to whether or in what form the regulations may be adopted.

LIQUIDITY. All savings associations, including Damen, are required to maintain an average daily balance of liquid assets equal to a certain percentage of the sum of its average daily balance of net withdrawable deposit accounts and borrowings payable in one year or less. For a discussion of what the Bank includes in liquid assets, see "Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources." This liquid asset ratio requirement may vary from time to time (between 4% and 10%) depending upon economic conditions and savings flows of all savings associations. At the present time, the minimum liquid asset ratio is 5%.

In addition, short-term liquid assets (e.g., cash, certain time deposits, certain bankers acceptances and short-term United States Treasury obligations) currently must constitute at least 1% of the Bank's average daily balance of net withdrawable deposit accounts and current borrowings. Penalties may be imposed upon associations for violations of either liquid asset ratio requirement. At September 30, 1996, Damen was in compliance with both requirements, with an overall liquid asset ratio of 8.36% and a short-term liquid assets ratio of 2.91%.

ACCOUNTING. An OTS policy statement applicable to all savings associations clarifies and re-emphasizes that the investment activities of a savings association must be in compliance with approved and documented investment policies and strategies, and must be accounted for in accordance with GAAP. Under the policy statement, management must support its classification of and accounting for loans and securities (i.e., whether held-for-investment, sale or trading) with appropriate documentation. Damen is in compliance with these amended rules.

The OTS has adopted an amendment to its accounting regulations, which may be made more stringent then GAAP by the OTS, to require that transactions be reported in a manner that best reflects their underlying economic substance and inherent risk and that financial reports must incorporate any other accounting regulations or orders prescribed by the OTS.

QUALIFIED THRIFT LENDER TEST. All savings associations, including Damen, are required to meet a qualified thrift lender ("QTL") test to avoid certain restrictions on their operations. This test requires a savings association to have at least 65% of its portfolio assets (as defined by regulation) in qualified thrift investments on a monthly average for nine out of every 12 months on a rolling basis. Such assets primarily consist of residential housing related loans and investments. At September 30, 1996, Damen met the test and has always met the test since its effectiveness.

Any savings association that fails to meet the QTL test must convert to a national bank charter, unless it requalifies as a QTL and thereafter remains a QTL. If an association does not requalify and converts to a national bank charter, it must remain SAIF-insured until the FDIC permits it to transfer to the BIF. If such an association has not yet requalified or converted to a national bank, its new investments and activities are limited to those permissible for both a savings association and a national bank, and it is limited to national bank branching rights in its home state. In addition, the association is immediately ineligible to receive any new FHLB borrowings and is subject to national bank limits for payment of dividends. If such association has not requalified or converted to a national bank within three years after the failure, it must divest of all investments and cease all activities not permissible for a national bank. In addition, it must repay promptly any outstanding FHLB borrowings, which may result in prepayment penalties. If any association that fails the QTL test is controlled by a holding company, then within one year after the failure, the holding company must register as a bank holding company and become subject to all restrictions on bank holding companies. See "- Holding Company Regulation."

COMMUNITY REINVESTMENT ACT. Under the Community Reinvestment Act ("CRA"), every FDIC insured institution has a continuing and affirmative obligation consistent with safe and sound banking practices to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the OTS, in connection with the examination of the Bank, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications, such as a merger or the establishment of a branch, by the Bank. An unsatisfactory rating may be used as the basis for the denial of an application by the OTS.

The federal banking agencies, including the OTS, have recently revised the CRA regulations and the methodology for determining an institution's compliance with the CRA. Due to the heightened attention being given to the CRA in the past few years, the Bank may be required to devote additional funds for investment and lending in its local community. The Bank was examined for CRA compliance in 1996 and received a rating of "satisfactory."

TRANSACTIONS WITH AFFILIATES. Generally, transactions between a savings association or its subsidiaries and its affiliates are required to be on terms as favorable to the Bank as transactions with non-affiliates. In addition, certain of these transactions are restricted to a percentage of the Bank's capital. Affiliates of Damen include the Company and any company which is under common control with Damen. In addition, a savings association may not lend to any affiliate engaged in activities not permissible for a bank holding company or acquire the securities of most affiliates. Damen's subsidiary is not deemed an affiliate, however; the OTS has the discretion to treat subsidiaries of savings associations as affiliates on a case by case basis.

Certain transactions with directors, officers or controlling persons are also subject to conflict of interest regulations enforced by the OTS. These conflict of interest regulations and other statutes also impose restrictions on loans to such persons and their related interests. Among other things, such loans must be made on terms substantially the same as for loans to unaffiliated persons.

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 checking accounts). At September 30, 1996, Damen was in compliance with these reserve requirements. The balances maintained to meet the reserve requirements imposed by the Federal Reserve Board may be used to satisfy liquidity requirements that may be imposed by the OTS. See " - Liquidity."

Savings associations are authorized to borrow from the Federal Reserve Bank "discount window," but Federal Reserve Board regulations require associations to exhaust other reasonable alternative sources of funds, including FHLB borrowings, before borrowing from the Federal Reserve Bank.

FEDERAL HOME LOAN BANK SYSTEM. Damen is a member of the FHLB of Chicago, 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. These policies and procedures are subject to the regulation and oversight of the Federal Housing Finance Board. All advances from the FHLB are required to be fully secured by sufficient collateral as determined by the FHLB. In addition, all long-term advances are required to provide funds for residential home financing.

As a member, Damen is required to purchase and maintain stock in the FHLB of Chicago. At September 30, 1996, Damen had $3.1 million in FHLB stock, which was in compliance with this requirement. In past years, Damen has received substantial dividends on its FHLB stock. Over the past five calendar years such dividends have averaged 6.4% and were 6.6% for calendar year 1995.

Under federal law the FHLBs are required to provide funds for the resolution of troubled savings associations and to contribute to low- and moderately priced housing programs through direct loans or interest subsidies on advances targeted for community investment and low- and moderate-income housing projects. These contributions have affected adversely the level of FHLB dividends paid and could continue to do so in the future. These contributions could also have an adverse effect on the value of FHLB stock in the future. A reduction in value of Damen's FHLB stock may result in a corresponding reduction in Damen's capital.

FEDERAL AND STATE TAXATION. Savings associations such as Damen that meet certain definitional tests relating to the composition of assets and other conditions prescribed by the Internal Revenue Code of 1986, as amended (the "Code"), are permitted to establish reserves for bad debts and to make annual additions thereto which may, within specified formula limits, be taken as a deduction in computing taxable income for federal income tax purposes. The amount of the bad debt reserve deduction for "non-qualifying loans" is computed under the experience method. The amount of the bad debt reserve deduction for "qualifying real property loans" (generally loans secured by improved real estate) may be computed under either the experience method or the percentage of taxable income method (based on an annual election).

Under the experience method, the bad debt reserve deduction is an amount determined under a formula based generally upon the bad debts actually sustained by the savings association over a period of years.

The percentage of specially computed taxable income that is used to compute a savings association's bad debt reserve deduction under the percentage of taxable income method (the "percentage bad debt deduction") is 8%. The percentage bad debt deduction thus computed is reduced by the amount permitted as a deduction for non-qualifying loans under the experience method. The availability of the percentage of taxable income method permits qualifying savings associations to be taxed at a lower effective federal income tax rate than that applicable to corporations generally (approximately 31.3% assuming the maximum percentage bad debt deduction).

If an association's specified assets (generally, loans secured by residential real estate or deposits, educational loans, cash and certain government obligations) constitute less than 60% of its total assets, Damen may not deduct any addition to a bad debt reserve and generally must include existing reserves in income over a four-year period. No representation can be made as to whether Damen will meet the 60% test for subsequent taxable years.

Under the percentage of taxable income method, the percentage bad debt deduction cannot exceed the amount necessary to increase the balance in the reserve for "qualifying real property loans" to an amount equal to 6% of such loans outstanding at the end of the taxable year or the greater of (i) the amount deductible under the experience method or (ii) the amount which when added to the bad debt deduction for "non-qualifying loans" equals the amount by which 12% of the amount comprising savings accounts at year-end exceeds the sum of surplus, undivided profits and reserves at the beginning of the year. The 12% limitation has restricted the percentage bad debt deduction available to the Bank effective with the tax year ended November 30, 1994 and, subsequently, the tax periods ended September 30, 1995 and 1996, as well.

In August 1996, legislation was enacted that repeals the reserve method of accounting used by many thrifts to calculate their bad debt reserve for federal income tax purposes. As a result, small thrifts such as the Bank must recapture that portion of the reserve that exceeds the amount that could have been taken under the experience method for post-1987 tax years. The legislation also requires thrifts to account for bad debts for federal income tax purposes on the same basis as commercial banks for tax years beginning after December 31, 1995. The recapture will occur over a six-year period, the commencement of which will be delayed until the first taxable year beginning after December 31, 1997, provided the institution meets certain residential lending requirements. The management of the Company does not believe that the legislation will have a material impact on the Company or the Bank.

In addition to the regular income tax, corporations, including savings associations such as Damen, generally are subject to a minimum tax. An alternative minimum tax is imposed at a minimum tax rate of 20% on alternative minimum taxable income, which is the sum of a corporation's regular taxable income (with certain adjustments) and tax preference items, less any available exemption. The alternative minimum tax is imposed to the extent it exceeds the corporation's regular income tax and net operating losses can offset no more than 90% of alternative minimum taxable income. For taxable years beginning after 1986 and before 1996, corporations, including savings associations such as Damen, are also subject to an environmental tax equal to 0.12% of the excess of alternative minimum taxable income for the taxable year (determined without regard to net operating losses and the deduction for the environmental tax) over $2 million.

To the extent earnings appropriated to a savings association's bad debt reserves for "qualifying real property loans" and deducted for federal income tax purposes exceed the allowable amount of such reserves computed under the experience method and to the extent of Damen's supplemental reserves for losses on loans ("Excess"), such Excess may not, without adverse tax consequences, be utilized for the payment of cash dividends or other distributions to a shareholder (including distributions on redemption, dissolution or liquidation) or for any other purpose (except to absorb bad debt losses). As of September 30, 1996, Damen's Excess for tax purposes totaled approximately $4.9 million.

The Company and its subsidiaries filed separate federal income tax returns on a fiscal year basis using the accrual method of accounting. Savings associations, such as Damen, that file federal income tax returns as part of a consolidated group are required by applicable Treasury regulations to reduce their taxable income for purposes of computing the percentage bad debt deduction for losses attributable to activities of the non-savings association members of the consolidated group that are functionally related to the activities of the savings association member.

Neither Damen nor its subsidiary have been audited by the IRS with respect to their federal income tax returns during the last ten years. In the opinion of management, any examination of still open returns (including returns of subsidiaries and predecessors of, or entities merged into, Damen) would not result in a deficiency which could have a material adverse effect on the financial condition of Damen and its consolidated subsidiary.

ILLINOIS TAXATION. The Company and its subsidiaries file separate income tax returns. For Illinois income tax purposes, corporations are presently taxed at a rate equal to 7.2% of net income. For these purposes, "net income" generally means federal taxable income, subject to certain adjustments (including the addition of interest income on state and municipal obligations and the exclusion of interest income on United States Treasury obligations). The exclusion of income on United States Treasury obligations has the effect of reducing Illinois taxable income. Damen has been audited by the Illinois Department of Revenue for the years ended November 30, 1992 and 1993, resulting in no additional liability.

DELAWARE TAXATION. As a Delaware holding company, the Company is exempted from Delaware corporate income tax but is required to file an annual report with and pay an annual fee to the State of Delaware. The Company is also subject to an annual franchise tax imposed by the State of Delaware.

ITEM 2. DESCRIPTION OF PROPERTIES

DFC conducts its business at its main office and two other locations in its market area. The following table sets forth information concerning each of DFC's offices as of September 30, 1996. At September 30, 1996, the total net book value of DFC's premises and equipment (including land, building and leasehold improvements, and furniture, fixtures and equipment) was approximately $3.5 million.

<TABLE>
<CAPTION>

LOCATION	YEAR ACQUIRED	OWNED OR LEASED	NET BOOK VALUE AT SEPTEMBER 30, 1996
<S>	<C>	<C>	<C>
Main Office:			
200 West Higgins Road			
Schaumburg, Illinois	1993(1)	Owned	$2,000,000
Full Service Branches:			
5100 South Damen Avenue			
Chicago, Illinois	1964	Owned	181,000
5750 West 87th Street			
Burbank, Illinois	1991	Owned	758,000

</TABLE>

----
(1) Office first occupied in 1975.

The Company believes that its current facilities are adequate to meet the present and foreseeable future needs of the Company. The Company's Schaumburg office currently has approximately 15,300 square feet of unoccupied office space which Damen intends to lease to a third party.

The Bank's depositor and borrower customer files are maintained by an independent data processing company. The net book value of the data processing and computer equipment utilized by the Company at September 30, 1996 was approximately $351,000. The Company upgraded its data processing and computer equipment during fiscal 1996 at a cost of $333,000.

ITEM 3. LEGAL PROCEEDINGS

From time to time, DFC is involved as plaintiff or defendant in various legal proceedings arising in the normal course of its business. While the ultimate outcome of these various legal proceedings cannot be predicted with certainty, it is the opinion of management that the resolution of these legal actions should not have a material effect on DFC's financial position or results of operations.

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

(a) A Special Meeting of Stockholders (the "Meeting") of Damen Financial Corporation was held May 9, 1996 at 10:30 a.m. at the William Rainey Harper College located at 1200 West Algonquin Road, Building H, Room 108, Palatine, Illinois.

(b) Proxies for the Meeting were solicited pursuant to Section 14 of the Securities and Exchange Act of 1934; there were no soliciations in opposition.

(c) The following are the results of each matter voted upon at the Meeting:"

(i) The ratification of the adoption of the 1996 Stock Option and Incentive Plan; and

<TABLE>

<S>	<C>
Votes For:	2,327,656
Votes Against:	420,024
Abstentions:	181,816
Broker Non-Votes:	82,357

</TABLE>

(ii) The ratification of the adoption of the 1996 Recognition and Retention Plan.

<TABLE>

<S>	<C>
Votes For:	2,278,827
Votes Against:	552,272
Abstentions:	180,754
Broker Non-Votes:	-0-

</TABLE>

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Page 45 of the attached 1996 Annual Report to Stockholders is herein incorporated by reference.

ITEM 6. SELECTED FINANCIAL DATA

Pages 8 and 9 of the attached 1996 Annual Report to Stockholders is herein incorporated by reference.

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

Pages 10 through 21 of the attached 1996 Annual Report to Stockholders is herein incorporated by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The following information appearing in the Company's Annual Report to Stockholders for the year ended September 30, 1996, is incorporated by reference in this Annual Report on Form 10-K as Exhibit 13.

<TABLE>
<CAPTION>

ANNUAL REPORT SECTION	PAGES IN ANNUAL REPORT
<S>	<C>
Report of Independent Auditors	22
Consolidated Statement of Financial Condition as of September 30, 1996 and September 30, 1995	23
Consolidated Statement of Earnings for the Periods Ended September 30, 1996 and September 30, 1995 and November 30, 1994	24 and 25
Consolidated Statement of Changes in Stockholders' Equity for the Periods Ended September 30, 1996 and September 30, 1995 and November 30, 1994	26
Consolidated Statement of Cash Flows for the Periods Ended September 30, 1996 and September 30, 1995 and November 30, 1994	27 and 28
Notes to Consolidated Financial Statements	29 through 43

</TABLE>

With the exception of the aforementioned information, the Company's Annual Report to Stockholders for the year ended September 30, 1996, is not deemed filed as part of this Annual Report on Form 10-K.

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

There has been no Current Report on Form 8-K filed within 24 months prior to the date of the most recent financial statements reporting a change of accountants and/or reporting disagreements on any matter of accounting principle or financial statement disclosure.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

DIRECTORS

Information concerning directors of the Registrant is incorporated herein by reference from the Company's definitive Proxy Statement for the Annual Meeting of Stockholders to be held in 1997, a copy of which will be filed not later than 120 days after the close of the fiscal year.

EXECUTIVE OFFICER WHO IS NOT A DIRECTOR

The following is a description of the Company's and Bank's executive officer who is not also a director as of September 30, 1996.

KENNETH D. VANEK. Mr. Vanek, age 66, has served as a branch manager and Senior Vice President of the Bank since 1988, and of the Company since its incorporation in 1995. Mr. Vanek joined Damen in 1971 as an accounting clerk.

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than 10% of a registered class of the Company's equity securities, to file with the SEC reports of ownership and reports of changes in ownership of common stock and other equity securities of the Company. Officers, directors and greater than 10% stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, based solely on a review of the copies of such reports furnished to the Company and written representations that no other reports were required, during the fiscal year ended September 30, 1996, the Registrant complied with all Section 16(a) filing requirements applicable to its officers, directors and greater than 10 percent beneficial owner were complied with.

ITEM 11. EXECUTIVE COMPENSATION

Information concerning executive compensation is incorporated herein by reference from the definitive Proxy Statement for the Annual Meeting of Stockholders to be held in 1997, a copy of which will be filed not later than 120 days after the close of the fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information concerning security ownership of certain beneficial owners and management is incorporated herein by reference from the definitive Proxy Statement for the Annual Meeting of Stockholders to be held in 1997, a copy of which will be filed not later than 120 days after the close of the fiscal year.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information concerning certain relationships and related transactions is incorporated herein by reference from the definitive Proxy Statement for the Annual Meeting of Stockholders to be held in 1997, a copy of which will be filed not later than 120 days after the close of the fiscal year.

ITEM 14. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

<TABLE>
<CAPTION>

REGULATION S-K EXHIBIT NUMBER	DOCUMENT	REFERENCE TO PRIOR FILING OR EXHIBIT NUMBER ATTACHED HERETO	SEQUENTIAL PAGE NUMBER WHERE ATTACHED EXHIBITS ARE LOCATED IN THIS FORM 10-K REPORT
<S>	<C>	<C>	<C>
2	Plan of acquisition, reorganization, arrangement, liquidation or succession	None	Not applicable
3(a)	Articles of Incorporation	*	Not applicable
3(b)	By-Laws	*	Not applicable
4	Instruments defining the rights of security holders, including debentures	*	Not applicable
9	Voting Trust Agreement	None	Not applicable
10	Material contracts		
	Profit Sharing Plan and Trust		
	Money Purchase Plan and Trust		
	Form of 1995 Stock Option and Incentive Plan	*	Not applicable
	Employment Agreements of Mary Beth Poronsky	*	Not applicable
	Stull, Janine M. Poronsky, Gerald J. Gartner and	*	Not applicable
	Kenneth D. Vanek	*	Not applicable

	Form of Recognition and Retention Plan	**	Not applicable
	Employee Severance Compensation Plan	**	Not applicable
11	Statement regarding computation of per share earnings	None	Not applicable
13	Annual Report to Security Holders		
16	Letter regarding change in certifying accountants	None	Not applicable
18	Letter regarding change in accounting principles	None	Not applicable
21	Subsidiaries of Registrant		
22	Published report regarding matters submitted to vote of security holders	None	Not applicable
23	Consents of Experts and Counsel		
24	Power of Attorney	None	Not applicable
27	Financial Data Schedule		
28	Information from reports furnished to state insurance regulatory authorities	None	Not applicable
99	Additional Exhibits	None	Not applicable

</TABLE>

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* Filed as exhibits to the Company's Form S-1 registration statement filed on June 23, 1995 (File No. 33-93868) pursuant to Section 5 of the Securities Act of 1933. All of such previously filed documents are hereby incorporated herein by reference in accordance with Item 601 of Regulation S-K.

** Filed as exhibits to the Company's Amendment No. 1 to Form S-1 registration statement filed on August 4, 1995 (File No. 33-93868) pursuant to Section 5 of the Securities Act of 1933. All of such previously filed documents are hereby incorporated herein by reference in accordance with Item 601 of Regulation S-K.

B) REPORTS ON FORM 8-K

During the quarter ended September 30, 1996, the Company filed the following current reports on Form 8-K.

1. Current Report on Form 8-K dated July 9, 1996 (File No. 0-25484).

2. Current Report on Form 8-K dated July 23, 1996 (File No. 0-25484).

3. Current Report on Form 8-K dated July 30, 1996 (File No. 0-25484).

SIGNATURES

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

DAMEN FINANCIAL CORPORATION

By: /s/ Mary Beth Poronsky Stull

Mary Beth Poronsky Stull, Chairman of the Board, President and Chief Executive Officer
(Duly Authorized Representative)

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

/s/ Edward R. Tybor	/s/ Mary Beth Poronsky Stull
Edward R. Tybor, Director	Mary Beth Poronsky Stull, Chairman of the Board, President and Chief Executive Officer (Principal Executive and Operating Officer)

December 30, 1996
Date:

/s/ Charles J. Caputo

Charles J. Caputo, Director

December 30, 1996
Date:

/s/ Carol A. Diver

Carol A. Diver, Director

December 30, 1996
Date:

/s/ Mark C. Guinan, M.D.

Mark C. Guinan, M.D., Director

December 30, 1996
Date:

/s/ Janine M. Poronsky

Janine M. Poronsky, Vice President,
Corporate Secretary and Director

December 30, 1996
Date:

December 30, 1996
Date:

/s/ Gerald J. Gartner

Gerald J. Gartner, Treasurer and
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date:
December 30, 1996

EXHIBIT INDEX

<TABLE>
<CAPTION>

Exhibit No.	Description
<S>	<C>
13	Annual Report to Security Holders
21	Subsidiaries of Registrant
23	Consent of Experts and Counsel
27	Financial Data Schedule

</TABLE>

1

EXHIBIT 13

[LOGO]

DAMEN FINANCIAL CORPORATION

ANNUAL REPORT 1996

MOVING AHEAD WITH CONFIDENCE

2

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<TABLE>

</TABLE>

3

COMPANY PROFILE

Damen Financial Corporation was incorporated in 1995 as the holding company for Damen Federal Bank for Savings.

Damen Federal was founded in 1916 to help the many families settling in Chicago's southwest side save and invest in new homes. Damen has remained focused to this purpose and, as a result, has performed consistently throughout its 80 year history. Despite the Great Depression, several recessions and other volatile economic times, Damen has posted a profit in all of its 80 years except four in the early eighties.

Steadfast in its purpose, Damen has accomplished much during fiscal year 1996 to ensure that the Corporation is poised to meet the evolving needs and demands of its customers. New technology, an expanded product line and responsive customer service have laid the groundwork for future growth and profitability.

Damen Financial Corporation is headquartered in Schaumburg, Illinois and had assets of $235 million at fiscal year-end 1996. The Company's common stock trades on the NASDAQ Stock Market under the symbol: DFIN.

FINANCIAL HIGHLIGHTS

<TABLE>
<CAPTION>

(dollars in thousands)	YEARS ENDED SEPTEMBER 30 1996	1995
<S>	<C>	<C>
Total Assets	$234,555	$232,358
Total Loans	91,146	87,555
Mortgage-Backed and Other Securities	136,328	119,541
Deposits	118,973	126,632
Borrowings	59,600	45,500
Net Income	1,780	1,375
Earnings Per Share:		
Without SAIF special assessment	.63	.38
With SAIF special assessment	.49	.38
Stockholders' Equity	52,870	55,710
Stockholders' Equity as a Percent of Assets	22.54%	23.98%

</TABLE>

NET INCOME*

1995	1.4 million
1996	1.8 million

*FOR 12 MONTHS ENDED SEPTEMBER 30,
AFTER EFFECT OF 1996 SAIF ASSESSMENT

WE HAVE CONTINUED TO FOCUS ON SEEKING NEW OPPORTUNITIES FOR GROWTH THROUGH EXPANDED HOME RELATED LENDING PRODUCTS, THE ENHANCEMENT OF ALL OUR SERVICES AND THE EXPANSION OF OUR MARKET.

MESSAGE TO OUR SHAREHOLDERS

We are pleased to present our second annual report to shareholders. Pleased, because this report gives evidence of growing strength and success as well as promises made and promises kept. Our strength and success have been built upon our ability to focus on the things we know and do best, providing home mortgages and other related home lending products to our local communities and providing competitive services for depositors of our subsidiary, Damen Federal Bank. We also continued to focus on seeking new opportunities for growth through expanded home related lending products, the enhancement of all our services and the expansion of our market. We continue to move toward our ultimate objective of optimizing shareholder value in the corporation.

The benchmarks that were set when we converted to a stock institution in 1995 are now being realized. We are positioned for significant progress and are moving ahead with confidence as you will see by the highlights of our most recent fiscal year ended September 30, 1996 and the other information contained in this report.

Most significant and encouraging among our financial highlights has been our ability to operate at a profitable level. The Company's performance over the past fiscal year saw earnings from operations increase by 130% over the previous year, from $1.0 million to $2.3 million, before a government mandated special industry-wide assessment to replenish the Savings Association Insurance Fund (SAIF). Net income for the year amounted to $1.8 million compared to $1.4 million for the previous year in spite of that special one-time assessment, which we anticipated. This increase in net income was due primarily to continued demand for our home lending products, significant non-interest income and an increase in our net interest spread.

Our strong capital position, which was due, in part, to the proceeds from our conversion to a stock institution and the current earnings for the fiscal year just ended,

[PHOTO]

[PHOTO]

enabled us to easily absorb the SAIF assessment. The one-time SAIF assessment will ultimately have a positive effect on our earnings capability since our future premiums to the insurance fund will be substantially lower.

Stockholders will be pleased to note that we experienced an increase in our net interest income spread, our primary source of earnings. That spread, which had been under pressure for several years, increased 5 basis points at fiscal year-end over the previous year. Continuing to increase our spread remains one of our greatest challenges.

Other good news was that our return on average assets for the year increased to 0.97%, excluding the effect of the SAIF special assessment net of taxes. Even with the special assessment, return on average assets was 0.76%, an increase of 41% over the previous year. Our total assets also rose to $235 million, a new high. Deposits for the Bank amounted to $119.0 million at fiscal year end as compared to $126.6

EARNINGS

FROM OPERATIONS*

1995   1.0 million
1996   2.3 million

*For 12 months ended September 30, before the 1996 SAIF special assessment and 1995 unrealized losses of securities net of tax effect.

INTEREST RATE
SPREAD*

1995   1.65%
1996   1.70%

*as of September 30

OUR STRONG CAPITAL POSITION HAS ENABLED US TO ACQUIRE NEW TOOLS TO SERVE OUR CURRENT AND POTENTIAL CUSTOMER BASE EVEN MORE EFFICIENTLY AND PROFITABLY.

million the previous year. As the stock market continued on its "bullish" course, many traditional depositors across the nation switched part of their savings to riskier but seemingly more lucrative mutual funds and stocks. While this caused a deposit drain through much of the banking business, we were pleased to have retained a high level of customer deposits. It indicates that we have remained competitive in the market and that our insured accounts remain an important part of the investment portfolios of our customer base.

Damen Financial Corporation remains well capitalized. All government standards for capital have been easily met by Damen Federal. Requirements for risk-based capital, core capital and tangible capital are set at 8.0%, 3.0% and 1.5%, respectively. Damen Federal's capital ratios ended the fiscal year at 49.0%, 16.5% and 16.5%, respectively.

As of September 30, 1996 stockholder's equity amounted to $52.9 million, a decrease of $2.8 million from the $55.7 million at the end of fiscal year 1995. We had promised that our capital would be used to ultimately enhance stockholder value. To accomplish that goal, we initiated several actions. The Company declared a quarterly dividend of $.06 per share in each of the last two quarters of fiscal 1996. We obtained a waiver from the Office of Thrift Supervision (OTS) to repurchase stock from the open market prior to the time period allowed by regulators. We, then, repurchased $2.3 million of stock that was retired as treasury stock, thus creating a positive effect on shareholder value. An additional $1.9 million of stock was purchased for our Recognition and Retention Plan.

Of even greater importance to our future viability was the ability to upgrade our systems and services. Automatic Teller Machines were installed at our Schaumburg and Burbank offices, a service very much requested by our customers. Our affiliation with the Cash Station(R) and Cirrus(R) networks will enable people from a much broader geographic

[PHOTO]

[PHOTO]

area to access our services and will be a further incentive in attracting new deposits, especially profitable checking accounts.

A new computer system was also incorporated into our operations during 1996. The new technology integrates all our previous systems and has enabled us to operate more efficiently and effectively. Not only does it provide us with quicker response time and greater accuracy for transactions, but it is a powerful marketing tool. It has the potential to utilize customer data to provide information that will enable us to more efficiently and profitably serve the people who are our most important market, our current customer base.

The software programs now available with the new computer system have also enabled us to expand our product line. We have introduced statement savings accounts which qualify for ATM usage as well as a Home Equity Line of Credit.

These new accounts and services are expected to add to our revenue and are also incentives for

BANK CAPITAL
RATIOS*

<TABLE>

<S>	Damen Rates <C>	Required Minimum Ratios <C>
Risk-based capital	8.0	49.0
Core capital	3.0	16.5
Tangible capital	1.5	16.5

</TABLE>

*as a percentage of total assets
at September 30, 1996

ONE BENCHMARK OF OUR SUCCESS IS THE QUALITY AND SOUNDNESS OF OUR LOAN PORTFOLIO. OUR COMMUNITY-BASED LENDING PROGRAMS HAVE HELPED US REMAIN SAFE, SECURE AND PROFITABLE.

potential customers to consider Damen Federal Bank.

Strong capital has made all this possible and puts us in a position to remain forward thinking. It lets us be planners instead of plodders. We will not rest on our laurels but will continue to move ahead with a great deal of confidence.

While much of our concentration this past year has been on the bottom line, we have not forgotten who we are and the commitments we have to our customers and the communities we serve, as well as our commitment to our shareholders. In fulfilling those commitments we continued to provide funds for home mortgages to qualified families and individuals. Over 220 first mortgage home loans were added to our loan portfolio during the fiscal year ended September 30, 1996. The home mortgages were, for the most part, made on properties within our primary market communities. At fiscal year-end, our total loan portfolio amounted to $91.1 million.

The quality and soundness of that portfolio continued in a strong position. Loans delinquent two months or more remained at a very low level of .16% of total assets. Non-performing assets, another barometer of asset quality, amounted to $351,000, or .15% of total assets at September 30, 1996. Non-performing assets include any asset on which we are receiving no interest, such as loans 90 days or more delinquent, foreclosures and loans in process of foreclosure. It continues to be our practice to set aside reserves as a safety net for unexpected loan difficulties. A provision of $70,000 was provided for the fiscal year-ended September 30, 1996, giving us an ample $345,000 in loan loss reserves. Our community based lending programs have helped us remain safe, secure and profitable.

The past year has certainly been a busy year, a year of getting things done. And yes, we are moving ahead with confidence, heading in the right direction on behalf of our stockholders and their investment in Damen Financial Corporation. In the coming year, we will direct our

[PHOTO]

[PHOTO]

efforts toward further utilizing our new computer technology in developing greater customer relationships. Cross-selling of our newly developed lending products to our customer base will be important to the continued growth of income. We will, of course, continue in our efforts to maintain our credit quality and to exercise control over expenditures.

We believe that we have the people, products, capital and management direction to keep Damen Financial Corporation moving ahead. The challenges remain substantial, but we are well-poised to meet them head-on. We shall do everything in our power to justify your continued confidence and support.

[PHOTO]

Mary Beth Poronsky Stull

Mary Beth Poronsky Stull
Chairman of the Board
and President
Damen Financial Corporation

LOAN PORTFOLIO

1995   88 MILLION
1996   91 MILLION

NON-PERFORMING
ASSETS*

1995   .03%
1996   .15%

*assets on which we receive no interest
As a percentage of total assets.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

<TABLE>
<CAPTION>

(in thousands)	SEPTEMBER 30 1996	SEPTEMBER 30 1995(1)	1994	NOVEMBER 30 1993	1992
<S>	<C>	<C>	<C>	<C>	<C>
SELECTED FINANCIAL CONDITION DATA					
Total assets	$234,555	$232,358	$190,643	$183,001	$176,558
Loans receivable, net	91,146	87,555	88,225	84,814	78,547
Mortgage-backed securities	88,098	82,192	67,742	65,262	69,061
Tax-exempt securities	24,905	20,478	16,711	12,810	11,457
Investment securities	23,325	16,871	11,483	13,446	12,147
Deposits	118,973	126,632	126,210	126,586	136,601
Borrowings	59,600	45,500	44,000	36,000	21,009
Total equity	52,870	55,710	17,874	17,406	15,096

</TABLE>

<TABLE>
<CAPTION>

	YEAR ENDED SEPTEMBER 30		TEN MONTHS ENDED SEPTEMBER 30		YEAR ENDED NOVEMBER 30		
(in thousands)	1996	1995	1995(1)	1994	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SELECTED OPERATIONS DATA							
Total interest income	$16,661	$14,029	$11,851	$ 10,555	$ 12,723	$ 13,576	$ 14,467
Total interest expense	9,672	9,397	7,997	6,234	7,632	7,784	9,365
Net interest income	6,989	4,632	3,854	4,321	5,091	5,792	5,102
Provision for loan losses	70	163	163				29
Net interest income after provision for loan losses	6,919	4,469	3,691	4,321	5,091	5,792	5,073
Fees and service charges	109	77	69	54	72	129	118
Gain (loss) on sales of mortgage-backed securities and investment securities	84	(6)	3	48	40	483	543
Unrealized gain (loss) on mortgage-backed securities and investment securities held-for-sale		(892)		(645)	(1,537)		

Other non-interest income	74	82	66	83	97	143	180
Total non-interest income	267	(739)	138	(460)	(1,328)	755	841
Total non-interest expense	5,243	3,610	3,032	2,583	3,167	3,383	3,279
Income before taxes and change in accounting principles	1,943	120	797	1,278	596	3,164	2,635
Income tax (provision) benefit	(163)	348	108	(277)	216	(860)	(760)
Cumulative effect of change in accounting for securities available-for-sale, net of tax effect		907	907				
Cumulative effect of change in accounting for income taxes				(253)	(253)		
Net income	$ 1,780	$ 1,375	$ 1,812	$ 748	$ 559	$ 2,304	$ 1,875

(1)During 1995, the Company changed its fiscal year end from November 30 to September 30.
</TABLE>

SELECTED FINANCIAL RATIOS AND OTHER DATA:

<TABLE>
<CAPTION>

	AT OR FOR THE YEAR ENDED SEPTEMBER 30		AT OR FOR TEN MONTHS ENDED SEPTEMBER 30		AT OR FOR THE YEAR ENDED NOVEMBER 30		
	1996	1995	1995(1)	1994	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
SELECTED FINANCIAL RATIOS AND OTHER DATA							
Performance Ratios:							
Return on average assets (ratio of net income to average total assets)(2)(3)	.76%(5)	.69%	.54%	.52%	.30%	1.28%	1.09%
Return on average stockholders' equity (ratio of net income to average retained earnings)(2)(3)	3.21 (6)	6.75	4.83	5.27	3.12	14.15	13.34
Efficiency ratio(7)	61.11	75.35	76.02	57.94	60.20	55.79	60.72
Interest rate spread information:							
Average during period	1.80	1.89	1.82	2.48	2.42	2.92	2.55
End of period	1.70	1.65	1.65	2.08	1.94	2.69	2.83
Net interest margin(4)	3.07	2.41	2.37	2.91	2.84	3.32	3.00
Ratio of operating expense to average total assets(2)	2.23	1.82	1.81	1.69	1.71	1.88	1.91
Ratio of average interest-earning assets to average interest-bearing liabilities	1.30X	1.11x	1.11x	1.10x	1.10x	1.09x	1.08x
Per Share Information:							
Book value per share outstanding	14.02	14.04	14.04	N/A	N/A	N/A	N/A
Earnings per share - primary	.49	.38	.50	N/A	N/A	N/A	N/A
Earnings per share - fully diluted	.49	.38	.50	N/A	N/A	N/A	N/A
Dividends declared per share	.12			N/A	N/A	N/A	N/A
Quality Ratios:							
Non-performing assets to total assets at end of period	.15	.03	.03	.06	.06	.09	1.27
Allowance for loan losses to non-performing loans	98.42	420.71	420.71	108.13	108.13	80.20	78.65
Allowance for loan losses to loans receivable, net	.38	.31	.31	.14	.14	.15	.16
Capital Ratios:							
Stockholders' equity to total assets at end of period	22.54	23.98	23.98	9.67	9.38	9.51	8.55
Average stockholders' equity to average assets	23.63	10.26	11.16	9.77	9.64	9.04	8.19
Other Data:							
Number of full-service offices	3	3	3	3	3	3	3

</TABLE>

(1) During 1995, the Company changed its fiscal year end from November 30 to September 30.
(2) Ratios for the ten month period have been annualized.
(3) Calculated prior to cumulative effect of change in accounting for securities available-for-sale. For the ten months ended September 30, 1995, the Company's return on average assets and return on average equity would have been .99% and 8.87%, respectively, if calculated to include the cumulative effect of change in accounting.
(4) Net interest income divided by average interest earning assets.
(5) Return would have been .97% if calculated without regard to SAIF assessment.
(6) Return would have been 4.12% if calculated without regard to SAIF assessment.
(7) Non-interest expense, excluding SAIF special assessment, divided by net interest income plus other income except for gains and losses on investments available-for-sale and unrealized gains and losses on securities held-for-sale.

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

ORGANIZATION AND HISTORY

On September 29, 1995, Damen Federal Bank for Savings (the "Bank") converted from a federally chartered mutual savings bank to a federally chartered stock savings bank (the "Conversion"). In connection with the Conversion, the Bank sold all of its common stock to Damen Financial Corporation (the "Company") and concurrently the Company issued 3,967,500 shares of Common Stock at $10.00 per share. The Company is incorporated under the laws of the state of Delaware and is authorized to do business in the State of Illinois, and generally is authorized to engage in any activity that is permitted by the Delaware General Corporation Law. As part of the Conversion, approximately 50% of the net proceeds, or $19.2 million was used to purchase the stock of the Bank.

Damen Federal Bank for Savings was organized in 1916 to serve a primarily Slovak community from an office established near 51st Street and South Damen Avenue, on the south side of Chicago. This office has served the community with uninterrupted service since 1916. In 1972 a branch office was opened in Schaumburg, Illinois, a northwest suburb of Chicago. The Schaumburg office is now designated as the "main office". In 1991 a branch office was opened in Burbank, Illinois, a southwest suburb of Chicago. All offices are "full-service" facilities.

GENERAL

The Company conducts no significant business other than holding investment securities and holding the common stock of its subsidiary, the Bank. All references to the Company include the Bank and its subsidiary, Dasch, Inc., unless otherwise indicated.

The business of the Company consists primarily of the business of the Bank. Damen Federal Bank for Savings is principally engaged in attracting deposits from the general public and using such deposits, together with other funds, to originate primarily fixed rate one-to four-family residential mortgages and, to a much lesser extent, multi-family, commercial real estate and deposit loans primarily in its market area. The Bank also invests in mortgage-backed securities, U.S. Government and Agency securities, tax exempt securities and other investments.

The Company's results of operations are dependent primarily on net interest income, which is the difference between the interest earned on loans, mortgage-backed securities and other investments, and its cost of funds, consisting of interest paid on deposits and borrowings. In addition, the Company's operating results are affected by loan fees, service charges, other income and operating expenses which primarily consist of employee compensation and benefits, occupancy expense, advertising, federal insurance premiums and other general and administrative expenses.

The operations of the Company are significantly influenced by general economic conditions and by policies of financial institution regulatory agencies, including the OTS and FDIC. The Company's cost of funds is influenced by interest rates on competing investments and general market interest rates. Lending activities are affected by the demand for financing of real estate and other types of loans, which in turn is affected by the interest rates at which such financings may be offered.

The Bank's basic mission is to provide quality financial products and services in an efficient and caring manner in the communities it serves, and in so doing, create growth opportunities and value to its shareholders. In order to enhance shareholder value, the Company will strive to maintain strength and flexibility through high capital ratios, maintain the Company's high asset quality, increase the Company's net interest rate spread, control operating expenses and increase efficiency. The Company will consider expanding products and services where feasible and beneficial.

Management's discussion and analysis of financial condition and results of operations is intended to assist in understanding the financial condition and results of operations of the Company. The information contained in this section should be read in conjunction with the financial statements and accompanying notes.

FINANCIAL CONDITION

SEPTEMBER 30, 1996 COMPARED TO SEPTEMBER 30, 1995. Total assets increased $2.2 million to $234.6 million as of September 30, 1996 from $232.4 million as of November 30, 1995. Loans receivable and most categories of investments increased as proceeds from the stock conversion in September 1995 were deployed into loans and longer term investments, thereby reducing cash and interest-bearing deposits by $19.2 million. Investment securities held to maturity increased $687,000 to $1.8 million at September 30, 1996 from $1.1 million at September 30, 1995 due to additional investments of $785,000 less repayments. Investment securities available-for-sale increased $9.6 million to $43.3 million from $33.7 million due to purchases of $19.6 million, less maturities and sales of $9.7 million and a net decrease in market value of $298,000. Mortgage-backed securities held to maturity decreased $7.0 million to $35.5 million from $42.5 million due primarily to repayments. Mortgage-backed securities available-for-sale increased $12.9 million to $52.6 million as of September 30, 1996 from $39.7 million as of September 30, 1995, which was the result of purchases of $23.0 million exceeding repayments of $8.4 million and sales of $1.0 million and a net decrease in market value of $748,000. Purchases of mortgage-backed securities included $8.6 million of adjustable rate securities purchased to help reduce interest rate sensitivity. Loans receivable increased by $3.6 million to $91.1 million at September 30, 1996 from $87.5 million at September 30, 1995 due primarily to new loans disbursed of $19.8 million exceeding loan repayments during the year.

Deposits decreased by $7.6 million to $119.0 million at September 30, 1996 from $126.6 million at September 30, 1995 due to net withdrawals of $12.8 million exceeding interest credited, as depositors sought higher returns on other investment products. Borrowings from the Federal Home Loan Bank of Chicago increased by $14.1 million to $59.6 million at September 30, 1996 from $45.5 million at September 30, 1995. Longer term borrowed money (terms over two years) increased by $2 million while shorter term borrowings increased by $12.1 million. The proceeds were used primarily to offset net savings withdrawals, and to a lesser extent, to fund loans and investments.

Stockholders' equity decreased by $2.8 million to $52.9 million at September 30, 1996 from $55.7 million at September 30, 1995, due primarily to the acquisition of stock for the previously unfunded Recognition and Retention Plan at a cost of $1.9 million, an increase in net unrealized market losses on investments available-for-sale, net of taxes, of $619,000 and the acquisition of treasury shares at a cost of $2.3 million. In addition, the Company declared cash dividends of twelve cents per share during the year ended September 30, 1996, which reduced stockholders' equity by $464,000. At September 30, 1996, book value per share was $14.02 compared to $14.04 at September 30, 1995.

SEPTEMBER 30, 1995 COMPARED TO NOVEMBER 30, 1994. Total assets increased $41.8 million to $232.4 million as of September 30, 1995 from $190.6 million as of November 30, 1994. This increase was due primarily to a $19.7 million increase in interest earning deposits to $19.9 million at September 30, 1995 from $.2 million at November 30, 1994. This increase was due to proceeds from the stock sale at September 29,1995 not yet being fully deployed. In addition, mortgage-backed securities increased $14.5 million to $82.2 million as of September 30, 1995 from $67.7 million as of November 30, 1994, which was the result of purchases exceeding repayments and sales and an increase in market value of $1.5 million. Purchases of mortgage-backed securities totaled $21.9 million and consisted primarily of adjustable rate securities in order to reduce interest rate sensitivity. Also, investment securities increased $5.4 million to $16.9 million at September 30, 1995 from $11.5 million at November 30, 1994, as purchases exceeded sales and maturities. Investments in tax-exempt securities increased $3.8 million to $20.5 million at September 30, 1995 from $16.7 million as of November 30, 1994 due to purchases of $2.8 million and unrealized gains of $1.0 million. Such investments were attractive to the Bank in view of its loss of eligibility (as a result of its high capital) to use the percentage of taxable income method of calculating its bad debt deductions for federal income tax purposes. Loans receivable decreased by $670,000 to $87.5 million at September 30, 1995 from $88.2 million at November 30, 1994, due primarily to loan repayments exceeding new loans of $12.3 million during the ten month period.

Deposits increased by $422,000 to $126.6 million at September 30, 1995 from $126.2 million at November 30, 1994 due to interest credited exceeding net withdrawals of $3.4 million, as depositors sought higher returns on other investment products, including Damen Financial Corporation stock. Borrowings from the Federal Home Loan Bank of Chicago increased by $1.5 million to $45.5 million at September 30, 1995 from $44.0 million at November 30, 1994. Longer term borrowed money (terms over two years) increased by $4 million

while shorter term borrowings decreased by $2.5 million, in part to reduce interest rate risk.

Total equity increased by $37.8 million to $55.7 million at September 30, 1995 from $17.9 million at November 30, 1994. This increase was primarily due to net proceeds from the sale of the Company's stock of $38.3 million less $3.2 million of stock acquired by the ESOP. In addition, the increase was due to earnings of $1.8 million, and the adjustment (net of taxes) of securities available- for-sale to market of $2.0 million, which were partially offset by the initial effect of adapting SFAS 115, resulting in a one-time charge to equity of $1.1 million, net of tax effect.

ASSET/LIABILITY MANAGEMENT

The Company's profitability is dependent to a large extent upon its net interest income, which is the difference between its interest income on interest-earning assets, such as loans and investments, and its interest expense on interest-bearing liabilities, such as deposits and borrowings. When interest-bearing liabilities mature or reprice more quickly than interest-earning assets in a given period, a significant increase in market rates of interest could adversely affect net interest income. Similarly, when interest-earning assets mature or reprice more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in net interest income. Finally, a flattening of the "yield curve" (i.e., a decline in the difference between long and short-term interest rates), could adversely impact net interest income to the extent that the Company's assets have a longer average term than its liabilities.

In an attempt to manage its exposure to changes in interest rates, management monitors the Company's and the Bank's interest rate risk. Since the late 1980s, the Bank's Investment - Asset/Liability Committee has met monthly to review the Bank's interest rate risk position and profitability and to make recommendations for adjustments to the Bank's Board of Directors. Management also reviews the Company's and the Bank's portfolios, formulates investment strategies and oversees the timing and implementation of transactions to assure attainment of the Board's objectives in the most effective manner.

Until 1990, the Bank's interest rate monitoring efforts were focused primarily on an analysis of the difference or "gap" between the amounts of its assets and liabilities repricing during specific time periods. However, beginning in 1991, the Bank also began to focus on a "Net Portfolio Value" analysis (described on the next page) in order to avoid distortions in gap analysis that could be caused by changes in mortgage loan prepayment speeds and changes in the relationship between long and short-term interest rates.

In managing its asset/liability mix, and depending on the relationship between long and short-term interest rates, market conditions and consumer preference, and in view of its substantial capital position, Damen may place more emphasis on managing net interest margin than on better matching the interest rate sensitivity of its assets and liabilities in an effort to enhance net interest income. Management believes that the increased net interest income resulting from a mismatch in the maturity of its asset and liability portfolios can, during periods of declining or stable interest rates and "positively sloped" yield curves, provide high enough returns to justify the increased exposure to sudden and unexpected increases in interest rates. However, in view of the above, the Bank's results of operations and net portfolio values remain vulnerable to increases in interest rates and to declines in the difference between long and short-term interest rates.

To the extent consistent with its interest rate spread objectives and market conditions, the Bank attempts to manage its interest rate risk and has taken several steps in this regard. First, a significant portion of the Bank's recent mortgage-backed and related securities acquisitions have been of securities having adjustable interest rates or anticipated average lives of five years or less. As of September 30, 1996, the Bank had $68.2 million of adjustable rate and/or short or intermediate anticipated term (average life projected to be five years or less) mortgage-backed and related securities. Second, the Bank has devoted a portion of its investment securities to instruments having short or intermediate (five years or less) terms. As of September 30, 1996, the Bank had $17.9 million in investment securities maturing in five years or less. Third, the Bank has devoted a portion of its borrowing activity to indebtedness having terms of three years or more. At September 30, 1996, the Bank had $18.0 million of borrowed money due after September 30, 1999. Fourth, a portion of the Bank's deposits consists of passbook accounts, which are considered by management to be somewhat more resistant to interest rate changes than most other types of accounts, and certificates of deposit, having maturities of three years or more. As of September 30, 1996, the Bank had $20.4

million of passbook accounts and $6.1 million of certificates of deposit due after September 30, 1999. Also, although the Bank

does not make adjustable-rate loans due to competitive factors, Damen's fixed-rate lending program is focused on loans with terms of 15 years or less. At September 30, 1996, the Bank had mortgage loans with principal balances of $80.4 million or 86.2% of mortgage loans with original terms of 15 years or less.

Net Portfolio Value ("NPV") analysis provides a quantification of interest rate risk. In essence, this approach calculates the difference between the present value of liabilities, expected cash flows from assets and cash flows from off balance sheet contracts. Under OTS regulations, an institution's "normal" level of interest rate risk in the event of an immediate and sustained 200 basis point change in interest rates is a decrease in the institution's NPV in an amount not exceeding 2.0% of the present value of its assets. A current OTS proposal would require that most thrift institutions with greater than "normal" interest rate exposure take a deduction from their total capital available to meet their risk-based capital requirement. The amount of the proposed deduction is one-half of the difference between (a) the institution's actual calculated exposure to the 200 basis point interest rate increase or decrease (whichever results in the greater pro forma decrease in NPV) and (b) its "normal" level of exposure which is 2.0% of the present value of its assets. Savings institutions, however, with less than $300 million in assets and a total capital ratio in excess of 12%, would be exempt from this requirement unless the OTS determines otherwise.

At September 30, 1996, 2.0% of the present value of the Bank's assets was approximately $4.4 million, which was less than $10.8 million, the decrease in NPV resulting from a 200 basis point change in interest rates. As a result, if the rule were in effect and were applicable to Damen, the Bank would have been required to make a $3.2 million deduction from total capital in calculating its risk-based capital requirement, although the Bank's capital would have remained far in excess of regulatory minimums.

Presented in the next column, as of September 30, 1996, is an analysis of the Bank's estimated interest rate risk as measured by changes in NPV for instantaneous and sustained parallel shifts in interest rates, up and down 400 basis points in 100 point increments.

<TABLE>
<CAPTION>

ASSUMED CHANGE IN INTEREST RATES (basis points)	NET PORTFOLIO VALUE $AMOUNT (dollars in thousands)	$CHANGE	% CHANGE
<S>	<C>	<C>	<C>
+ 400	$15,997	$(21,503)	(57)%
+ 300	21,264	(16,236)	(43)
+ 200	26,676	(10,823)	(29)
+ 100	32,148	(5,352)	(14)
0	37,499		
- 100	42,375	4,876	13
- 200	46,206	8,707	23
- 300	49,586	12,087	32
- 400	53,251	15,752	42

</TABLE>

As noted above, the market value of the Bank's net assets would be anticipated to decline significantly in the event of certain designated increases in interest rates. For instance, in the event of a 200 basis point increase in interest rates, NPV is anticipated to fall by $10.8 million or 29%. On the other hand, a decrease in interest rates is anticipated to cause an increase in NPV.

Certain assumptions utilized by the OTS in assessing the interest rate risk of thrift institutions were employed in preparing the previous table. These assumptions related to interest rates, loan prepayment rates, deposit decay rates and the market values of certain assets under the various interest rate scenarios. It was also assumed that delinquency rates would not change as a result of changes in interest rates although there can be no assurance that this would be the case. In the event that interest rates change to the designated levels, there can be no assurance that the Bank's assets and liabilities would perform as set forth above. In addition, a change in Treasury rates to the designated levels accompanied by a change in the shape of the Treasury yield curve would cause significantly different changes to the NPV than indicated above.

During the last several years, the Board has determined to reduce the level of tolerated interest rate risk as measured by the Bank's interest rate sensitivity gap and, beginning in 1991, by the changes to its NPV based upon specified interest rate shocks. The actual and targeted levels of tolerated interest rate risk are reviewed on a quarterly basis and are subject to change depending on economic and competitive factors. The level of interest rate risk in the NPV table set forth above as of September 30, 1996, is within the Bank's current guidelines for tolerated interest rate risk.

LIQUIDITY AND CAPITAL RESOURCES

Damen's principal sources of funds are deposits and borrowings, amortization and prepayment of loan principal and mortgage-backed securities, maturities of investment securities and operations. While scheduled loan repayments and maturing investments are relatively predictable, deposit flows and early loan repayments are more influenced by interest rates, floors and caps on loan rates, general economic conditions and competition. Damen generally manages the pricing of its deposits to be competitive and increase core deposit relationships. However, management has from time to time decided not to pay deposit rates that are as high as those of its competitors and, when necessary, to supplement deposits with longer term and/or less expensive alternative sources of funds.

Federal regulations require Damen to maintain minimum levels of liquid assets. The required percentage has varied from time to time based upon economic conditions and savings flows and is currently 5% of net withdrawable savings deposits and borrowings payable on demand or in one year or less during the preceding calendar month. Liquid assets for purposes of this ratio include cash, certain time deposits, U.S. Government, government agency and corporate securities and other obligations generally having remaining maturities of less than five years. Damen has historically maintained its liquidity ratio for regulatory purposes at levels in excess of those required. At September 30, 1996, Damen's liquidity ratio for regulatory purposes was 8.36%.

The Bank's most liquid assets are cash and cash equivalents, which consist of short-term highly liquid investments with original maturities of less than three months that are readily convertible to known amounts of cash and interest-bearing deposits. The level of these assets is dependent on the Bank's operating, financing and investing activities during any given period. At September 30, 1996 and 1995, cash and cash equivalents totaled $1.2 million and $20.4 million, respectively. The significant decrease was due to the proceeds from the sale of the Company's stock being fully deployed.

Operating activities provided positive cash flows for the year ended September 30, 1996, the ten months ended September 30, 1995 and the fiscal year ended November 30, 1994.

The primary investing activities of Damen are originating loans and purchasing mortgage-backed and investment securities. During the year ended September 30, 1996, the ten months ended September 30, 1995 and the fiscal year ended November 30, 1994, the Bank's loan originations totaled $19.5 million, $12.3 million and $19.9 million, respectively. Purchases of mortgage-backed and investment securities totaled $43.5 million during the year ended September 30, 1996, $32.2 million for the ten months ended September 30, 1995 and $47.8 million during the fiscal year ended November 30, 1994, respectively. A substantial portion of loan originations and purchases of mortgage-backed securities and other investments were funded by proceeds from the sale of the Company's stock, loan repayments and the maturity or sale of securities.

The primary financing activities of Damen are deposits and borrowings. For the year ended September 30, 1996, deposits decreased $7.6 million due to net withdrawals of approximately $12.8 million exceeding interest credited of $5.2 million. During the ten months ended September 30, 1995, deposits increased $422,000 due to interest credited of approximately $3.9 million exceeding net withdrawals of $3.4 million. During the fiscal year ended November 30, 1994, the Bank experienced a decrease in deposits of $375,000 due primarily to disintermediation. During the fiscal year ended September 30, 1996, the ten months ended September 30, 1995 and the fiscal year ended November 30, 1994, the Bank's net (proceeds less repayments) financing activity with the FHLB totaled $14.1 million, $1.5 million and $8.0 million, respectively.

Liquidity management is both a daily and long-term responsibility of management. Damen adjusts its investments in liquid assets based upon management's assessment of (i) expected loan demand, (ii) expected deposit flows, (iii) yields available on interest-earning deposits and investment securities, and (iv) the objectives of its asset/liability management program. Excess liquidity generally is invested in interest-earning overnight deposits and short and intermediate-term U.S. Government and agency obligations and mortgage-backed securities of short duration. If Damen requires funds beyond its ability to generate them internally, it has additional borrowing capacity with the FHLB of Chicago.

Damen anticipates that it will have sufficient funds available to meet current loan commitments. At September 30, 1996, Damen had outstanding loan commitments totaling $591,000.

Damen is subject to various regulatory capital requirements imposed by the OTS. At September 30, 1996, Damen was in compliance with all applicable capital requirements on a fully phased-in basis. See Note 16 of the Notes to the Consolidated Financial Statements for a reconciliation of equity capital of the Bank to regulatory capital.

RESULTS OF OPERATIONS

The Bank's results of operations depend primarily upon the level of net interest income, which is the difference between the interest income earned on its interest-earning assets such as loans and investments, and the costs of the Bank's interest-bearing liabilities, primarily deposits and borrowings. Results of operations are also dependent upon the level of the Bank's non-interest income, including fee income and service charges, and affected by the level of its non-interest expenses, including its general and administrative expenses. Net interest income depends upon the volume of interest-earning assets and interest-bearing liabilities and the interest rate earned or paid on them, respectively.

COMPARISON OF OPERATING RESULTS FOR THE YEAR ENDED SEPTEMBER 30, 1996 AND 1995

GENERAL. Net income for the year ended September 30, 1996 totaled $1.8 million, an increase of $405,000 from net income of $1.4 million for the year ended September 30, 1995. The increase was due primarily to an increase in net interest income of $2.4 million and a reduction in the provision for loan losses of $93,000, partially offset by an increase in non-interest expense of $1.6 million (including the $860,000 SAIF special assessment) and an increase in income taxes of $511,000.

NET INTEREST INCOME. Net interest income increased $2.4 million to $7.0 million for the year ended September 30, 1996 from $4.6 million for the same period in 1995. Interest income increased $2.6 million due to increases in average interest earning assets to $227.8 million from $192.2 million due to proceeds from the September 1995 stock conversion being deployed and an increase in the weighted average yield to 7.31% during the 1996 period from 7.30% during the 1995 period. The increase in interest income was partially offset by an increase in interest expense of $275,000 to $9.7 million for the year ended September 30, 1996 from $9.4 million for the previous year. The increase was the result of an increase in average savings and borrowings in the year ended September 30, 1996, as well as an increase of ten basis points in the average cost of funds to 5.51% from 5.41% the previous year. The increase in the net interest margin during the year was due primarily to a significant increase in the ratio of interest earning assets to interest-bearing liabilities as the result of the stock conversion in September 1995.

INTEREST INCOME. Interest income increased $2.6 million to $16.6 million for the year ended September 30, 1996 from $14.0 million for the prior year. This increase was due primarily to an increase in the interest earned on mortgage-backed securities of $1.4 million caused by a $15.0 million increase in the average outstanding balance of mortgage-backed securities, as well as an increase in the average yield on these securities to 6.91% from 6.42% as a result of adjustable rate mortgage-backed securities resetting at higher rates during the year and a greater proportion of higher yielding fixed-rated securities. Interest on tax-exempt securities increased $472,000 as the average outstanding balance of these securities increased to $23.3 million from $17.5 million, and the yield increased to 6.35% for the year ended September 30, 1996 from 5.77% for the prior year. Also, interest on investment securities increased $556,000 as the average balance increased by $13.0 million, but was partially offset by a decrease in the average yield to 6.31% from 8.61%. The average yield on loans increased by seven basis points to 8.26% from 8.19% as new higher yielding fixed-rate loans replaced lower yielding fixed-rate loans and the average outstanding balance increased by $1.5 million.

INTEREST EXPENSE. Interest expense increased $275,000 to $9.7 million for the year ended September 30, 1996 from $9.4 million for the prior year. Interest on deposits decreased $101,000 as average interest-bearing deposits decreased $5.3 million to $123.5 million for the year ended September 30, 1996 from $128.8 million for the prior year. The cost of savings increased to 5.21% from 5.07% due primarily to maturing certificates renewing at higher rates, especially earlier in the year. Also, due in part to the increase in general interest rates, the proportion of the Bank's deposits consisting of non-certificate accounts declined, thus contributing to the increase in the Bank's cost of funds. Interest expense on borrowed money increased $376,000 as the average balance of borrowings from the FHLB of Chicago increased $7.0 million to $52.0 million for the year ended September 30, 1996 from $45.0 million for the prior year, partially offset by a decline in the cost of borrowings to 6.25% from 6.37% due primarily to a greater concentration of shorter term advances than in the previous year.

PROVISION FOR LOAN LOSSES. The provision for loan losses decreased to $70,000 for the year ended September 30, 1996 from $163,000 for the prior year. The provision is based upon management's review of the loan portfolio by property type and delinquency status. There were no significant individual loans which contributed to the increase in the allowance, and there were no regulatory requests for additional provisions for loan losses during the year ended September 30, 1996 and 1995.

OTHER INCOME. Other income increased $1.0 million for the year ended September 30, 1996. The increase was primarily the result of a decrease of $892,000 in unrealized losses on securities held-for-sale as Damen adopted SFAS 115 effective December 1, 1994 and thereafter no longer charged unrealized losses on securities available-for-sale to operations. The cumulative effect of the change of this accounting principle, net of tax, resulted in a one-time $907,000 credit to earnings. Other income increased due to an increase of $90,000 in net gains on mortgage-backed securities available-for-sale.

OTHER EXPENSES. Other expenses increased $1.6 million to $5.2 million for the year ended September 30, 1996 from $3.6 million for the prior year primarily due to the SAIF special assessment of $860,000. Also, compensation related expenses increased $410,000 due to normal increases in salaries and the additional costs of ESOP and RRP benefit plans. Occupancy expenses increased $22,000 during the year ended September 30, 1996 due primarily to an increase in real estate taxes. Legal, audit, and examination expenses increased $136,000 during the year ended September 30, 1996 primarily as a result of becoming a public company in September 1995. Advertising expense increased $110,000 to $458,000 for the year ended September 30, 1996 due primarily to additional costs of operating as a public company.

PROVISION FOR INCOME TAXES. The provision for income taxes increased to $163,000 for the year ended September 30, 1996 from a benefit of $348,000 for the prior year. This increase was due to an increase of $1.8 million in pre-tax income to $1.9 million for the year ended September 30, 1996 from $120,000 for the prior year. The Company realized a tax reduction due to tax exempt income and low-income housing tax credits.

COMPARISON OF OPERATING RESULTS
FOR THE TEN MONTHS ENDED SEPTEMBER 30,
1995 AND 1994

GENERAL. Net income for the ten months ended September 30, 1995 totaled $1.8 million, an increase of $1.1 million from net income of $748,000 for the ten months ended September 30, 1994. The increase was primarily the result of a decrease in unrealized losses of $645,000 in securities held-for-sale and a change in accounting for income tax under SFAS 109 of $253,000, plus a reduction of income tax expense of $385,000. These increases in net income were partially offset by a decrease of $467,000 in net interest income, an increase in the provision for loan losses of $163,000 and an increase in non-interest expense of $449,000.

NET INTEREST INCOME. Net interest income decreased $470,000 to $3.8 million for the ten months ended September 30, 1995 from $4.3 million for the same period in 1994. Interest income increased $1.3 million due to increases in all categories of average interest earning assets, and an increase of 19 basis points in the weighted average yield to 7.29% during the 1995 period from 7.10% during the 1994 period. The increase in interest income was more than offset by an increase in interest expense of $1.8 million to $8.0 million for the ten months ended September 30, 1995 from $6.2 million for the ten months ended September 30, 1994. The increase was the result of an increase in average savings and borrowings in the 1995 period, as well as an increase of 85 basis points in the average cost of funds to 5.47% from 4.62%. The decrease in net interest income was due primarily to a flattening of the yield curve during the ten month period ended September 30, 1995.

INTEREST INCOME. Interest income increased $1.3 million to $11.9 million for the ten months ended September 30, 1995 from $10.6 million for the ten months ended September 30, 1994. This increase was primarily due to an increase in the interest earned on mortgage-backed securities of $1.1 million caused by an increase of $9.9 million in the average outstanding balance of mortgage-backed securities, as well as an increase in the average yield on these securities to 6.53% from 5.49%. Also, interest on tax-exempt securities increased $154,000 as the average outstanding balance of these securities increased to

$17.8 million from $15.2 million, and the yield increased to 6.44% for the ten months ended September 30, 1995 from 6.32% for the ten months ended September 30, 1994. Also, interest on investment securities increased $108,000 as the average balance increased by $2.5 million, but was partially offset by a decrease in the average rate to 6.75% from 7.12%. The average yield on loans decreased by 25 basis points to 8.20% as higher yielding fixed-rate loans were replaced by lower yielding fixed-rate loans.

INTEREST EXPENSE. Interest expense increased $1.8 million to $8.0 million for the ten months ended September 30, 1995 from the $6.2 million for the ten months ended September 30, 1994. Interest on deposits increased $1.1 million as average interest-bearing deposits increased $3.5 million to $129.4 million for the ten months ended September 30, 1995 from $125.8 million for the ten months ended September 30, 1994, and the cost of savings increased to 5.15% from 4.28% because of an across the board increase in deposit rates (including those on passbook and NOW accounts) caused by a rise in general interest rates and because the Bank implemented a major marketing initiative to increase its nine to twenty-four month certificates. Also, due in large part to the increase in general interest rates, the proportion of the Bank's deposits consisting of non-certificate accounts declined, thus contributing to the increase in the Bank's cost of funds. Interest expense on borrowed money increased $695,000 as the average balance of borrowing from the FHLB of Chicago increased $9.9 million to $45.9 million for the ten months ended September 30, 1995 from $36.0 million for the ten months ended September 30, 1994, and the cost of borrowing increased to 6.39% from 5.84% due to an increase in general interest rates and, to a lesser extent, an extension of the term to maturity of such liabilities as a part of the Bank's asset/liability management program.

PROVISION FOR LOAN LOSSES. The provision for loan losses increased to $163,000 for the ten months ended September 30, 1995 from no provision for the ten months ended September 30, 1994. The increase was due to the increase in the Bank's multi-family lending, the increase in loans on non-owner occupied properties, an overall evaluation of the Bank's loan portfolio and management's evaluation of prevailing and projected economic conditions. There were no significant individual loans which contributed to the increase in the allowance, and there were no regulatory requests for additional provisions for loan losses during the ten months ended September 30, 1995. OTHER INCOME. Other income increased $598,000 for the ten months ended September 30, 1995. The increase was primarily the result of a decrease in unrealized losses on securities held-for-sale of $645,000, as Damen adopted SFAS 115 effective December 1, 1994 and thereafter no longer charged unrealized losses on securities available-for-sale to operations. The cumulative effect of the change of this accounting principle, net of tax, resulted in a one-time $907,000 credit to earnings. This increase was partially offset by a decrease of $45,000 in gains on the sale of securities.

OTHER EXPENSES. Other expenses increased $449,000 or 17.4% to $3.0 million for the ten months ended September 30, 1995 from $2.6 million for the ten months ended September 30, 1994. Compensation related expenses increased $385,000 due to a general increase in salaries, as well as $50,000 in employee bonuses paid in 1995. Occupancy expenses increased $124,000 or 30.8% during the ten months ended September 30, 1995 due primarily to an increase in real estate taxes. Legal, audit, and examination expenses increased $24,000, or 26.4%, during the ten months ended September 30, 1995 as a result of increased internal audit, independent audit, and legal retainer fees. Advertising expense increased $84,000 to $320,000 for the ten months ended September 30, 1995 due to an expanded effort to stimulate savings and lending programs.

PROVISION FOR INCOME TAXES. The provision for income taxes decreased to a benefit of $108,000 for the ten months ended September 30, 1995 from an expense of $277,000 for the ten months ended September 30, 1994. This decrease was due to a decrease in pre-tax income of $481,000 to $797,000 for the ten months ended September 30, 1995 from $1.3 million for the ten months ended September 30, 1994. In addition, the ratio of tax-exempt income to pre-tax income increased significantly reducing the effective tax rate from 21.7% to a negative 13.6%. During the ten months ended September 30, 1994, Damen adopted SFAS 109 resulting in a charge to operations of $253,000 reflecting the cumulative effect of the change in accounting for income taxes.

ANALYSIS OF NET INTEREST INCOME

Net interest income represents the difference between interest earned on interest-earning assets and interest paid on interest-bearing liabilities. Net interest income depends on the volumes of interest-earning assets and interest-bearing liabilities and the interest rates earned or paid on them.

The following table sets forth certain information relating to average balance sheet and reflects the average yield on assets and average cost of liabilities for the periods indicated and the average yields earned and rates paid. Such yields and costs are derived by dividing income or expense by the average balance of

<TABLE>
<CAPTION>

	YEAR ENDED SEPTEMBER 30 1996			YEAR ENDED SEPTEMBER 30 1995		
(in thousands)	AVERAGE OUTSTANDING BALANCE	INTEREST EARNED/ PAID	YIELD/ RATE	AVERAGE OUTSTANDING BALANCE	INTEREST EARNED/ PAID	YIELD/ RATE
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Interest-earning Assets:						
Loans receivable	$ 89,288	7,373	8.26	$ 87,820	$ 7,191	8.19%
Mortgage-backed securities	88,034	6,082	6.91	73,054	4,690	6.42
Investment securities	24,440	1,542	6.31	11,447	986	8.61
Tax-exempt securities	23,341	1,482	6.35	17,508	1,010	5.77
FHLB stock	2,706	182	6.73	2,335	152	6.51
Total interest-earning assets	227,809	16,661	7.31	192,164	14,029	7.30
Noninterest-earning assets	7,155			6,508		
Total Assets	$234,964			$198,672		
LIABILITIES AND EQUITY CAPITAL						
Interest-bearing Liabilities:						
Savings deposits	$ 21,662	710	3.28	$ 25,316	806	3.18
NOW and Money Market Accounts	11,149	444	3.98	11,801	477	4.04
Certificate accounts	90,646	5,272	5.82	91,650	5,244	5.72
Borrowings	51,950	3,246	6.25	45,024	2,870	6.37
Total interest-bearing liabilities	175,407	9,672	5.51	173,791	9,397	5.41
Noninterest-bearing liabilities	4,042			4,504		
Total Liabilities	179,449			178,295		
Total Equity	55,515			20,377		
Total Equity and Retained Earnings	$234,964			$198,672		
Net interest income		$ 6,989			$ 4,632	
Net interest rate spread(3)			1.80%			1.89%
Net interest-earning assets	$52,402			$18,373		
Net yield on average interest-earning assets			3.07%			2.41%
Ratio of average interest-earning assets to average interest-bearing liabilities		1.30X			1.11x	

</TABLE>

assets or liabilities, respectively, for the periods presented. Average balances are derived from month-end 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 presented.

TEN MONTHS ENDED SEPTEMBER 30 1994 AVERAGE OUTSTANDING BALANCE	INTEREST EARNED/ PAID	YIELD/ RATE(2)	YEAR ENDED NOVEMBER 30 1994 AVERAGE OUTSTANDING BALANCE	INTEREST EARNED/ PAID	YIELD/ RATE
$86,551	6,092	8.45	$86,793	7,272	8.38
63,916	2,922	5.49	64,709	3,592	5.55
10,785	640	7.12	10,479	748	7.14
15,180	799	6.32	15,503	987	6.37
1,999	102	6.12	2,026	124	6.12
178,431	10,555	7.10	179,510	12,723	7.09
5,558			5,492		
$183,989			$185,002		
$29,372	716	2.93	$28,886	872	3.02
13,113	351	3.21	12,896	427	3.31
83,352	3,417	4.92	83,908	4,158	4.96
35,973	1,750	5.84	37,564	2,175	5.79
161,810	6,234	4.62	163,254	7,632	4.67
4,204			3,737		
166,014			166,991		
17,975			18,011		
$183,989			$185,002		
	$ 4,321			$ 5,091	
		2.48%			2.42%
$16,621			$16,256		
		2.91%			2.84%
	1.10x			1.10x	

TEN MONTHS ENDED SEPTEMBER 30 1995(1) AVERAGE OUTSTANDING BALANCE	INTEREST EARNED/ PAID	YIELD/ RATE(2)
$ 87,775	6,000	8.20
73,829	4,020	6.53
13,303	748	6.75
17,752	953	6.44
2,361	130	6.61
195,020	11,851	7.29
6,313		
$201,333		
$ 24,027	643	3.21
12,860	399	3.72
92,471	4,510	5.85

45,940	2,445	6.39
175,298	7,997	5.47
3,570		
178,868		
22,465		
$201,333		
	$ 3,854	
		1.82%
$ 19,722		
		2.37%
	1.11x	

</TABLE>

(1) During 1995, the Company changed its fiscal year end from November 30 to September 30.
(2) Yield/Rate for the ten months ended September 30, 1995 and 1994 has been annualized.
(3) Interest rate spread represents the difference between the average rate on interest-earning assets and the average cost of interest-bearing liabilities.

The following table presents the weighted average yields earned on loans, investments and other interest-earning assets, and the weighted average rates paid on savings deposits and the resultant interest rate spreads at the dates indicated.

<TABLE>
<CAPTION>

	AT SEPTEMBER 30 1996	AT SEPTEMBER 30 1995 (1)	AT NOVEMBER 30 1994	1993
Weighted average yield on:				
Loans receivable	7.58%	7.65%	7.64%	7.87%
Mortgage-backed securities	7.10%	6.97%	6.31%	6.74%
Tax-exempt securities	6.27%	6.39%	6.53%	6.71%
Investment securities	6.48%	6.77%	6.72%	6.70%
Other interest-earning assets	5.75%	6.21%	5.60%	3.07%
Combined weighted average yield on interest-earning assets	7.14%	7.18%	7.00%	7.28%
Weighted average rate paid on:				
Savings deposits	3.05%	3.05%	3.25%	3.00%
NOW and Money Market accounts	3.90%	4.23%	4.02%	3.02%
Certificate accounts	5.78%	5.92%	5.24%	4.97%
Borrowings	6.05%	6.33%	6.10%	5.54%
Combined weighted average rate paid on interest-bearing liabilities	5.44%	5.53%	5.06%	4.59%
Interest rate spread	1.70%	1.65%	1.94%	2.69%
Interest rate spread based on taxable equivalent yields for tax exempt securities	1.93%	1.92%	2.26%	2.95%

</TABLE>

(1) During 1995, the Company changed its fiscal year end from November 30 to September 30.

RATE/VOLUME ANALYSIS OF

NET INTEREST INCOME

The following schedule presents the dollar amount of changes in interest income and interest expense for major components of interest-earning assets and interest-bearing liabilities. It distinguishes between the changes related to outstanding balances and that due to the changes in interest rates. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (i) changes in volume (i.e., changes in volume multiplied by old rate) and (ii) changes in rate (i.e., changes in rate multiplied by old volume). For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately to the change due to volume and the change due to rate.

<TABLE>
<CAPTION>

	YEAR ENDED SEPTEMBER 30 1995 VS. 1996			TEN MONTHS ENDED SEPTEMBER 30(1) 1994 VS. 1995		
	INCREASE (DECREASE)			INCREASE (DECREASE)		
		DUE TO			DUE TO	
	VOLUME	RATE	TOTAL INCREASE (DECREASE)	VOLUME	RATE	TOTAL INCREASE (DECREASE)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest Income:						
Loans receivable	$ 120	$ 62	$ 182	$103	$(195)	$ (92)
Mortgage-backed securities	1,014	378	1,392	544	554	1,098
Investment securities	1,092	(536)	556	179	(71)	108
Tax-exempt securities	362	110	472	144	10	154
FHLB Stock	25	5	30	22	6	28
Total interest income	$2,613	$ 19	$2,632	$992	$ 304	$1,296
Interest Expense:						
Savings deposits	(121)	25	(96)	$(90)	$ 75	$ (15)
NOW and Money Market accounts	(26)	(7)	(33)	(1)	51	50
Certificate accounts	(59)	87	28	375	658	1,033
Borrowings	432	(56)	376	519	176	695
Total interest expense	$ 226	$ 49	$ 275	$803	$ 960	$1,763
Net interest income			$2,357			$ (467)

</TABLE>

(1)During 1995, the Company changed its fiscal year from November 30 to September 30.

IMPACT OF INFLATION AND CHANGING PRICES

The consolidated financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of

money over time due to inflation. The primary impact of inflation on the operations of the Company is reflected in [increased/decreased] operating costs. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates, generally, have a more significant impact on a financial institution's performance than does inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

IMPACT OF NEW ACCOUNTING STANDARDS

ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS. Statement of Financial Accounting Standards No. 121 ("SFAS 121"), "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of," is effective for fiscal years beginning after December 15, 1995. 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. An impairment loss is recognized if the sum of the expected future cash flows is less than the carrying amount of the asset. Management does not expect the implementation of SFAS 121 to have a material impact on the Company's consolidated financial position or results of operations.

ACCOUNTING FOR MORTGAGE SERVICING RIGHTS. In May 1995, the FASB issued Statement of Financial Accounting Standards No. 122 ("SFAS 122"), "Accounting for Mortgage Servicing Rights." This statement amends Statement of Financial Accounting Standards No. 65 ("SFAS 65"), Accounting for Certain Mortgage Banking Activities," to require that a mortgage banking enterprise recognize as separate assets rights to service mortgage loans for others, however those servicing rights are acquired. SFAS 122 requires that a mortgage banking enterprise assess its capitalized mortgage servicing rights for impairment based on the fair value of those rights. SFAS 122 is effective for fiscal years beginning after December 15, 1995. Management does not believe the adoption of SFAS 122 will have a material effect on the Company's consolidated financial position or results of operations.

ACCOUNTING FOR STOCK-BASED COMPENSATION. In October 1995, the FASB issued Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock- Based Compensation." This statement establishes a value-based method of accounting for stock options which encourages employers to account for stock compensation awards based on their fair value at the date the awards are granted. The resulting compensation award would be shown as an expense on the income statement.

SFAS 123 also permits entities to continue to use the intrinsic value method contained in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," (the "APB Opinion No. 25 Method"), allowing them to continue to apply current accounting requirements, which generally result in no compensation cost for most fixed stock-option plans. If the intrinsic value method is retained, SFAS 123 requires significantly expanded disclosures, including disclosure of the pro forma amount of net income and earnings per share as if the fair value-based method were used to account for stock based compensation. SFAS 123 is effective for fiscal years beginning after December 15, 1995, however, employers will be required to include in that year's financial statements, information about options granted in 1995. The Company has determined that it will continue to apply the APB Opinion No. 25 method in preparing its consolidated financial statements.

ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES. In June 1996, the FASB issued SFAS No. 125 ("SFAS 125"), "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement, among other things, applies a "financial-components approach" that focuses on control, whereby an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes assets when control has been surrendered, and derecognizes liabilities when extinguished. SFAS 125 provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. SFAS 125 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996. The Company does not anticipate that this pronouncement will have a significant impact on its consolidated financial condition or results of operations.

The foregoing does not constitute a comprehensive summary of all material changes or developments affecting the manner in which the Company keeps its books and records and performs its financial accounting responsibilities. It is intended only as a summary of some of the recent pronouncements made by the FASB which are of particular interest to financial institutions.

INDEPENDENT AUDITORS' REPORT

The Board of Directors

Damen Financial Corporation
Schaumburg, Illinois

We have audited the consolidated statements of financial condition of Damen Financial Corporation and subsidiaries as of September 30, 1996 and 1995, and the related consolidated statements of earnings, stockholders' equity, and cash flows for the periods ended September 30, 1996 and 1995 and November 30, 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Damen Financial Corporation and subsidiaries at September 30, 1996 and 1995, and the results of their operations and their cash flows for the periods ended September 30, 1996 and 1995 and November 30, 1994 in conformity with generally accepted accounting principles.

FPO Signature

November 1, 1996
Hickory Hills, Illinois

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

<TABLE>
<CAPTION>

	SEPTEMBER 30	
	1996	1995
<S>	<C>	<C>
ASSETS		
Cash and amounts due from depository institutions	$ 170,034	425,218
Interest-bearing deposits	1,011,197	19,937,941
Total cash and cash equivalents	1,181,231	20,363,159
Investment securities (fair value: 1996 - $1,777,000; 1995 - $1,089,800)(note 2)	1,776,979	1,089,775
Investment securities, available for sale, at fair value (note 3)	43,342,710	33,689,700
Mortgage-backed securities (fair value: 1996 - $34,641,300; 1995 - $41,910,600) (note 4)	35,503,531	42,533,362
Mortgage-backed securities, available for sale, at fair value (note 5)	52,594,450	39,658,434
Loans receivable (net of allowance for loan losses: 1996 - $345,000; 1995 - $275,000) (note 6)	91,145,893	87,555,261
Stock in Federal Home Loan Bank of Chicago	3,110,500	2,570,000
Accrued interest receivable (note 7)	1,661,087	1,187,613
Office properties and equipment - net (note 8)	3,502,987	3,332,658
Prepaid expenses and other assets (note 9)	736,041	377,832
Total assets	234,555,409	232,357,794
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Deposits (note 10)	118,973,335	126,631,760
Borrowed money (note 11)	59,600,000	45,500,000
Advance payments by borrowers for taxes and insurance	638,768	2,801,314
Other liabilities (note 12)	2,473,435	1,714,740
Total liabilities	181,685,538	176,647,814
Stockholders' Equity		
Preferred stock, $.01 par value; authorized 100,000 shares; none outstanding		
Common stock, $.01 par value; authorized 4,500,000		

shares; 3,967,500 shares issued and 3,770,117 shares outstanding at September 30, 1996 and 3,967,500 shares issued and outstanding at September 30, 1995	39,675	39,675
Additional paid-in capital	38,345,966	38,280,338
Retained earnings, substantially restricted	21,131,170	19,777,497
Unrealized gain on securities available for sale, net of income taxes	167,679	786,470
Treasury stock, at cost (197,383 shares at September 30, 1996)	(2,311,375)	
Common stock acquired by Employee Stock Ownership Plan	(2,762,400)	(3,174,000)
Common stock awarded by Recognition and Retention Plan	(1,740,844)	
Total stockholders' equity (notes 16 and 17)	52,869,871	55,709,980
Commitments and contingencies (notes 19 and 20)		
Total liabilities and stockholders' equity	$234,555,409	232,357,794

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF EARNINGS

<TABLE>
<CAPTION>

	YEAR ENDED SEPTEMBER 30, 1996	TEN MONTHS ENDED SEPTEMBER 30, 1995	YEAR ENDED NOVEMBER 30, 1994
<S>	<C>	<C>	<C>
Interest income:			
Loans	$7,372,382	5,999,647	7,271,643
Mortgage-backed securities	6,081,879	4,019,530	3,592,560
Tax-exempt securities	1,482,104	952,843	987,010
Interest and dividends on other investments	1,541,742	748,169	748,077
Dividends on FHLB stock	182,342	130,350	123,785
Total interest income	16,660,449	11,850,539	12,723,075
Interest expense:			
Deposits	6,426,006	5,551,631	5,456,895
Borrowings	3,245,920	2,445,028	2,175,167
Total interest expense	9,671,926	7,996,659	7,632,062
Net interest income before provision for loan losses	6,988,523	3,853,880	5,091,013
Provision for loan losses	70,000	163,146	
Net interest income after provision for loan losses	6,918,523	3,690,734	5,091,013
Non-interest income:			
Loan fees and service charges	108,797	68,818	72,224
Gain (loss) on sale of:			
Mortgage-backed securities, held for sale			8,722
Mortgage-backed securities, available for sale	4,064	(13,553)	
Investment securities, held for sale			42,044
Investment securities, available for sale	79,509	16,820	
Other investments - net			(11,502)
Unrealized loss on securities held for sale			(1,537,000)
Other income	74,171	66,364	97,079
Total non-interest income	266,541	138,449	(1,328,433)

</TABLE>

(continued on next page)

<TABLE>
<CAPTION>

(CONTINUED)	YEAR ENDED SEPTEMBER 30, 1996	TEN MONTHS ENDED SEPTEMBER 30, 1995	YEAR ENDED NOVEMBER 30, 1994
<S>	<C>	<C>	<C>
Non-interest expense:			
Compensation, employee benefits, and related expenses (notes 13 and 14)	2,190,681	1,500,551	1,419,492
Advertising and promotion	457,918	320,383	287,748
Occupancy and equipment expense (note 8)	661,776	526,983	624,668
Data processing	100,862	75,889	89,989
Insurance expense	73,058	55,962	65,254
Federal insurance premiums	295,265	245,714	288,405
SAIF special assessment (note 18)	860,000		
Legal, audit, and examination services	264,659	114,976	112,549
Loss on sale of real estate owned - net			10,705
Other operating expenses	338,543	191,827	267,970
Total non-interest expense	5,242,762	3,032,285	3,166,780
Net income before income taxes and change accounting principles	1,942,302	796,898	595,800
Provision for federal and state income taxes (benefit) (note 15)	162,460	(108,206)	(216,065)
Net income before change in accounting principles	1,779,842	905,104	811,865
Cumulative effect of change in accounting for securities available for sale, net of tax effect		907,180	
Cumulative effect of change in accounting for income taxes			(252,619)
Net income	$ 1,779,842	1,812,284	559,246
Earnings per share - primary			
Income before change in accounting principle	$.49	.25	N/A
Cumulative effect of change in accounting for securities available for sale, net		.25	N/A
Net income	$ .49	.50	N/A
Earnings per share - fully diluted			
Income before change in accounting principle	$.49	.25	N/A
Cumulative effect of change in accounting for securities available for sale, net		.25	N/A
Net income	$ .49	.50	N/A
Dividends declared per common share	$ .12		N/A

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES
IN STOCKHOLDERS' EQUITY

<TABLE>
<CAPTION>

COMMON	ADDITIONAL PAID-IN	RETAINED	UNREALIZED GAIN (LOSS) ON SECURITIES AVAILABLE

<S>	STOCK <C>	CAPITAL <C>	EARNINGS <C>	FOR SALE <C>
Balance at November 30, 1993	$		17,405,967	
Additions (deductions) for the year ended November 30, 1994:				
Net income			559,246	
Adjustment of securities to fair value, net of tax effect				(91,450)
Balance at November 30, 1994			17,965,213	(91,450)
Additions (deductions) for the ten months ended September 30, 1995:				
Cumulative effect of change in accounting for securities available for sale, net of tax effect, at December 1, 1994			(1,126,880)	
Net income			1,812,284	
Adjustment of securities to fair value, net of tax effect				2,004,800
Net proceeds of common stock issued in stock conversion	39,675	38,280,338		
Balance at September 30, 1995	39,675	38,280,338	19,777,497	786,470
Additions (deductions) for the year ended September 30, 1996:				
Net income			1,779,842	
Adjustment of securities to fair value, net of tax effect				(618,791)
Purchase of treasury stock (197,383 shares)				
Purchase of stock for RRP				
Amortization of award of RRP stock				
Contribution to fund ESOP loan		65,628		
Dividends declared on common stock			(426,169)	
Balance at September 30, 1996	$39,675	38,345,966	21,131,170	167,679

<CAPTION>

<S>	TREASURY STOCK <C>	COMMON STOCK AQUIRED BY ESOP <C>	COMMON STOCK AWARDED BY RRP <C>	TOTAL <C>
Balance at November 30, 1993				17,405,967
Additions (deductions) for the year ended November 30, 1994:				
Net income				559,246
Adjustment of securities to fair value, net of tax effect				(91,450)
Balance at November 30, 1994				17,873,763
Additions (deductions) for the ten months ended September 30, 1995:				
Cumulative effect of change in accounting for securities available for sale, net of tax effect, at December 1, 1994				(1,126,880)
Net income				1,812,284
Adjustment of securities to fair value, net of tax effect				2,004,800
Net proceeds of common stock issued in stock conversion		(3,174,000)		35,146,013
Balance at September 30, 1995		(3,174,000)		55,709,980
Additions (deductions) for the year ended September 30, 1996:				
Net income				1,779,842

Adjustment of securities to fair value, net of tax effect				(618,791)
Purchase of treasury stock (197,383 shares)	(2,311,375)			(2,311,375)
Purchase of stock for RRP			(1,865,187)	(1,865,187)
Amortization of award of RRP stock			124,343	124,343
Contribution to fund ESOP loan		411,600		477,228
Dividends declared on common stock				(426,169)
Balance at September 30, 1996	(2,311,375)	(2,762,400)	(1,740,844)	52,869,871

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	YEAR ENDED SEPTEMBER 30, 1996	TEN MONTHS ENDED SEPTEMBER 30, 1995	YEAR ENDED NOVEMBER 30, 1994
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$1,779,842	1,812,284	559,246
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation	177,333	148,761	172,257
Amortization of cost of stock benefit plans	601,572		
Provision for loan losses	70,000	163,146	
Increase (decrease) in deferred loan income	(110,405)	(22,526)	10,898
Federal Home Loan Bank stock dividend		(34,300)	
(Increase) decrease in prepaid and deferred federal and state income taxes	18,602	600,783	(416,434)
Gain on sale of mortgage-backed securities, held for sale			(8,722)
(Gain) loss on sale of mortgage-backed securities, available for sale	(4,064)	13,553	
Gain on sale of investment securities, available for sale	(79,509)	(16,820)	(30,542)
Unrealized (gain) loss on securities, held for sale	(1,537,000)	1,537,000	
Loss on sale of real estate owned			10,705
Increase in accrued interest receivable	(473,474)	(177,809)	(19,935)
Increase (decrease) in accrued interest payable	(286,500)	470,600	(41,200)
Increase in other assets	(22,055)	(24,998)	(21,533)
Increase (decrease) in other liabilities	900,543	402,198	(101,181)
Net cash provided by operating activities	2,571,885	1,797,872	1,650,559
Cash flows from investing activities:			
Purchase of investment securities, available for sale	(19,553,246)	(10,076,434)	(2,993,750)
Purchase of investment securities	(785,126)	(191,498)	(4,775,763)
Purchase of mortgage-backed securities, held for sale			(20,679,631)
Purchase of mortgage-backed securities, available for sale	(22,963,828)	(18,910,930)	
Purchase of mortgage-backed securities	(229,361)	(2,985,736)	(19,375,961)
Proceeds from sales of investment securities, available for sale	3,133,750	515,000	4,575,607
Proceeds from sales of mortgage-backed securities, held for sale			3,575,285
Proceeds from sales of mortgage-backed securities, available for sale	919,975	1,288,365	
Proceeds from maturities of investment securities, available for sale	6,547,993	2,340,706	1,090,945
Proceeds from maturities of investment securities	97,922	118,081	37,982
Proceeds from maturities of mortgage-backed securities, held for sale			6,287,652
Proceeds from maturities of mortgage-backed securities, available for sale	8,364,322	2,391,513	
Proceeds from maturities of mortgage-backed securities	7,259,192	5,284,201	26,454,413
Proceeds from redemption of Federal Home Loan Bank stock	130,000		
Purchase of Federal Home Loan Bank stock	(670,500)	(315,700)	(280,000)
Disbursements for loans	(19,814,855)	(12,006,880)	(22,001,602)

Loan repayments	16,264,628	12,536,002	18,579,372
Property and equipment expenditures	(347,662)	(73,026)	(373,912)
Proceeds from sale of real estate owned			19,964
Net cash provided for investing activities	(21,646,796)	(20,086,336)	(9,859,399)

</TABLE>

(continued on next page)

<TABLE>
<CAPTION>

(CONTINUED)	YEAR ENDED SEPTEMBER 30, 1996	TEN MONTHS ENDED SEPTEMBER 30, 1995	YEAR ENDED NOVEMBER 30, 1994
<S>	<C>	<C>	<C>
Cash flows from financing activities:			
Net proceeds from sale of common stock		35,146,013	
Deposit receipts	66,969,226	67,708,828	82,777,642
Deposit withdrawals	(79,780,537)	(71,146,187)	(87,316,204)
Interest credited to deposit accounts	5,152,886	3,858,888	4,163,080
Proceeds from borrowed money	181,100,000	99,200,000	150,000,000
Repayment of borrowed money	(167,000,000)	(97,700,000)	(142,000,000)
Increase (decrease) in advance payments by borrowers for taxes and insurance	(2,162,546)	958,953	(308,055)
Purchase of RRP stock	(1,865,187)		
Purchase of treasury stock	(2,311,375)		
Dividends paid on common stock	(209,484)		
Net cash provided by (for) financing activities	(107,017)	38,026,495	7,316,463
Increase (decrease) in cash and cash equivalents	(19,181,928)	19,738,031	(892,377)
Cash and cash equivalents at beginning of period	20,363,159	625,128	1,517,505
Cash and cash equivalents at end of period	$ 1,181,231	20,363,159	625,128
Cash paid during the period for:			
Interest	$ 9,958,426	7,526,059	7,673,262
Income taxes	232,229		421,000
Non-cash investing activities:			
Transfer of loans to foreclosed real estate	$		12,506

</TABLE>

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Damen Financial Corporation (the "Company") is a Delaware corporation incorporated on June 30, 1995 for the purpose of becoming the savings and loan holding company for Damen Federal Bank for Savings (the "Bank"). On September 29, 1995, the Bank converted from a mutual to a stock form of ownership, and the Company completed its initial public offering, and, with a portion of the net proceeds, acquired all of the issued and outstanding capital stock of the Bank (the "Conversion"). In addition, management, upon completion of the

Conversion, elected to change the Company's fiscal year end from November 30 to September 30.

The accounting and reporting policies of the Company and its subsidiaries conform to generally accepted accounting principles and to general practice within the thrift industry. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The following is a description of the more significant policies which the Company follows in preparing and presenting its consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company, and its wholly owned subsidiary, Damen Federal Bank for Savings and the Bank's wholly owned subsidiary, Dasch, Inc. Significant intercompany balances and transactions have been eliminated in consolidation.

INVESTMENT SECURITIES AND MORTGAGE-BACKED SECURITIES, AVAILABLE FOR SALE

Investment securities available for sale are recorded in accordance with Statement of Financial Accounting Standards ("SFAS") No. 115 "Accounting for Certain Investments in Debt and Equity Securities". SFAS 115 requires the use of fair value accounting for securities available for sale or trading and retains the use of the amortized cost method for securities the Company has the positive ability and intent to hold to maturity.

SFAS 115 requires the classification of debt and equity securities into one of three categories: held to maturity, available for sale, or trading. Held to maturity securities are measured at amortized cost. Unrealized gains and losses for trading securities are included in income. Unrealized holding gains and losses on available for sale securities are excluded from income and reported net of taxes as a separate component of stockholders' equity.

The Company holds a portfolio of securities classified as available for sale which are carried at current fair values. Premiums and discounts are amortized and accreted into income over the remaining life of the security using the level yield method. Unrealized gains and losses are recorded in a valuation allowance, which is included as a separate component of stockholders' equity, net of related income taxes. Gains and losses on the sale of available for sale securities are determined using the specific identification method and are reflected in earnings when realized.

INVESTMENT SECURITIES AND MORTGAGE-BACKED SECURITIES, HELD TO MATURITY

These securities are carried at cost, adjusted for amortization of premiums and accretion of discounts over the term of the security using the level yield method. These securities are not carried at fair value because the Company has both the ability and the intent to hold them to maturity.

In November of 1995, the Financial Accounting Standards Board issued a special report, "A Guide to Implementation of SFAS 115 on Accounting for Certain Investments in Debt and Equity Securities," to aid entities in understanding and implementing the provisions of SFAS 115. The special report provided an opportunity for a one time reassessment of the classification of securities as of a single measurement date without tainting the classification of the remaining held-to-maturity debt securities. The one time reclassification of securities based on this reassessment must have occurred between November 15, 1995 and December 31, 1995. The Company reclassified certain mortgage-backed securities to the available for sale portfolio from the held to maturity portfolio effective December 29, 1995.

LOANS RECEIVABLE AND RELATED FEES

Loans are stated at the principal amount outstanding, net of loans in process, deferred fees and the allowance for losses. 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 charged against current income.

Loan origination fees are being deferred in accordance with SFAS 91 "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases". This statement requires that loan origination fees and direct loan origination costs for a completed loan be netted and then deferred and amortized into interest income as an adjustment of yield.

The Company adopted the provisions of SFAS 114 "Accounting by Creditors for Impairment of a Loan" and SFAS 118 "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures" effective October 1, 1995. These statements apply to all loans that are identified for evaluation except for large groups of smaller-balance homogeneous loans that are collectively evaluated for impairment. These loans include, but are not limited to, credit card, residential mortgage and consumer installment loans. Substantially all of the Company's lending is excluded from the provisions of SFAS 114 and SFAS 118.

Under these statements, of the remaining loans which are evaluated for impairment (a loan is considered impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement), there were no material amounts of loans which met the definition of an impaired loan during the year ended September 30, 1996 and no loans to be evaluated for impairment at September 30, 1996.

ALLOWANCE FOR LOAN LOSSES

The determination of the allowance for loan losses involves material estimates that are susceptible to significant change in the near term. The allowance for loan losses is maintained at a level adequate to provide for losses through charges to operating expense. The allowance is based upon past loss experience and other factors which, in management's judgement, deserve current recognition in estimating losses. Such other factors considered by management include growth and composition of the loan portfolio, the relationship of the allowance for losses to outstanding loans, and economic conditions.

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

REAL ESTATE OWNED

Real estate acquired through foreclosure or deed in lieu of foreclosure is carried at the lower of fair value minus estimated costs to sell or the acquisition cost. Valuations are periodically performed by management and an allowance for loss is established by a charge to operations if the carrying value of a property exceeds its fair value minus estimated costs to sell.

DEPRECIATION

Depreciation of office properties and equipment is accumulated on the straight line basis over the estimated lives of the related assets.

INCOME TAXES

The provision for federal and state income taxes is based on earnings reported in the financial statements. Deferred income taxes arise from recognition of certain items of income and expense for tax purposes in years different from those in which they are recognized in the consolidated financial statements. Deferred tax assets and liabilities are recognized for the estimated future tax consequence attributable to the differences between the financial statement carrying amount of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income for the period that includes the enactment date.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the purposes of reporting cash flows, the Company has defined cash and cash equivalents to include cash on hand, amounts due from depository institutions, and interest-bearing deposits in other financial institutions, with original maturities of three months or less.

EARNINGS PER SHARE

Earnings per share for the year ended September 30, 1996 was determined by dividing net income for the period by 3,633,541 and 3,634,834, the weighted average number of primary and fully diluted shares of common stock and common stock equivalents outstanding. Stock options are regarded as common stock equivalents and are therefore considered in both primary and fully diluted earnings per share calculations. Common stock equivalents are computed using the treasury stock method. Earnings per share information for the year ended November 30, 1994 is not meaningful because the Company was not a public company until September 29, 1995.

NOTE 2: INVESTMENT SECURITIES

Investment securities held to maturity are summarized as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
September 30, 1996				
Debt securities (a)	$ 836,328		28	836,300
Investment in limited partnerships (b)	940,651	49		940,700
	$1,776,979	49	28	1,777,000
September 30, 1995				
Debt securities (a)	$ 623,187	13		623,200
Investment in limited partnerships (b)	466,588	12		466,600
	$1,089,775	25		1,089,800

(a) Investment in notes secured by mortgages originated by the Community Investment Corporation; the weighted average yield on these notes was 7.00% and 6.79% at September 30, 1996 and 1995, respectively.

(b) Investment in limited partnership ventures for the purpose of investment in low-income housing projects qualifying for tax credits over approximately the next ten years.

NOTE 3: INVESTMENT SECURITIES, AVAILABLE FOR SALE

This portfolio is being accounted for at fair value in accordance with SFAS 115. A summary of investment securities available for sale is as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
September 30, 1996				
United States Government and agency securities	$15,012,555	8,772	236,772	14,784,555
Tax-exempt securities (a)	24,011,328	1,021,068	127,598	24,904,798
Corporate equity securities	3,547,827	105,530		3,653,357
	$42,571,710	1,135,370	364,370	43,342,710
September 30, 1995				
United States Government and agency securities	$11,178,369	39,656	51,656	11,166,369
Tax-exempt securities	19,447,328	1,152,971	121,968	20,478,331
Corporate equity securities	1,995,001	49,999		2,045,000
	$32,620,698	1,242,626	173,624	33,689,700

During the year ended September 30, 1996, the Company sold securities realizing gross proceeds of $3,133,750 and gross gains of $104,824 and gross losses of $25,315. Proceeds from the sale of investment securities totaled $515,000 for the ten month period ended September 30, 1995, and $4,575,607 for the year ended November 30, 1994. Gross gains of $16,820 and $58,443 and gross losses of $-0- and $27,901 were realized for the periods ended September 30, 1995 and

November 30, 1994, respectively. In addition, during the current period, the decrease in net unrealized gains of $298,002, net of the tax effect of $121,640, resulted in a $176,362 charge to stockholders' equity.

(a) Consists of obligations of school, city and park districts and general obligations of various cities and municipalities. All securities carry at least a AA rating due to financial strength or because of insurance enhancements. At September 30, 1996, there were 73 tax-exempt securities with an average balance of approximately $334,000. The largest concentration (approximately $11,800,000) of securities are located within the State of Illinois with the remainder spread throughout the country.

Tax-exempt securities with a cost basis of $6,095,000 and a fair value of approximately $6,468,000 are pledged as collateral to secure the uninsured portions of various municipalities' certificates of deposit at the Bank as of September 30, 1996.

The contractual maturity of these investments are summarized as follows:

TERM TO MATURITY	SEPTEMBER 30, 1996 AMORTIZED COST	SEPTEMBER 30, 1996 FAIR VALUE	SEPTEMBER 30, 1995 AMORTIZED COST	SEPTEMBER 30, 1995 FAIR VALUE
Due in one year or less	$ 3,907,611	3,952,816	1,010,957	1,021,094
Due after one year through five years	13,432,689	13,550,809	10,102,844	10,157,203
Due after five years through ten years	6,186,134	6,189,207	7,805,555	8,314,563
Due after ten years	19,045,276	19,649,878	13,701,342	14,196,840
	$42,571,710	43,342,710	32,620,698	33,689,700

NOTE 4: MORTGAGE-BACKED SECURITIES

The investment in mortgage-backed securities held to maturity consists of collaterized mortgage obligations and real estate mortgage investment conduits, and is summarized as follows:

	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
September 30, 1996				
CMOs and REMICs				
FHLMC - fixed rate	$ 4,459,202		86,702	4,372,500
FNMA - fixed rate (a)	6,215,360		273,460	5,941,900
Privately issued				
- fixed rate	12,845,415	62,203	228,518	12,679,100
- adjustable rate	11,983,554	8,246	344,000	11,647,800
	$35,503,531	70,449	932,680	34,641,300
Weighted average interest rate	6.87%			
September 30, 1995				
CMOs and REMICs				
FHLMC - fixed rate	$ 5,372,195		72,595	5,299,600
FNMA - fixed rate	7,606,027	19,944	165,571	7,460,400
Privately issued				
- fixed rate	15,093,942	167,339	206,581	15,054,700
- adjustable rate	14,461,198		365,298	14,095,900
	$42,533,362	187,283	810,045	41,910,600
Weighted average interest rate	6.93%			

During December of 1995, mortgage-backed securities held to maturity with a book value totaling approximately $727,000 and a fair value totaling approximately $735,000 were transferred to the available for sale portfolio as permitted by the Financial Accounting Standards Board (see notes 1 and 5).

(a) Mortgage-backed securities with a cost basis of $992,404 and a fair value of approximately $995,400 are pledged as collateral to secure advances from the Federal Home Loan Bank of Chicago.

NOTE 5: MORTGAGE-BACKED SECURITIES, AVAILABLE FOR SALE

Mortgage-backed securities with a cost basis totaling approximately $727,000 and a fair value totaling approximately $735,000 were transferred from the held to maturity portfolio to the available for sale portfolio in December of 1995 as permitted by the Financial Accounting Standards Board. Mortgage-backed securities available for sale are recorded at fair value in accordance with SFAS 115.

<TABLE>
<CAPTION>
This portfolio is summarized as follows:

<S>	AMORTIZED COST <C>	GROSS UNREALIZED GAINS <C>	GROSS UNREALIZED LOSSES <C>	FAIR VALUE <C>
September 30, 1996				
FHLMC participation certificates				
- adjustable rate (b)	$ 4,155,038	122,291	3,719	4,273,610
- fixed rate	868,757	6,603		875,360
FNMA participation certificates				
- adjustable rate (a)(b)	10,162,121	129,199	40,868	10,250,452
- fixed rate	686,796	4,516	13,850	677,462
GNMA participation certificates				
- adjustable rate	6,467,392	24,789	28,084	6,464,097
- fixed rate (a)(b)	18,736,355	22,890	396,914	18,362,331
Conventional participation certificates				
- adjustable rate	7,169,611	105,547	42,220	7,232,938
CMOs and REMICs				
FNMA - fixed rate	1,875,500		80,500	1,795,000
Privately issued				
- fixed rate	2,956,459		293,259	2,663,200
	$53,078,029	415,835	899,414	52,594,450
Weighted average interest rate	7.25%			

<CAPTION>

<S>	AMORTIZED COST <C>	GROSS UNREALIZED GAINS <C>	GROSS UNREALIZED LOSSES <C>	FAIR VALUE <C>
September 30, 1995				
FHLMC participation certificates				
- adjustable rate	$ 6,051,055	111,218		6,162,273
- fixed rate	1,057,945	11,615		1,069,560
FNMA participation certificates				
- adjustable rate	12,873,149	159,292	35,865	12,996,576
- fixed rate	710,413	3,711		714,124
GNMA participation certificates				
- adjustable rate	1,826,845	30,466	3,582	1,853,729
- fixed rate	5,953,096	54,104	27,582	5,979,618
Conventional participation certificates				
- adjustable rate	7,177,408	111,385	41,762	7,247,031
CMOs and REMICs				
FHLMC - fixed rate	58,084		2,207	55,877
FNMA - fixed rate	735,180	16,692		751,872
Privately issued				
- fixed rate	2,951,259		123,485	2,827,774
	$39,394,434	498,483	234,483	39,658,434

Weighted average interest rate	7.01%

</TABLE>

(a) FNMA and GNMA mortgage-backed securities with a cost basis of $4,609,284 and a fair value of approximately $4,591,800 are pledged as collateral to secure the uninsured portion of the Village of Hoffman Estates' and Schaumburg Township's certificates of deposit at the Bank.

(b) FHLMC, FNMA, and GNMA mortgage-backed securities with a cost basis of $18,655,274 and a fair value of approximately $18,660,000 are pledged as collateral to secure advances from the Federal Home Loan Bank of Chicago.

During the year ended September 30, 1996, the Company sold mortgage-backed securities available for sale, realizing gross proceeds of $919,975, and profits of $7,829 and losses of $3,765. Proceeds from the sale of mortgage-

backed securities totaled $1,288,365 for the ten month period ended September 30, 1995, resulting in losses of $13,553. In addition, during the current period, the increase in net unrealized losses of $747,579, net of the tax effect of $305,150, resulted in a $442,429 charge to stockholders equity.

NOTE 6: LOANS RECEIVABLE

Loans receivable consist of the following:

<TABLE>
<CAPTION>

	SEPTEMBER 30	
	1996	1995
<S>	<C>	<C>
Mortgage loans:		
One-to-four family	$77,725,129	75,471,089
Multi-family	12,239,019	12,059,990
Non-residential	3,316,557	2,597,929
Total mortgage loans	93,280,705	90,129,008
Other loans:		
Loans on deposits	260,467	187,792
Total loans receivable	93,541,172	90,316,800
Less:		
Loans in process	466,409	792,264
Deferred loan fees	1,583,870	1,694,275
Allowance for loan losses	345,000	275,000
Loans receivable, net	$91,145,893	87,555,261
Weighted average interest rate	7.58%	7.65%

</TABLE>

There were eight loans delinquent three months or more and non-accruing totaling $350,528, or .4% of total loans in force as of September 30, 1996. Comparable figures at September 30, 1995 were five loans totaling $65,365, or .1% of total loans. The Bank has established an allowance for loan losses of $345,000 at September 30, 1996 as required by its internal policies.

For the year ended September 30, 1996, ten months ended September 30, 1995 and the year ended November 30, 1994, gross interest income which would have been recorded had the non-accruing loans been current in accordance with their original terms amounted to approximately $8,900, $4,800 and $10,700, respectively.

Activity in the allowance for loan losses is summarized as follows:

<TABLE>

<CAPTION>

	YEAR ENDED SEPTEMBER 30 1996	TEN MONTHS ENDED SEPTEMBER 30 1995	YEAR ENDED NOVEMBER 30 1994
<S>	<C>	<C>	<C>
Balance, beginning of period	$275,000	125,000	125,000
Provision for loan losses	70,000	163,146	
Charge-offs		(13,146)	
Balance, end of period	$345,000	275,000	125,000

</TABLE>

At September 30, 1996 and 1995 and November 30, 1994, loans serviced for others amounted to $86,015, $96,365 and $107,444, respectively.

The Bank is required to maintain qualifying mortgage collateral for the Federal Home Loan Bank of Chicago representing 170 percent of current Bank credit. At September 30, 1996 and 1995 the Bank met this requirement. Qualifying mortgage collateral is defined as fully disbursed, whole first mortgage loans on improved residential property. The mortgages must not be past due more than 90 days. They must not be otherwise pledged or encumbered as security for other indebtedness, and the documents must be in the physical possession or control of the Bank. The documents that govern the determination of the qualifying mortgage collateral are the (a) Federal Home Loan Bank of Chicago's Credit Policy Statement, dated February 1, 1993, and (b) the Advances, Collateral Pledge and Security Agreement between the institution and the Federal Home Loan Bank of Chicago.

NOTE 7: ACCRUED INTEREST RECEIVABLE

Accrued interest receivable is summarized as follows:

<TABLE>
<CAPTION>

	SEPTEMBER 30 1996	1995
<S>	<C>	<C>
U.S. Government and agency securities	$ 305,281	207,907
Mortgage-backed securities	574,659	531,836
Tax-exempt securities	468,047	360,722
Loans receivable	248,248	69,077
Allowance for uncollected interest on loans	(8,900)	(4,840)
Other investments	73,752	22,911
	$1,661,087	1,187,613

</TABLE>

NOTE 8: OFFICE PROPERTIES AND EQUIPMENT

Depreciation, computed by the straight line method, amounted to $177,333 for the year ended September 30, 1996, $148,761 for the ten months ended September 30, 1995, and $172,257 for the year ended November 30, 1994. Office properties and equipment are summarized as follows:

<TABLE>
<CAPTION>

	SEPTEMBER 30 1996	1995
<S>	<C>	<C>
Cost:		
Land - Chicago	$ 181,411	181,411
Land - Burbank	112,000	112,000
Land - Schaumburg	840,000	840,000
Office building - Chicago	349,113	349,113
Office building - Burbank	752,773	752,773
Office building - Schaumburg	1,820,093	1,820,093
Parking lot improvements	47,394	47,394
Furniture, fixtures, and equipment	1,399,919	1,055,464
Automobiles	32,880	32,880
	5,535,583	5,191,128

Less accumulated depreciation:		
Office building - Chicago	349,113	349,113
Office building - Burbank	106,494	87,748
Office building - Schaumburg	194,171	139,791
Parking lot improvements	47,394	38,590
Furniture, fixtures, and equipment	860,964	774,408
Automobiles	8,460	2,820
	1,566,596	1,392,470
Less valuation allowance:		
Office building - Schaumburg	466,000	466,000
	$3,502,987	3,332,658

</TABLE>

NOTE 9: PREPAID EXPENSES AND OTHER ASSETS

Prepaid expenses and other assets consist of the following:

<TABLE>
<CAPTION>

	SEPTEMBER 30 1996	1995
<S>	<C>	<C>
Current federal and state income tax overpayment - net	$	240,521
Deferred federal and state income tax benefit - net (a)	576,675	
Prepaid examination fees	15,964	14,595
Prepaid federal insurance premiums	72,926	75,982
Other prepaid insurance	29,047	32,859
Prepaid advertising	24,510	1,893
Other prepaid expenses	14,317	9,726
Accounts receivable	2,602	2,256
	$736,041	377,832

</TABLE>

(a) The approximate tax effect of temporary differences that give rise to the Company's net deferred tax asset at September 30, 1996 under SFAS 109 is as follows:

<TABLE>
<CAPTION>

	ASSETS	LIABILITIES	NET
<S>	<C>	<C>	<C>
September 30, 1996			
Loan fees deferred for financial reporting purposes	$ 454,355		454,355
Bad debt reserves established for financial reporting purposes	141,450		141,450
Increases to tax bad debt reserves since January 1, 1988		(384,701)	(384,701)
Accelerated depreciation for tax purposes		(91,842)	(91,842)
Valuation allowance on office building	191,060		191,060
Unrealized gain on securities available for sale		(119,740)	(119,740)
Nondeductible incentive plan expense	50,981		50,981
SAIF special assessment (note 18)	352,600		352,600
Other items		(17,488)	(17,488)
	$1,190,446	(613,771)	576,675

</TABLE>

NOTE 10: DEPOSITS

Deposit accounts are summarized as follows:

<TABLE>
<CAPTION>

SEPTEMBER 30

	1996	1995
Passbook accounts	$ 20,385,674	23,349,626
Certificates	87,823,338	91,815,157
NOW and money market accounts	10,764,323	11,466,977
Total	$118,973,335	126,631,760

The composition of deposit accounts by interest rates is as follows:

	SEPTEMBER 30 1996	1995
Non-interest bearing	$ 104,237	111,592
2.00 - 3.99%	22,078,773	25,062,435
4.00 - 4.99	13,671,245	20,538,241
5.00 - 5.99	58,439,500	43,642,268
6.00 - 6.99	15,996,973	26,666,072
7.00 - 7.99	7,392,701	9,062,551
8.00 - 8.99	424,211	758,853
9.00 - 9.99	865,695	789,748
Total	$118,973,335	126,631,760
Weighted average interest rate	5.14%	5.24%

A summary of certificates of deposits by maturity is as follows:

	SEPTEMBER 30 1996	1995
Within 12 months	$ 54,076,495	52,700,269
12 months to 24 months	17,541,274	16,622,387
24 months to 36 months	10,141,388	11,037,032
36 months to 48 months	3,993,695	7,800,438
Over 48 months	2,070,486	3,655,031
Total	$ 87,823,338	91,815,157

Interest expense on deposits consists of the following:

	YEAR ENDED SEPTEMBER 30 1996	TEN MONTHS ENDED SEPTEMBER 30 1995	YEAR ENDED NOVEMBER 30 1994
Passbooks accounts	$ 709,803	642,662	872,372
Certificates	5,271,871	4,509,964	4,157,912
NOW and money market accounts	444,332	399,005	426,611
Total	$ 6,426,006	5,551,631	5,456,895

The aggregate amount of deposit accounts with a balance of $100,000 or greater was approximately $32,100,000 and $30,000,000 at September 30, 1996 and 1995, respectively. Deposits in excess of $100,000 are not insured by the Federal Deposit Insurance Corporation.

NOTE 11: BORROWED MONEY

Borrowed money consists of the following:

	SEPTEMBER 30 1996	1995

Federal Home Loan Bank Advances:		
Due date and current rates:		
Period ended within 12 months		
Weighted average fixed rate of 5.47% at September 30, 1996	$23,500,000	7,000,000
Weighted average adjustable rate of 5.54% at September 30, 1996	600,000	6,500,000
Period from 12 months to 24 months		
Weighted average fixed rate of 6.38% at September 30, 1996	8,500,000	7,000,000
Period from 24 months to 36 months		
Weighted average fixed rate of 6.32% at September 30, 1996	9,000,000	7,000,000
Period from 36 months to 48 months		
Weighted average fixed rate of 6.09% at September 30, 1996	8,000,000	7,000,000
Period ended thereafter		
Weighted average fixed rate of 6.89% at September 30, 1996	10,000,000	11,000,000
	$59,600,000	45,500,000
Weighted average interest rate	6.05%	6.33%

See notes 4, 5 and 6 of the consolidated financial statements for collateral securing this indebtedness.

Interest is accrued on all borrowings and recorded in other liabilities. Interest expense on borrowed money totaled $3,245,920 for the year ended September 30, 1996, $2,445,028 for the ten months ended September 30, 1995 and $2,175,167 for the year ended November 30, 1994.

In connection with the Company's initial public offering, the Bank established an Employee Stock Ownership Plan (ESOP). The ESOP was funded by the proceeds from a loan from the Company. The loan carries an interest rate of 6.73% and matures in the year 2010. The loan is secured by the shares of the Company purchased with the loan proceeds. The Bank has committed to make contributions to the ESOP sufficient to allow the ESOP to fund the debt service requirements of the loan.

NOTE 12: OTHER LIABILITIES

Other liabilities consist of the following:

	SEPTEMBER 30 1996	1995
Current federal and state income tax liability - net	$ 53,650	
Deferred federal and state income tax liability - net (a)		125,684
Accrued interest on borrowed money	303,600	235,100
Accrued interest on deposits	258,000	613,000
Accrued real estate taxes	160,000	275,000
Accrued ESOP contribution		200,000
Accrued SAIF special assessment (note 18)	860,000	
Promissory note for capital contribution due Kedzie Limited Partnership	497,045	
Other accrued expenses	85,644	79,800
Accrued dividends payable	216,685	
Accounts payable and other items	38,811	186,156
	$2,473,435	1,714,740

(a) The approximate tax effect of temporary differences that give rise to the Company's net deferred tax liability at September 30, 1995 under SFAS 109 is as follows:

	ASSETS	LIABILITIES	NET
September 30, 1995			

Loan fees deferred for financial reporting purposes	$590,381		590,381
Bad debt reserves established for financial reporting purposes	112,750		112,750
Increases to tax bad debt reserves since January 1, 1988		(384,701)	(384,701)
Accelerated depreciation for tax purposes		(67,105)	(67,105)
Valuation allowance on office building	191,060		191,060
Unrealized gain on securities available for sale		(546,530)	(546,530)
Other items		(21,539)	(21,539)
	$894,191	(1,019,875)	(125,684)

</TABLE>

NOTE 13: BENEFIT PLAN

The Bank has a self-administered deferred profit sharing plan which covers all full-time employees over 21 years of age with one or more years of continuous employment. This plan is funded by employer contributions, which are determined annually by the Bank's Board of Directors. A contribution of $100,000 was made for the year ended November 30, 1994, while no contributions were made for the year ended September 30, 1996 or the ten month period ended September 30, 1995.

NOTE 14: DIRECTOR, OFFICER AND EMPLOYEE PLANS

STOCK OPTION PLAN. On May 9, 1996, the stockholders of the Company approved the Damen Financial Corporation 1996 Stock Option and Incentive Plan. This is an incentive stock option plan for the benefit of the directors, officers and employees of the Company and its affiliates. The number of shares authorized

under the Plan is 396,750, equal to 10.0% of the total number of shares issued in the Conversion. As of June 13, 1996, 376,909 options were granted at $11.625 per share, exercisable at a rate of 20% per year commencing May 9, 1997, and expiring ten years from the date of grant, while 19,841 options were reserved for future grants. No options were exercisable as of September 30, 1996.

EMPLOYEE STOCK OWNERSHIP PLAN. In conjunction with the Conversion, the Bank formed an Employee Stock Ownership Plan ("ESOP"). The ESOP covers substantially all employees with more than one year of employment and who have attained the age of 21. The ESOP borrowed $3,174,000 from the Company and purchased 317,400 common shares issued in the Conversion. The Bank will make scheduled discretionary cash contributions to the ESOP sufficient to service the amount borrowed. In accordance with generally accepted accounting principles, the unpaid balance of the ESOP loan, which is comparable to unearned compensation, is reported as a reduction of stockholders' equity. Total contributions by the Bank to the ESOP which were used to fund principal and interest payments on the ESOP debt totaled $609,808 for the year ended September 30, 1996, of which $200,000 had been accrued at September 30, 1995.

On November 22, 1993, the AICPA issued Statement of Position No. 93-6, "Employers' Accounting for Employee Stock Ownership Plans" ("SOP 93-6"). SOP 93-6 provides guidance for accounting for all ESOPs. SOP 93-6 requires that the issuance or sale of treasury shares to the ESOP be reported when the issuance or sale occurs and that compensation expense be recognized for shares committed to be released to directly compensate employees equal to the fair value of the shares committed. In addition, SOP 93-6 requires that leveraged ESOP debt and related interest expense be reflected in the employer's financial statements. Prior practice was to recognize compensation expense based on the amount of the employer's contributions to the ESOP. SOP 93-6 is effective for fiscal years beginning after December 31, 1992. The application of SOP 93-6 results in fluctuations in compensation expense as a result of changes in the fair value of the Company's common stock; however, any such compensation expense fluctuations will result in an offsetting adjustment to additional paid-in capital. For the year ended September 30, 1996, additional compensation expense of $65,628 was recognized as a result of implementation of this accounting principle.

RECOGNITION AND RETENTION PLAN. On May 9, 1996, the stockholders of the Company approved the Damen Financial Corporation 1996 Recognition and Retention Plan ("RRP"). This plan was established to award shares to directors and to employees in key management positions in order to provide them with a proprietary interest in the Company in a manner designed to encourage such employees to remain with the Company. The number of shares authorized under the Plan is 158,700, equal to 4.0% of the total number of shares issued in the Conversion. These shares were purchased in the open market during the quarter ended June 30, 1996 at a total cost of $1,865,187 . As of June 13, 1996, 138,861 shares were awarded, and will vest at a rate of 20% per year commencing

June 13, 1997, while 19,839 shares were reserved for future awards.

The $1,865,187 contributed to the RRP is being amortized to compensation expense as the plan participants become vested in those shares. For the year ended September 30, 1996, $124,343 had been amortized to expense. The unamortized cost, which is comparable to deferred compensation, is reflected as a reduction of stockholders' equity.

NOTE 15: INCOME TAXES

During the year ended November 30, 1994, the Company adopted Statement of Financial Accounting Standards No. 109 (SFAS 109) which requires a change from the deferred method to the liability method of accounting for income taxes. Under the liability method, deferred income taxes are recognized for the tax consequences of "temporary differences" by applying statutory tax rates applicable to future years to differences between the financial statement carrying amounts and tax bases of existing assets and liabilities.

Among the provisions of SFAS 109 which impact the Company is the tax treatment of bad debt reserves. SFAS 109 provides that a deferred asset is to be recognized for the bad debt reserve established for financial reporting purposes and requires a deferred tax liability to be recorded for increases in the tax bad debt reserve since January 1, 1988, the effective date of certain changes made by the Tax Reform Act of 1986 to the calculation of savings institutions' bad debt deduction. Accordingly, retained earnings at September 30, 1996 includes approximately $3,994,000 for which no deferred federal income tax liability has been recognized.

The provision for income taxes consists of the following:

<TABLE>
<CAPTION>

<S>	YEAR ENDED SEPTEMBER 30 1996 <C>	TEN MONTHS ENDED SEPTEMBER 30 1995 <C>	YEAR ENDED NOVEMBER 30 1994 <C>
Current (benefit)	$ 438,031	(210,600)	363,155
Deferred (benefit)	(275,571)	102,394	(579,220)
	$ 162,460	(108,206)	(216,065)

</TABLE>

A reconciliation of the statutory federal income tax rate to the effective income tax rate is as follows:

<TABLE>
<CAPTION>

<S>	YEAR ENDED SEPTEMBER 30 1996 <C>	TEN MONTHS ENDED SEPTEMBER 30 1995 <C>	YEAR ENDED NOVEMBER 30 1994 <C>
Statutory federal income tax rate	34.0%	34.0%	34.0%
State income taxes	3.1	4.7	(2.5)
Tax-exempt interest income	(22.8)	(40.7)	(56.3)
Tax credits	(5.4)	(13.2)	(11.2)
Other	(0.5)	1.6	(.3)
Effective income tax rate	8.4%	(13.6)%	(36.3)%

</TABLE>

Deferred income tax expense (benefit) consists of the following tax effects of timing differences:

<TABLE>
<CAPTION>

	YEAR ENDED SEPTEMBER 30 1996	TEN MONTHS ENDED SEPTEMBER 30 1995	YEAR ENDED NOVEMBER 30 1994

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

Loan fees	$ 136,026	113,507	(4,468)
Unrealized loss on securities held for sale			(630,170)
Book provision for loan losses in excess of statutory bad debt deduction	(28,700)	(61,500)	
Depreciation	24,737	7,666	17,002
Compensation related expenses	(50,981)		
SAIF special assessment	(352,600)		
Other, net	(4,053)	42,721	38,416
	$(275,571)	102,394	(579,220)

</TABLE>

NOTE 16: REGULATORY CAPITAL REQUIREMENTS

On August 9, 1989, the Financial Institution's Reform, Recovery and Enforcement Act of 1989 ("FIRREA") was signed into law. FIRREA mandated that the OTS adopt capital standards which require savings institutions to satisfy three separate capital requirements. Under the requirements, savings institutions must maintain "tangible" capital equal to 1.5% of adjusted total assets, "core" capital equal to 3% of adjusted total assets and a combination of core and "supplementary" capital equal to 8.0% of "risk-weighted" assets.

For purposes of the regulation at September 30, 1996, the core and tangible capital of Damen Federal Bank for Savings is defined as stockholders' equity, adjusted for investments in non-includable subsidiaries and unrealized gains on debt securities available for sale, net of taxes. Adjusted total assets are the Bank's total assets as determined under generally accepted accounting principles, adjusted for assets of non-includable subsidiaries and unrealized gains on debt securities available for sale, net of taxes.

In determining compliance with the risk-based capital requirement, the Bank is allowed to use both core capital and supplementary capital provided the

amount of supplementary capital used does not exceed the Bank's core capital. Supplementary capital of Damen Federal Bank for Savings is defined to include all of the Bank's general loss allowance. The risk-based capital requirement is measured against risk-weighted assets which equals the sum of each asset and the credit-equivalent amount of each off-balance sheet item after being multiplied by an assigned risk weight.

At September 30, 1996, the Bank's regulatory equity capital was as follows:

<TABLE>
<CAPTION>

	TANGIBLE CAPITAL	CORE CAPITAL	RISK-BASED CAPITAL
<S>	<C>	<C>	<C>
Stockholders' equity	$37,747,723	37,747,723	37,747,723
Non-includable subsidiaries	(946,000)	(946,000)	(946,000)
Unrealized gain on debt securities available for sale, net of taxes	(219,679)	(219,679)	(219,679)
General loss allowances			345,000
Regulatory capital computed	36,582,044	36,582,044	36,927,044
Minimum capital requirements	3,329,000	6,659,000	6,033,000
Regulatory capital excess	$33,253,044	29,923,044	30,894,044
Computed capital ratio	16.48%	16.48%	48.97%
Minimum capital ratio	1.50	3.00	8.00
Regulatory capital excess	14.98%	13.48%	40.97%

</TABLE>

NOTE 17: STOCKHOLDERS' EQUITY

As part of the Conversion, the Bank established a liquidation account for the benefit of all eligible depositors who continue to maintain their deposit accounts in the Bank after conversion. In the unlikely event of a complete liquidation of the Bank, each eligible depositor will be entitled to receive a liquidation distribution from the liquidation account, in the proportionate amount of the then current adjusted balance for deposit accounts held, before distribution may be made with respect to the Bank's capital stock. The Bank may not declare or pay a cash dividend to the Company on, or repurchase any of, its capital stock if the effect thereof would cause the retained earnings of the Bank to be reduced below the amount required for the liquidation account. Except for such restrictions, the existence of the liquidation account does not restrict the use or application of retained earnings.

The Bank's capital exceeds all of the fully phased-in capital requirements imposed by FIRREA. OTS regulations generally provide that an institution that exceeds all fully phased-in capital requirements before and after a proposed capital distribution could, after prior notice but without the approval by the OTS, make capital distributions during the fiscal year of up to 100% of its net income to date during the fiscal 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 fiscal year. Any additional capital distributions would require prior regulatory approval.

Unlike the Bank, the Company is not subject to these regulatory restrictions on the payment of dividends to its stockholders. However, the Company's source of funds for future dividends may depend upon dividends received by the Company from the Bank.

NOTE 18: SAIF SPECIAL ASSESSMENT AND ITS IMPACT ON SAIF INSURANCE PREMIUMS

The deposits of savings associations, such as Damen Federal Bank for Savings, are presently insured by the Savings Association Insurance Fund ("SAIF"), which together with the Bank Insurance Fund ("BIF"), are the two insurance funds administered by the Federal Deposit Insurance Corporation ("FDIC"). Financial institutions which are members of the BIF are experiencing substantially lower deposit insurance premiums because the BIF has achieved its required level of reserves while the SAIF has not yet achieved its required reserves. In order to help eliminate this disparity and any competitive disadvantage due to disparate deposit insurance premium schedules, legislation to recapitalize the SAIF was enacted in September 1996.

The legislation requires a special one-time assessment of approximately 65.7 cents per $100 of SAIF insured deposits held by the Bank at March 31, 1995. The one-time special assessment has resulted in a charge to earnings of $860,000 during the year ended September 30, 1996. The after-tax effect of this one-time charge to earnings totaled $507,400. The legislation is intended to fully recapitalize the SAIF fund so that commercial bank and thrift deposits will be charged the same FDIC premiums beginning October 1, 1996. As of such date, deposit insurance premiums for highly rated institutions, such as the Bank, have been substantially reduced.

The Bank, however, will continue to be subject to an assessment to fund repayment of the Financing Corporation's ("FICO") obligations. It is anticipated that the FICO assessment for SAIF insured institutions will be 6.4 cents per $100 of deposits while BIF insured institutions will pay 1.3 cents per $100 of deposits until the year 2000 when the assessment will be imposed at the same rate on all FDIC insured institutions. Accordingly, as a result of the reduction of the SAIF assessment and the resulting FICO assessment, the annual after-tax decrease in assessment costs is expected to be approximately $125,000 based upon a September 30, 1996 assessment base.

NOTE 19: FINANCIAL INSTRUMENTS WITH
OFF-BALANCE SHEET RISK

The Company is a party to various transactions with off-balance sheet risk in the normal course of its business. These transactions are primarily commitments to originate loans and to purchase investment securities. These financial instruments carry varying degrees of credit and interest-rate risk in excess of amounts recorded in the consolidated financial statements.

Commitments to originate mortgage loans represent amounts which the Bank plans to fund within the normal commitment period of 60 to 90 days. At September 30, 1996, commitments to originate mortgage loans totaled $591,000 with fixed rates ranging from 7.12% to 8.88%. At September 30, 1995, commitments to originate mortgage loans totaled $886,000 with fixed rates ranging from 7.00% to 8.25%. Because the credit worthiness of each customer is reviewed prior to extension of the commitment, the Bank adequately controls their credit risk on these commitments, as it does to loans recorded on the balance sheet. The Bank conducts all of its lending activities in the Chicagoland area which it serves. Management believes the Bank has a diversified loan portfolio and the concentration of lending activities in these local communities does not result in an acute dependency upon economic conditions of the lending region.

At September 30, 1996, the Bank was committed to fund an additional investment of $1,005,000, through the year 2000, in notes secured by adjustable rate mortgage loans, issued by the Community Investment Corporation. The outstanding commitment to fund this investment totaled $1,281,000 at September 30, 1995. The notes have an average maturity date of approximately twenty years.

The Bank has issued a letter of credit in the amount of $409,275 for the benefit of the City of Chicago in connection with the Kedzie Limited Partnership (see note 2).

NOTE 20: CONTINGENCIES

The Bank is, from time to time, a party to certain lawsuits arising in the ordinary course of its business, wherein it enforces its security interest. Management, based upon discussions with legal counsel, believes that the Company and the Bank are not engaged in any legal proceedings of a material nature at the present time.

NOTE 21: DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

CASH AND CASH EQUIVALENTS: For cash and interest-bearing deposits, the carrying amount is a reasonable estimate of fair value.

U.S. GOVERNMENT AND AGENCY SECURITIES: Fair values for securities are based on quoted market prices as published in financial publications.

MORTGAGE-BACKED SECURITIES: Fair values for mortgage-backed securities are based on average quotes received from a third-party broker.

LOANS RECEIVABLE: The fair values of fixed-rate one-to-four family residential mortgage loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions. The fair values for other fixed-rate mortgage loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms and collateral to borrowers of similar credit quality. For adjustable-rate loans which reprice monthly and with no significant change in credit risk, fair values approximate carrying values.

OTHER INVESTMENTS: Fair values for other investments are based on quoted market prices received from third-party sources.

DEPOSIT LIABILITIES: The fair value of demand deposits, passbook accounts and money market deposits is the amount payable on demand at the reporting date. The 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 original maturities.

BORROWED MONEY: Rates currently available to the Company for debt with similar terms and original maturities are used to estimate fair value of existing debt.

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK: Fair values of the Company's off-balance sheet financial instruments, which consists of loan commitments and letters of credit, are based on fees charged to enter into these agreements. As the Company currently charges no fees on these instruments, no estimate of fair value has been made.

The estimated fair values of the Company's financial instruments are as follows:

<TABLE>
<CAPTION>

<S>	<C> CARRYING AMOUNT	<C> FAIR VALUE
September 30, 1996		
Financial assets:		
Cash and cash equivalents	$ 1,181,231	1,181,231
Investment securities	1,776,979	1,777,000
Investment securities, available for sale	43,342,710	43,342,710
Mortgage-backed securities	35,503,531	34,641,300
Mortgage-backed securities, available for sale	52,594,450	52,594,450
Loans receivable, gross	93,541,172	93,061,700

Financial liabilities:		
Deposits	118,973,335	119,065,000
Borrowed money	59,600,000	59,099,400
September 30, 1995		
Financial assets:		
Cash and cash equivalents	$ 20,363,159	20,363,159
Investment securities	1,089,775	1,089,800
Investment securities, available for sale	33,689,700	33,689,700
Mortgage-backed securities	42,533,362	41,910,600
Mortgage-backed securities, available for sale	39,658,434	39,658,434
Loans receivable, gross	90,316,800	92,306,400
Financial liabilities:		
Deposits	126,631,760	127,433,600
Borrowed money	45,500,000	45,636,500

</TABLE>

NOTE 22: CONDENSED PARENT COMPANY ONLY FINANCIAL STATEMENTS

The following condensed statements of financial condition, as of September 30, 1996 and 1995 and condensed statements of earnings and cash flows for the year ended September 30, 1996 and for the period from September 29, 1995 to September 30, 1995 for Damen Financial Corporation, should be read in conjunction with the consolidated financial statements and the notes thereto.

STATEMENTS OF FINANCIAL CONDITION

<TABLE>
<CAPTION>

		SEPTEMBER 30
	1996	1995
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	$ 1,120,417	16,107,007
Securities available for sale	11,297,960	
Loans receivable	2,762,400	3,174,000
Equity investment in subsidiaries	40,224,816	38,937,503
Prepaid expenses and other assets	272,100	
	55,677,693	58,218,510
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	330,729	121,000
Common stock	39,675	39,675
Additional paid-in capital	38,280,338	38,280,338
Retained earnings	21,131,170	19,777,497
Unrealized loss on securities available for sale, net of taxes	(52,000)	
Treasury stock	(2,311,375)	
Common stock awarded by Recognition and Retention Plan	(1,740,844)	
	$55,677,693	58,218,510

</TABLE>

<TABLE>
<CAPTION>

STATEMENTS OF EARNINGS

	YEAR ENDED SEPTEMBER 30, 1996	PERIOD FROM SEPTEMBER 29, 1995 TO SEPTEMBER 30, 1995
<S>	<C>	<C>
Equity in earnings of subsidiaries	$1,287,312	
Interest and dividend income	1,085,013	
Gain on sale of investment securities available for sale	84,550	
Non-interest expense	(449,733)	
Provision for federal and state		

income taxes	(227,300)	
Net income	$1,779,842	

STATEMENTS OF CASH FLOWS

	YEAR ENDED SEPTEMBER 30, 1996	PERIOD FROM SEPTEMBER 29, 1995 TO SEPTEMBER 30, 1995
Operating activities:		
Net income	$ 1,779,842	
Equity in earnings of subsidiaries	(1,287,312)	
Gain on sale of investment securities available for sale	(84,550)	
Increase in accrued interest receivable	(182,320)	
Decrease in accrued tax and other liabilities	(61,737)	
Amortization of cost of stock benefit plans	124,343	
Net cash provided by operating activities	288,266	
Investing activities:		
Purchase of capital stock of subsidiary		(19,160,006)
Loan disbursements		(3,174,000)
Loan repayments	411,600	
Purchase of securities available for sale	(15,581,411)	
Proceeds from maturities of investment securities available for sale	1,637,563	
Proceeds from sales of investment securities available for sale	2,643,438	
Net cash provided for investing activities	(10,888,810)	(22,334,006)
Financing activities:		
Net proceeds from sale of common stock		38,320,013
Accrued conversion costs		121,000
Dividends paid on common stock	(209,484)	
Purchase of treasury stock	(2,311,375)	
Purchase of RRP stock	(1,865,187)	
Net cash provided by (for) financing activities	(4,386,046)	38,441,013
Increase (decrease) in cash and cash equivalents	(14,986,590)	16,107,007
Cash and cash equivalents at beginning of period	16,107,007	
Cash and cash equivalents at end of period	$1,120,417	16,107,007

DAMEN FINANCIAL CORPORATION
AND DAMEN FEDERAL BANK FOR SAVINGS

DIRECTORS	OFFICERS
Mary Beth Poronsky Stull Chairman of the Board of the Company, President and Chief Executive Officer of the Company and the Bank	Mary Beth Poronsky Stull President and Chief Executive Officer
	Gerald J. Gartner Treasurer and Chief Financial Officer
Edward R. Tybor Chairman of the Board of the Bank, Owner, Kubina-Tybor Funeral Home, Chicago, Illinois	Janine M. Poronsky Vice President and Corporate Secretary

Gerald J. Gartner Treasurer and Chief Financial Officer of the Company and the Bank, Director of the Bank	Kenneth D. Vanek Senior Vice President
Janine M. Poronsky Vice President and Corporate Secretary of the Company and the Bank, Director of the Company	
Charles J. Caputo Owner, Caputo Southwest Cement, Orland Hills, Illinois	
Carol A. Diver Corporate Secretary, Chicago Park District	
Mark C. Guinan, M.D. Retired physician	

</TABLE>

SHAREHOLDER INFORMATION

CORPORATE OFFICE

200 West Higgins Road
Schaumburg, Illinois 60195-3788

ANNUAL REPORT ON FORM 10-K

A copy of Damen Financial Corporation's Annual Report on Form 10-K as filed with the Securities and Exchange Commission may be obtained without charge upon written request to Janine M. Poronsky, Damen Financial Corporation, 200 West Higgins Road, Schaumburg, Illinois 61095, or call (847) 882-5320.

REGISTRAR/TRANSFER AGENT

Communications regarding change of address, transfer of stock and lost certificates should be sent to:

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016

ACCOUNTANTS

Cobitz, VandenBerg & Fennessy
Suite 301
7800 West 95th Street
Hickory Hills, Illinois 60457

LOCAL COUNSEL

Wheeler, Wheeler & Wheeler
Suite 300
6301 South Cass Avenue
Westmont, Illinois 60559

SPECIAL COUNSEL

Silver, Freedman & Taff, L.L.P.
Suite 700 - East Tower
1100 New York Avenue, N.W.
Washington, D.C. 20005

MARKET MAKERS

<TABLE>

<S>	<C>	<C>
Chicago Capital, Inc.	Everen Securities, Inc.	Mayer & Schweitzer, Inc.
The Chicago Corp.	Friedman Billings Ramsey & Co.	Robert W. Baird & Co. Inc.
Dean Witter	Herzog, Heine, Geduld, Inc.	Rodman & Renshaw, Inc.
Ernst & Co.	Knight Securities, L.P.	Sandler O'Neill & Partners

</TABLE>

STOCK LISTING

Damen Financial Corporation's common stock is traded over the counter and is listed on the Nasdaq National Market System under the symbol "DFIN." At December 10, 1996, there were 3,770,117 shares of Damen Financial Corporation common stock issued and outstanding, and there were approximately 300 holders of record. The table below shows the range of the common stock for each quarter since the common stock began trading on October 2, 1995. These prices do not represent actual transactions and do not include retail markups, markdowns or commissions.

	Per Share		
Quarter Ended	High	Low	Dividends
December 31, 1995(1)	$12.25	$11.25	
March 31, 1996	$11.75	$10.75	
June 30, 1996	$12.25	$11.25	$.06
September 30, 1996	$12.13	$11.00	$.06

(1) Reflects the period from October 2 through December 31, 1995.

The stock price information set forth in the table was provided by the National Association of Securities Dealers, Inc. High, low and closing prices and daily volume are reported in most major newspapers.

DIVIDENDS

The Company paid a six cents per share dividend to holders of record on June 30, 1996 and September 30, 1996. The Board of Directors will consider the payment of future cash dividends based on the results of operations and financial condition of the Company, tax considerations, industry standards, economic conditions, regulatory restrictions, general business practices and other factors. See Note 17 of the Notes to the Consolidated Financial Statements for information regarding limitations of the Bank's ability to pay dividends to the Company.

ANNUAL MEETING

The Annual Meeting of Stockholders will be held at 10:30 a.m., CST on February 21, 1997 at the Schaumburg Golf Club, 401 North Roselle Road, Schaumburg, Illinois.

[DAMEN FINANCIAL CORPORATION LOGO]

DAMEN FEDERAL BANK FOR SAVINGS
OFFICE LOCATIONS

200 W. HIGGINS ROAD
SCHAUMBURG, IL 60195
PHONE (847) 882-5320

5100 S. DAMEN AVENUE
CHICAGO, IL 60609
PHONE (773) 776-2546

5750 W. 87TH STREET
BURBANK, IL 60459
PHONE (708) 636-7100

EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

Parent	Subsidiary	Percentage of Ownership	State of Incorporation or Organization
Damen Financial Corporation	Damen Federal Bank for Savings	100%	Federal
Damen Federal Bank for Savings	Dasch, Incorporated	100%	Illinois

EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference and use of our report, dated November 1, 1996, on the consolidated financial statements of Damen Financial Corporation which appears in Damen Financial Corporation's Annual Report of Shareholders and Form 10-K for the year ended September 30, 1996 in Damen Financial Corporation's previously filed Registration Statement on Form S-8 (Registration No. 333-4091 and No. 333-4095).

Cobitz, VandenBerg & Fennessy

Hickory Hills, Illinois
December 27, 1996

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THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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