SECURITIES AND EXCHANGE COMMISSION

FORM 10-K405

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

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CALUMET BANCORP INC /DE

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SIC: **6035** Savings institution, federally chartered

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

FORM 10-K

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

FOR THE FISCAL PERIOD ENDED DECEMBER 31, 1998   COMMISSION FILE NUMBER 0-19829

CALUMET BANCORP, INC.

DELAWARE	36-3785272
(State of incorporation)	(I.R.S. Employer Identification Number)

1350 EAST SIBLEY BOULEVARD, DOLTON, ILLINOIS 60419
TELEPHONE NUMBER (708) 841-9010

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act:
<TABLE>
<CAPTION>

COMMON STOCK, PAR VALUE $.01 PER SHARE	NASDAQ
<S>	<C>
(Title of Class)	(Name of each exchange on which registered)

</TABLE>

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

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

As of March 19, 1999 there were issued and outstanding 3,145,861 shares of the registrant's Common Stock. The aggregate market value of the voting stock held by non-affiliates of the registrant, based on the closing sales price of the registrant's Common Stock as quoted on the NASDAQ/NMS on March 19, 1999 was $93,982,597. Solely for purposes of this calculation, all directors and executive officers of the registrant are considered non-affiliates of the registrant.

PART I

ITEM 1. DESCRIPTION OF BUSINESS (Dollar amounts in thousands, except per share data)

THE COMPANY

Calumet Bancorp, Inc. (the "Company"), a Delaware corporation, was organized on September 20, 1991, to acquire all of the capital stock issued by Calumet Federal Savings and Loan Association of Chicago (the "Association") upon its conversion from the mutual to stock form of ownership. On February 20, 1992, the Company sold 2,357,500 shares of its common stock to depositors and employees of the Association. Total proceeds from the conversion in the amount of $33.9 million was recorded as common stock and additional paid-in capital. The Company used $14.8 million of the proceeds to acquire all of the capital stock of the Association.

The Company's principal business activity is the operation of its thrift subsidiary, and consists of attracting deposits from the public and investing those deposits, together with funds generated from operations and borrowings, primarily in residential mortgage loans. The Association operates five financial services offices -- Dolton, Lansing, Sauk Village and two in southeastern Chicago. The Association's deposit accounts are insured to the maximum allowable amount by the Federal Deposit Insurance Corporation (FDIC). The Company also invests in equity securities and in various limited partnerships which have invested in residential development, residential and commercial rental properties, and mortgage loan servicing.

The Company's results of operations are dependent primarily on net interest income, which is the difference between the interest and dividend income earned

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on its loan and investment securities portfolios, and its cost of funds, consisting of interest paid on its deposits and borrowings. The Company has also invested in several limited partnerships at both the holding company and subsidiary levels in order to diversify its sources of income. Through these limited partnerships the Company has generated income from the construction and sale of homes, rental of apartments and offices, and the servicing of mortgage loans. In recent years these have become an important source of income.

The Company's operating results are also affected to a lesser extent by loan and commitment fees, customer service charges, and by the sale of insurance, mutual funds and annuities through its third tier subsidiaries. Operating expenses of the Company are primarily employee compensation and benefits, office occupancy and equipment costs, federal deposit insurance premiums, advertising and promotion costs, data processing and other administrative expenses. The Company employs a total of 135 full time equivalent employees as of December 31, 1998, and management considers its relationship with employees excellent.

The Company's results of operations are further affected by economic and competitive conditions, particularly changes in market interest rates, government policies and the actions of regulatory authorities. The Company is facing increasing competition for retail customer business, including deposit accounts and loan originations. Competition for deposit accounts comes primarily from other savings institutions, commercial banks, money market funds, mutual funds, and insurance company annuity products. Competition for loan products comes primarily from mortgage brokers, mortgage banking companies, other savings institutions, and commercial banks.

The Company is subject to extensive regulation, supervision and examination by the Office of Thrift Supervision (OTS), as its chartering authority and primary federal regulator, and by the FDIC, which insures its deposits up to applicable limits. Such regulation and supervision establish a comprehensive framework of activities in which the Company can engage and is designed primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities. Any change in such regulation, whether by the OTS, the FDIC or Congress, could have a material impact on the Company and its operations.

ITEM 2. PROPERTIES (Dollar amounts in thousands)

The following table sets forth information regarding the Company's administrative, main and branch offices:

<TABLE>
<CAPTION>

Properties:	Year Opened	Percent of Total Deposits	Net Book Value at 12/31/98
<S>	<C>	<C>	<C>
Administrative Office			
1350 East Sibley Boulevard, Dolton, Illinois 60419	1976	42.14%	$ 1,192
Main Office			
8905 South Commercial Avenue, Chicago, Illinois 60617	1910	12.05%	234
Branch Offices			
3501 East 106th Street, Chicago, Illinois 60617	1979	21.90%	880
2600 Sauk Trail, Sauk Village, Illinois 60411	1978	6.11%	152
17150 South Torrence Avenue, Lansing, Illinois 60438	1985	17.80%	1,083
Other fixed assets			1,572
Total		100.00%	$ 5,113

</TABLE>

ITEM 3. LEGAL PROCEEDINGS

Periodically, there have been various claims and lawsuits involving the Company as a defendent, such as claims to enforce liens, condemnation proceedings on properties in which the Company holds security interests, claims involving the making and servicing of real property loans and other issues incident to the Company's business. In the opinion of management and the Company's legal counsel, no significant loss is expected from any of such pending claims or lawsuits.

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

Not applicable.

PART II

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

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Calumet Bancorp, Inc.'s common stock is traded on the NASDAQ National Market System under the symbol "CBCI". As of March 19, 1999, the Company has 329 stockholders of record (not including approximately 900 persons or entities holding stock in nominee or street name through various brokerage firms) and 3,145,861 shares of common stock outstanding.

On September 9, 1998, the Company announced that a definitive agreement had been signed pursuant to which FBOP Corporation would acquire, for cash, all of the outstanding stock of the Company in a transaction valued at approximately $111.6 million, or $32.00 per fully diluted share, after deducting the Company's merger-related expenses. The transaction was expected to be completed during the first quarter of 1999, subject to the approvals of regulatory agencies and the Company's shareholders. On November 20, 1998, the Company received a letter from FBOP stating that FBOP was prepared to terminate the Merger Agreement unless the Company agreed to a price reduction of $4.0 million. FBOP asserted that, since the date of the Merger Agreement, actual and potential losses associated with the Company's investment in mortgage loan servicing limited partnerships constituted a "Material Adverse Change" under the Merger Agreement, which would allow FBOP to terminate the Merger Agreement at its option.

The Company convened a special meeting of its Board of Directors on November 22, 1998, to consider FBOP's letter, and the Board rejected the various assertions made in the FBOP letter, including, specifically, the assertion that a "Material Adverse Change" had occurred. Nonetheless, in order to avoid additional costs and time associated with litigation and without any prejudice to the Company's' rights under the Merger Agreement, the Company offered to accept a reduction in the aggregate merger consideration of $1.5 million provided that the Merger Agreement was amended (i) to exclude the

purchased mortgage servicing rights investments and changes in the value of interest rate sensitive assets currently in the Company's portfolio from the "Material Adverse Change" representation and condition under the Merger Agreement and (ii) to provide for upward adjustment to the purchase price if the Company recovers losses relating to the purchased mortgage servicing rights prior to the closing of the merger.

FBOP subsequently proposed that the Company accept a $2.0 million reduction in the aggregate merger consideration and share in any recovery in the value of the purchased mortgage servicing rights investments. FBOP was advised that a reduction of that magnitude had been considered by the Board at its special meeting and had been rejected. In response to the counter proposal of FBOP it was the position of the Company's Board that in view of the substantial reduction in purchase price embodied in the original $111.6 million merger consideration, any reduction in excess of $1.5 million would be unfair to Calumet's shareholders. As of 5:00 P.M., Monday, November 23, 1998, the Company's offer had not been accepted and, therefore, terminated at that time in accordance with its terms.

On December 8, 1998, the Company advised FBOP in writing that unless it received, by 5:00 P.M. on December 15, 1998, unequivocal written assurances that FBOP will fully perform its obligations under the Merger Agreement, the Company will treat the Merger Agreement as terminated by FBOP's anticipatory repudiation of the contract, its failure to provide reasonable assurances of performances thereunder, and its continuing failure to perform its obligations under the Merger Agreement.

On December 11, 1998, the Company received a letter from FBOP stating in part that "FBOP has and will fully perform its obligations under the Agreement and Plan of Merger and reserves all of its rights under that Agreement." In that letter FBOP also requested a meeting with management of the Company to discuss the Merger Agreement. The Company met with representatives of FBOP on December 21, 1998. At that meeting FBOP would not give the Company any assurance that FBOP would proceed with the Merger Agreement and informed the Company that they would make no decisions on the Merger Agreement at that time but would continue to reserve their rights under the Merger Agreement.

On October 21, 1997 the Board of Directors declared a three-for-two common stock split, in the form of a 50% common stock dividend, which was distributed on November 17, 1997 to stockholders of record on November 3, 1997. A total of 1,055,451 shares of common stock were distributed from Treasury stock previously purchased under the Company's share repurchase program. All share and per share data presented has been adjusted for the split.

During 1997 the Company repurchased 426,597 split adjusted shares of its common stock, at an average cost of $23.50, continuing a share repurchase program begun in 1992. The Company has repurchased a total of 2,282,566 split adjusted shares of its common stock for $36.5 million, or an average cost of $15.97 per share. The repurchase of the Company's shares at a significant discount to book value enhanced shareholder value by having the effect of increasing earnings per share and book value per share for the remaining shares outstanding. At December 31, 1998, the Company had 3,145,861 shares of common stock outstanding with a book value of $27.92 per share. The closing price of the stock on December 31, 1998,

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was $27.13 per share.

The Company has never paid a cash dividend, and does not anticipate paying a cash dividend in 1999. The following table sets forth the reported high, low and closing prices per share (restated for the stock split) of the Company's common stock in 1998 and 1997:

	High	Low	Close
1998			
First quarter	$ 39.00	$ 33.00	$ 36.00
Second quarter	38.25	33.00	33.50
Third quarter	35.56	26.00	30.06
Fourth quarter	30.44	26.63	27.13
1997			
First quarter	$ 24.83	$ 21.67	$ 23.75
Second quarter	26.50	22.83	25.33
Third quarter	31.58	24.83	30.83
Fourth quarter	34.63	31.00	33.25

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth certain summary consolidated financial data at or for the periods indicated. This information should be read in conjunction with the Consolidated Financial Statements and notes thereto included at Item 8. "Financial Statements and Supplementary Data."

FIVE YEAR FINANCIAL SUMMARY

(Dollars in thousands, except per share data)	At and for the year ended December 31, 1998	1997	1996	1995	1994
STATEMENT OF OPERATIONS DATA:					
Interest income	$ 37,234	$ 39,000	$ 38,919	$ 38,761	$ 36,609
Interest expense	19,472	21,027	21,054	20,177	16,621
Net interest income	17,762	17,973	17,865	18,584	19,988
Provision for losses on loans	460	700	800	800	800
Net interest income after provision for losses on loans	17,302	17,273	17,065	17,784	19,188
Other income	861	4,238	2,992	972	2,593
Other expenses	9,521	9,536	12,231	9,931	10,340
Income taxes	2,761	3,988	2,427	2,860	4,022
Net Income	$ 5,881	$ 7,987	$ 5,399	$ 5,965	$ 7,419
Weighted average shares outstanding (1)	3,143,816	3,244,500	3,748,353	4,150,560	4,276,944
Basic earnings per share (1)	$ 1.87	$ 2.46	$ 1.44	$ 1.44	$ 1.73
Wtd. average diluted shares outstanding (1)	3,396,336	3,488,061	3,955,899	4,352,501	4,497,887
Diluted earnings per share (1)	$ 1.73	$ 2.29	$ 1.36	$ 1.37	$ 1.65
OTHER DATA (2):					
Return on average assets	1.21%	1.61%	1.08%	1.19%	1.48%
Return on average equity	6.92%	10.20%	6.56%	7.20%	9.61%
Average equity to average assets	17.47%	15.80%	16.42%	16.60%	15.36%
Interest rate spread (3)	3.14%	3.29%	3.05%	3.21%	3.68%
Net interest margin (4)	3.91%	3.92%	3.79%	3.94%	4.21%
Non-interest income to average assets	0.18%	0.86%	0.60%	0.19%	0.52%
Non-interest expense to average assets	1.96%	1.93%	2.44%	1.98%	2.06%
Net charge-offs to average loans	0.13%	0.07%	0.01%	0.10%	0.35%
STATEMENT OF FINANCIAL CONDITION DATA:					
Total assets	$ 479,115	$ 486,626	$ 510,217	$ 509,528	$ 504,026
Total loans, net	356,544	376,988	381,200	372,946	358,187
Securities available-for-sale	50,672	46,967	57,362	68,153	73,491
Securities held-to-maturity	14,348	18,768	27,970	32,620	31,058
Cash and interest-bearing deposits	33,808	8,283	9,175	8,657	9,350
Investment in limited partnerships	12,905	24,645	24,458	16,226	16,911
Deposits	$ 348,284	$ 348,461	$ 357,330	$ 359,251	$ 344,160
Borrowings	32,310	45,060	59,850	55,140	70,335
Stockholders' equity	87,826	81,614	81,764	84,110	78,286
Common shares outstanding	3,145,861	3,141,497	3,565,542	4,009,317	4,187,448
Book value per share	$ 27.92	$ 25.98	$ 22.93	$ 20.98	$ 18.69
Allowance for losses on loans to total loans	1.62%	1.54%	1.42%	1.24%	1.18%
Nonperforming loans to total loans	0.91%	1.39%	1.60%	1.46%	1.27%

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Nonperforming assets to total assets (5)	1.15%	1.64%	1.57%	1.62%	1.36%
Number of deposit accounts	36,681	37,424	38,206	37,567	36,763

</TABLE>

(1) All per share data has been adjusted for 3 for 2 stock split on November 17, 1997.
(2) All ratios are based on average monthly balances during the respective periods.
(3) Computed as the difference between average yield on interest earning assets and average cost of interest bearing funds.
(4) Net interest income divided by average interest earning assets.
(5) Nonperforming assets are defined as nonaccrual loans plus real estate owned acquired through foreclosure.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Dollar amounts in thousands, except per share data.)

The following represents management's discussion and analysis of the results of operations and financial condition of the Company as of the dates and for the periods indicated. This discussion should be read in conjunction with the Company's Consolidated Financial Statements and the Notes thereto and other financial data appearing elsewhere in this form 10-K.

SAFE HARBOR PROVISION OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

The statements contained in this Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 1 - Description of Business that are not historical facts are forward-looking statements subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995. The Company cautions readers of this Annual Report on Form 10-K that a number of important factors could cause the Company's actual results in 1999 and beyond to differ materially from those expressed in any such forward-looking statements. These factors include, without limitation, the general economic and business conditions affecting the Company's customers; changes in interest rates; the adequacy of the Association's allowance for loan losses; competition from, among others, commercial banks, savings and loan associations, mutual funds, money market funds, finance companies, credit unions, mortgage companies,and the United States Government; limited partnership activities; federal and state legislation, regulation and supervision of the Association and its subsidiaries; the risk of defaults on loans; and contractual, statutory and regulatory restrictions on the Association's ability to pay dividends to the Company.

FINANCIAL CONDITION

As of December 31, 1998, total assets decreased $7.5 million, or 1.5%, to $479.1 million, from $486.6 million at December 31, 1997. Net loans receivable decreased $20.4 million, or 5.4%, to $356.5 million at December 31, 1998, from $377.0 million at December 31, 1997. Investments in securities decreased $715, or 1.10%, to $65.0 million at December 31, 1998, from $65.7 million at December 31, 1997. Cash and cash equivalents increased $25.5 million, to $33.8 million at December 31, 1998, from $8.3 million at December 31, 1997, primarily due to loan and security repayments not being reinvested under the terms of the Agreement and Plan of Merger, which restricted the types of loans and securities in which the Company could invest.

Excess funds were used during 1998 to pay down maturing advances from the Federal Home Loan Bank in the amount of $12.8 million, reducing the balance to $32.3 million at December 31, 1998, from $45.1 million at December 31, 1997. Deposits decreased $177, to $348.3 million at December 31, 1998, from $348.5 million at December 31, 1997. The intensity of competition for deposit funds in the south Chicago and suburban market, not only from other depository institutions, but from insurance companies, mutual funds and the stock market, has grown significantly during 1998, as it did in 1997, and shows no sign of abatement in 1999. The result will be increased pressure on the cost of funds. Stockholders' equity increased $6.2 million, to $87.8 million at December 31, 1998, from $81.6 million at December 31, 1997, primarily due to earnings. The Company did not repurchase any stock during 1998, primarily due to ongoing merger negotiations during the year. The closing price of the Company's common stock on December 31, 1998, was $27.13, and its book value was $27.92 per share.

As of December 31, 1997, total assets decreased $23.6 million, or 4.6%, to $486.6 million, from $510.2 million at December 31, 1996. Net loans receivable decreased $4.2 million, or 1.1%, to $377.0 million at December 31, 1997, from $381.2 million at December 31, 1996. Investments in securities decreased $19.6 million, or 23.0%, to $65.7 million at December 31, 1997, from $85.3 million at December 31, 1996, with proceeds from repayment and sales of securities used primarily to pay net deposit withdrawals of $8.9 million and to repay $14.8 million in borrowings.

Deposits decreased $8.9 million, or 2.5%, to $348.5 million at December 31, 1997, from $357.3 million at December 31, 1996, while advances from the Federal Home Loan Bank of Chicago decreased $14.8 million, or 24.7%, to $45.1 million at

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December 31, 1997, from $59.9 million at December 31, 1996. Stockholders' equity decreased $150, or 0.2%, to $81.6 million at December 31, 1997, from $81.8 million at December 31, 1996, primarily as the result of $8.0 million in earnings for 1997, reduced by $10.0 million in Treasury stock purchases, and increased by $1.1 million of net unrealized gains on securities available for sale. The exercise of options added $37 to stockholders' equity and amortization and allocation of stock based benefits another $793. During 1997 the Company repurchased 426,597 split adjusted shares of its common stock at an average cost of $23.50. At December 31, 1997, the Company's closing price and book value per share were $33.25 and $25.98, respectively.

LENDING

The Company's lending activities have been concentrated primarily in residential real property secured by first liens on such property. At December 31, 1998, approximately 57.8% of the Company's mortgage loans are secured by one-to-four family dwellings, 11.8% by multifamily income producing properties, and 30.4% by commercial real estate properties and land. This compares to 58.7%, 12.4%, and 28.9%, respectively, at December 31, 1997.

During 1998 the Company invested $91.9 million in the origination and purchase of primarily mortgage loans. Loan repayments of $112.7 million exceeded originations and purchases by $20.8 million, with decreases in the portfolio resulting primarily from a significant drop in interest rates which precipitated a wave of refinance activity. Loans receivable decreased by $19.8 million, or 5.0%, to $373.1 million at December 31, 1998, from $392.9 million at December 31, 1997. One to four family mortgage loans decreased $7.8 million, or 3.7%, to $202.2 million at December 31, 1998, from $210.0 million at December 31, 1997. Multifamily mortgage loans decreased $5.4 million, or 13.3%, to $35.5 million at December 31, 1998, from $40.9 million at December 31, 1997. Commercial, construction and land loans decreased $8.0 million, or 5.8%, to $129.0 million at December 31, 1998, from $137.0 million at December 31, 1997.

During 1997 the Company invested $94.9 million in the origination and purchase of primarily mortgage loans. Loan fees and repayments of $97.9 million exceeded originations and purchases by $3.0 million, with decreases in the portfolio coming primarily in multifamily residential mortgage loans. Loans receivable decreased by $2.8 million, or 0.7%, to $392.9 million at December 31, 1997, from $395.7 million at December 31, 1996. The decrease came primarily in multifamily residential loans, which decreased $6.6 million, or 13.8%, to $40.9 million at December 31, 1997, from $47.5 million at December 31, 1996, and was partially offset by a $2.3 million, or 1.1% increase in one-to-four family residential loans and a $2.1 million, or 210.8% increase in consumer loans. The large percentage increase in consumer loans came primarily through Calumet Financial Corporation, a new third tier subsidiary established to expand the Company's product line and reach more customers in the local market area.

Commercial real estate loans improve the interest rate sensitivity of the Company's loan portfolio because they are generally made for a shorter term than residential mortgage loans, carry a higher yield, and reprice more frequently. Loans secured by commercial real estate properties are generally larger and involve a greater degree of risk than residential mortgage loans. Because payments on loans secured by commercial real estate properties are often dependent on the successful operation and management of the properties, repayment of such loans may be subject to adverse conditions in the real estate market or the economy. The Company seeks to minimize these risks by lending primarily on existing income-producing properties and generally requires a net operating income to debt service ratio of at least 1.20 times. The Company analyzes the financial condition of the borrower and the reliability and predictability of net income generated by the security property in determining whether to extend credit.

Construction loans improve the interest rate sensitivity of the Company's loan portfolio and yield higher rates than those afforded by loans on existing properties. The higher yields correspond to higher risks attributable to the fact that loan funds are advanced upon the security of the project under construction, which is of uncertain value prior to its completion. Because of the uncertainties inherent in estimating construction costs as well as the market value of the completed project, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. As a result, construction lending often involves the disbursement of substantial funds with repayment dependent, in part, on the success of the completed project, rather than the ability of the borrower or guarantor to repay the loan. The Company has attempted to address these risks through its conservative underwriting and construction disbursement procedures, and limits its construction lending to primarily residential properties.

The following table sets forth the composition of the Company's loan portfolio by type of loan at the dates indicated:

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<TABLE>
<CAPTION>

	At December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Mortgage loans:					
One-to-four family residential (1)	$202,240	$209,999	$207,697	$204,970	$204,246
Multi-family residential	35,494	40,933	47,510	54,216	49,900
Commercial real estate	92,786	97,186	97,093	87,066	84,388
Construction	25,213	27,645	27,442	31,055	21,711
Land	11,038	12,207	13,760	13,739	13,371
Total mortgage loans	366,771	387,970	393,502	391,046	373,616
Other loans:					
Commercial business	2,021	1,887	1,208	2,342	1,981
Consumer	4,325	3,033	976	703	631
Total other loans	6,346	4,920	2,184	3,045	2,612
Total loans	373,117	392,890	395,686	394,091	376,228
Less:					
Loans-in-process	8,868	7,820	6,386	13,531	10,419
Unearned discounts, premiums and deferred loan fees, net	1,676	2,012	2,470	2,744	3,193
Allowance for losses on loans	6,029	6,070	5,630	4,870	4,429
Total loans, net	$356,544	$376,988	$381,200	$372,946	$358,187
FHA and VA loans included in one-to-four family residential	$ 427	$ 627	$ 416	$ 597	$ 747
Second mortgages included in total mortgage loans	$ 284	$ 278	$ 2,698	$ 2,596	$ 113

</TABLE>

(1) Includes construction loans converted to permanent loans.

The following table sets forth certain information at December 31, 1998 regarding the dollar amount of loans maturing in the Company's loan portfolio based on contractual terms to maturity, but does not include scheduled payments or potential prepayments. Demand loans, loans having no stated schedule of repayments and no stated maturity are reported as due in one year or less.

<TABLE>
<CAPTION>

	One year or less	After one year through five years	After five years through ten years	After ten years	Total
<S>	<C>	<C>	<C>	<C>	<C>
Mortgage loans:					
One-to-four family residential	$ 10,289	$ 6,456	$ 11,534	$ 173,961	$ 202,240
Multi-family residential	9	18,337	13,951	3,197	35,494
Commercial real estate	4,841	21,559	38,311	28,075	92,786
Construction	15,493	9,720	-	-	25,213
Land	3,863	6,534	295	346	11,038
Other loans:					
Commercial business	942	52	1,027	-	2,021
Consumer	843	1,731	514	1,237	4,325
Total loans	$ 36,280	$ 64,389	$ 65,632	$ 206,816	$ 373,117

</TABLE>

The following table sets forth the dollar amount of all loans at December 31, 1998 and due after December 31, 1999, that have fixed interest rates and those that have floating or adjustable rates:

<TABLE>
<CAPTION>

	Fixed Rates	Floating or Adjustable Rates	Total
<S>	<C>	<C>	<C>
Mortgage loans:			
One-to-four family residential	$ 128,242	$ 63,709	$ 191,951

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Multi-family residential	20,826	14,659	35,485
Commercial real estate	29,737	58,208	87,945
Construction	3,700	6,020	9,720
Land	3,448	3,727	7,175
Other loans:			
Commercial business	101	978	1,079
Consumer	2,658	824	3,482
Total loans	$ 188,712	$ 148,125	$ 336,837

</TABLE>

At December 31, 1998, the Company's mortgage loan portfolio was geographically diversified, with concentrations primarily in Illinois (35.2%), Colorado (17.8%), Idaho (21.1%), and New Mexico (15.9%). Mortgage loans in Indiana and Michigan, all within the Company's immediate lending area, represent another 5.8% of the portfolio at December 31,1998. At December 31, 1997, these concentrations were Illinois (33.1%), Colorado (24.1%), Idaho (20.6%), New Mexico (15.0%), and Indiana/Michigan (4.2%).

At December 31, 1998, approximately $104.6 million or 28.5% of the Company's $366.8 million mortgage loan portfolio was secured by properties located in mountain and ski resort areas, the economies of which may be more susceptible to fluctuations in market and economic conditions. Furthermore, $36.2 million, or 34.6% of these loans are secured by second homes, which may be more susceptible to delinquencies than loans secured by primary residences; $35.9 million, or 34.3% of these loans were secured by primary residences; and $32.6 million, or 31.1% were secured by multifamily and commercial properties and land.

At December 31, 1997, approximately $118.6 million or 30.6% of the Company's $388.0 million mortgage loan portfolio was secured by properties located in mountain and ski resort areas. $43.7 million, or 36.8% of these loans are secured by second homes, $35.7 million, or 30.1% of these loans were secured by primary residences; and $39.2 million, or 33.1% were secured by multifamily and commercial properties and land.

At December 31, 1998, the Company's out-of-state mortgage loan portfolio amounted to $237.6 million and included $90.0 million in loans secured by primary residences, $56.5 million secured by secondary residences, $16.3 million secured by multifamily, and $74.7 million secured by commercial properties and land. At December 31, 1997, the Company's out-of-state mortgage loan portfolio amounted to $259.7 million and included $95.1 million in loans secured by primary residences, $66.9 million secured by secondary residences, $21.3 million secured by multifamily, and $76.4 million secured by commercial properties and land. The Company has not experienced unusual losses as a result of geographic diversification or lending in mountain and ski resort areas. The following table sets forth information regarding the geographic distribution of the Company's mortgage loan portfolio at December 31, 1998.

<TABLE>
<CAPTION>

	One-to-four family						
	Primary Residential	Secondary Residential	Total One-to-four family	Multifamily Residential	Commercial Real Estate	Land and Developed Lots	Total Mortgage Loans
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Illinois	$ 63,462	$ 1,967	$ 65,429	$ 26,992	$ 36,756	$ 31	$129,208
Indiana	10,326	584	10,910	808	-	-	11,718
Michigan	-	217	217	6,266	3,150	-	9,633
Subtotal	73,788	2,768	76,556	34,066	39,906	31	150,559
Idaho							
Sun Valley area	32,246	21,583	53,829	138	8,611	8,505	71,083
Other mountain areas	1,137	1,197	2,334	-	3,563	380	6,277
Subtotal	33,383	22,780	56,163	138	12,174	8,885	77,360
Colorado							
Denver area	11,456	1,423	12,879	6,738	13,676	46	33,339
Other urban areas	-	-	-	1,463	3,091	-	4,554
Aspen area	1,137	7,562	8,699	-	4,197	-	12,896
Other mountain areas	1,356	5,853	7,209	-	7,177	-	14,386
Subtotal	13,949	14,838	28,787	8,201	28,141	46	65,175
New Mexico	27,326	14,739	42,065	536	14,092	1,663	58,356
Florida	637	2,309	2,946	375	2,108	413	5,842
Arizona	1,922	364	2,286	-	-	-	2,286
Other states	2,497	646	3,143	-	4,050	-	7,193

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Total	$153,502	$ 58,444	$ 211,946	$ 43,316	$100,471	$ 11,038	$366,771

</TABLE>

The following table sets forth information regarding nonaccrual loans and foreclosed real estate owned by the Company at the dates indicated. The Company does not accrue interest on loans delinquent 90 days or more. Had nonaccrual loans been current according to their original terms, the Company would have recorded $385 of interest income during 1998, $495 during 1997, and $582 during 1996. Actual interest income from nonaccrual loans amounted to $288 during 1998, $400 during 1997, and $384 during 1996.

<TABLE>
<CAPTION>

	At December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Nonaccrual loans:					
One-to-four family residential	$ 1,384	$ 2,937	$ 3,959	$ 4,006	$ 4,067
Multifamily residential	1,460	477	242	58	216
Commercial real estate	-	1,102	1,707	-	-
Construction	409	939	-	549	499
Land	-	-	426	-	-
Commercial business	-	-	-	1,143	-
Consumer	138	17	-	2	5
Total nonaccrual loans	3,391	5,472	6,334	5,758	4,787
Real estate owned:					
One-to-four family residential	1,845	2,491	1,665	2,483	1,196
Multifamily residential	-	-	-	-	20
Commercial real estate	-	-	-	-	865
Land	264	-	-	-	-
Total real estate owned	2,109	2,491	1,665	2,483	2,081
Total nonperforming assets	$ 5,500	$ 7,963	$ 7,999	$ 8,241	$ 6,868
Nonaccrual loans to total loans	0.91%	1.39%	1.60%	1.46%	1.27%
Nonperforming assets to total assets	1.15%	1.64%	1.57%	1.62%	1.36%

</TABLE>

At December 31, 1998, the Company had no loans that were considered impaired. At December 31, 1997, the Company had two related loans that were considered impaired with a recorded investment of $1.1 million. The loans were placed in nonaccrual status. One of these loans was fully reserved in the amount of $350, the other had no specific reserve. Both of these loans were foreclosed during the first quarter of 1998 and no interest income was recorded. The average recorded investment in impaired loans during the year ended December 31, 1997, was approximately $1.1 million. For the year ended December 31, 1997, the Company recognized interest income (using the cash basis method of income recognition) on those impaired loans of $92.

The following table sets forth an analysis of the Company's allowance for losses on loans for the periods indicated. Where specific loan loss allowances have been established, any difference between the loss allowance and the amount of the loss realized has been charged to the allowance for losses on loans.

<TABLE>
<CAPTION>

	For the year ended December 31,				
	1998	1997	1996	1995	1994
<S>	<C>	<C>	<C>	<C>	<C>
Allowance at beginning of year	$ 6,070	$ 5,630	$ 4,870	$ 4,429	$ 4,825
Provision for losses on loans	460	700	800	800	800
Charge-offs:					
Residential real estate	194	323	114	238	-
Commercial real estate	350	-	-	236	1,054
Construction	-	-	-	-	-
Land	41	-	-	-	-
Commercial business	-	-	-	-	152
Consumer	45	-	-	-	-

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Total charge-offs	630	323	114	474	1,206
Recoveries	129	63	74	115	10
Net charge-offs	501	260	40	359	1,196
Allowance at end of year	$ 6,029	$ 6,070	$ 5,630	$ 4,870	$ 4,429
Allowance for losses on loans to loans receivable at end of year	1.62%	1.54%	1.42%	1.24%	1.18%
Net charge-offs to average loans during the year	0.13%	0.07%	0.01%	0.10%	0.35%
Allowance for losses on loans to nonaccrual loans at end of year	177.79%	110.93%	88.89%	84.58%	92.52%

</TABLE>

The Company regards the allowance for loan losses as a general reserve which is available to absorb losses from all loans. However, for purposes of complying with disclosure requirements of the Securities and Exchange Commission, the following table presents an allocation of the allowance for loan losses among the various loan categories and sets forth the percentage of loans in each category to gross loans. The allocation of the allowance for loan losses as shown in the table should neither be interpreted as an indication of future charge-offs, nor as an indication that charge-offs in future periods will necessarily occur in these amounts or in the indicated proportions.

<TABLE>
<CAPTION>

	At December 31,									
	1998		1997		1996		1995		1994	
	Amount	Percent of Loans in Category to Total Loans	Amount	Percent of Loans in Category to Total Loans	Amount	Percent of Loans in Category to Total Loans	Amount	Percent of Loans in Category to Total Loans	Amount	Percent of Loans in Category to Total Loans
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
MORTGAGE LOANS:										
Residential	$1,070	63.71%	$1,217	63.86%	$1,494	64.50%	$1,490	65.77%	$1,352	67.55%
Commercial	2,065	24.87%	2,593	24.74%	3,224	24.54%	2,351	22.09%	2,637	22.43%
Construction	-	6.76%	-	7.04%	-	6.94%	-	7.88%	-	5.77%
Land	221	2.96%	242	3.11%	275	3.47%	275	3.49%	334	3.55%
OTHER LOANS:										
Commercial business	155	0.54%	118	0.48%	50	0.30%	487	0.59%	101	0.53%
Consumer	146	1.16%	50	0.77%	13	0.25%	7	0.18%	5	0.17%
Unallocated	2,372	-	1,850	-	574	-	260	-	-	-
Total	$6,029	100.00%	$6,070	100.00%	$5,630	100.00%	$4,870	100.00%	$4,429	100.00%

</TABLE>

SECURITIES

The following table sets forth securities classified as available-for-sale, at fair value at the dates indicated.

<TABLE>
<CAPTION>

	At December 31,					
	1998		1997		1996	
	Fair Value	Percent of Portfolio	Fair Value	Percent of Portfolio	Fair Value	Percent of Portfolio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Government and agency securities	$ 25,934	51.18%	$ 29,972	63.82%	$ 10,986	19.15%
Government securities fund (1)	10,511	20.74%	6,957	14.81%	16,411	28.61%
Money market fund	7,855	15.50%	3,697	7.87%	888	1.55%
ARM securities fund	-	-	-	-	5,187	9.04%
CMO/REMIC securities	-	-	-	-	11,520	20.08%
Municipal bonds	-	-	-	-	861	1.50%
Preferred stock	4,233	8.35%	3,715	7.91%	9,387	16.37%
Common stock	2,139	4.23%	2,626	5.59%	2,122	3.70%
Total fair value	$ 50,672	100.00%	$ 46,967	100.00%	$ 57,362	100.00%

</TABLE>

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(1) The Government securities fund is a diversified bond fund which invests in U.S. Treasury and Federal Agency securities with remaining maturities of five years or less, which are permissible under applicable federal law for federal savings associations, national banks, and federal credit unions. At December 31, 1997, it was determined that the decline in fair value incurred by this fund was other than temporary, and a $241 write-down to fair value was charged to earnings.

The following table sets forth the maturities and weighted average yields of the securities in the Company's available-for-sale portfolio at December 31, 1998. Mutual funds and equity securities have no stated maturity and are included in the total column only.

	Within one year		After one year through five years		After five years through ten years		After ten years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
U.S. Government and agency securities	$ 7,174	6.44%	$ 10,075	5.93%	$ 7,535	6.46%	$ 1,150	6.93%	$25,934	6.26%
Government securities fund	-	-	-	-	-	-	-	-	10,511	5.54%
Money market fund	-	-	-	-	-	-	-	-	7,855	4.47%
Preferred stock	-	-	-	-	-	-	-	-	4,233	7.10%
Common stock (1)	-	-	-	-	-	-	-	-	2,139	4.88%
Total fair value	$ 7,174	6.44%	$ 10,075	5.93%	$ 7,535	6.46%	$ 1,150	6.93%	$50,672	5.85%

(1) Yield for common stocks based on current dividends paid, if any.

The following table sets forth securities classified as held-to-maturity, at amortized cost at the dates indicated.

	At December 31,					
	1998		1997		1996	
	Amortized Cost	Percent of Portfolio	Amortized Cost	Percent of Portfolio	Amortized Cost	Percent of Portfolio
U.S. Government and agency securities	$ -	-	$ -	-	$ 5,000	17.88%
FHLMC/FNMA mortgage-backed pass-through securities	10,529	73.39%	13,795	73.50%	17,209	61.52%
CMO/REMIC securities	1,028	7.16%	1,709	9.10%	2,406	8.60%
Municipal bonds	134	0.93%	140	0.75%	145	0.52%
Federal Home Loan Bank stock	2,657	18.52%	3,124	16.65%	3,210	11.48%
Total amortized cost	$ 14,348	100.00%	$ 18,768	100.00%	$ 27,970	100.00%
Total fair value	$ 14,222		$ 18,606		$ 27,375	

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The following table sets forth the maturities and weighted average yields of the securities in the Company's held-to-maturity portfolio at December 31, 1998. Federal Home Loan Bank stock has no stated maturity and is included in the total column only.

	After one year through five years Amount	Yield	After five years through ten years Amount	Yield	After ten years Amount	Yield	Total Amount	Yield
FHLMC/FNMA mortgage-backed pass-through securities	$ 46	8.00%	$ 9,154	5.82%	$ 1,329	6.76%	$ 10,529	5.94%
CMO/REMIC securities	-	-	-	-	1,028	6.58%	1,028	6.58%
Municipal bonds	-	-	-	-	134	6.40%	134	6.40%
Federal Home Loan Bank stock	-	-	-	-	-	-	2,657	6.63%
Total amortized cost	$ 46	8.00%	$ 9,154	5.82%	$ 2,491	6.67%	$ 14,348	6.12%

LIMITED PARTNERSHIPS

The following table sets forth the Company's investment in limited partnerships by type of investment at December 31, 1998 and 1997, and the related net income (before income taxes) for the three years ended December 31, 1998:

	December 31, 1998	1997
Investment in:		
Residential construction and sale	$ 2,618	$ 6,003
Residential investment (rental) property	243	2,118
Commercial investment (rental) property	1,173	1,167
Mortgage loan servicing	8,871	15,357
Total	$ 12,905	$ 24,645

	For the year ended December 31, 1998	1997	1996
Income from:			
Residential construction and sale	$ 1,479	$ 821	$ 1,223
Residential investment (rental) property	3,438	(351)	(470)
Commercial investment (rental) property	139	1,538	231
Mortgage loan servicing	(5,768)	1,377	655
Total	$ (712)	$ 3,385	$ 1,639

The Company invests in limited partnerships through both its holding company and its subsidiaries. These limited partnerships engage in single family residential development, rental of apartment and office buildings, condominium conversion and sale, and mortgage loan servicing. (Also see "Subsidiary Activities.")

The Company's investment in limited partnerships decreased $11.7 million, or 47.6%, to $12.9 million at December 31, 1998, from $24.6 million at December 31, 1997. The Company invested $2.4 million in existing residential construction and sale partnerships and $278 in an existing low income housing partnership. The investment in residential construction added 189 single family homesites to an existing project in Algonquin, Illinois. The construction and sale of single family homes in the suburban Chicago market is in partnership with a nationally known builder with whom the Company has completed several previous projects. During 1998 the Company recorded $1.5 million in income, with $7.3 million in cash returned from these partnerships.

During the first quarter of 1998 the Company disposed of its $1.8 million, 90% limited partnership interest in a 288 unit apartment complex in Fort Lauderdale, Florida. The partnership was organized in 1993 to purchase the apartment complex

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and convert it to condominium units for sale. Various problems with the conversion resulted in a decision to resell the property instead of converting it. The Company originally invested $4.3 million in the partnership. The property has a positive cash flow, but depreciation and conversion cost write-offs have resulted in annual losses to the Company amounting to $1.9 million over five years. The Company's investment balance was also reduced by partnership distributions in the amount of $615. Sale of the property was held up by litigation with a potential buyer, which was settled in 1996, and in 1997 the partnership entered into a contract for sale, which was scheduled to close during the fourth quarter of 1997. That contract failed to close, and the partnership entered into a new contract for sale which closed in the first quarter of 1998. The sale of the property resulted in $3.6 million in income, with $5.6 million in cash proceeds for 1998.

Purchased mortgage loan servicing rights represent the right to collect servicing fees and ancillary income from portfolios of mortgage loans owned by third party investors. The value of this right to receive future income is periodically reevaluated based on changes in the characteristics of the underlying loan portfolios, including weighted average coupons, weighted average maturities, scheduled loan payments, and unscheduled loan payments (or prepayments). The Company, through its partnerships, actively manages for retention of mortgages that would have otherwise paid off, significantly improving the value of the servicing asset. However, further reductions in mortgage loan interest rates could result in continued high levels of prepayments, and would result in additional impairment to the servicing asset.

The Company's investment in mortgage loan servicing, through a limited partnership, had been a steady source of income prior to 1998. However, as interest rates fell precipitously in 1998, mortgage prepayments escalated, increasing prepayment expectations, and eroding the value of mortgage servicing rights, especially with respect to higher rate loans. The Company reviewed appraisals of the mortgage servicing rights prepared quarterly for lenders to the partnership for indications of impairment. Impairment reserves of $1.4 million, $4.3 million, and $700 were recorded in second, third, and fourth quarters of 1998, respectively, based on the Company's share of reserves established by the partnerships. Income from the servicing partnerships reduced the net loss on servicing partnerships to $5.8 million, with $717 cash returned by the partnerships.

The Company's investment in limited partnerships increased $187, or 0.8%, to $24.6 million at December 31, 1997, from $24.5 million at December 31, 1996. The Company invested $2.4 million in an existing residential construction and sale partnership, $544 in existing residential rental property partnerships, and $900 in a commercial rental property partnership. The $2.4 million investment added 121 single family home sites to 132 single family homesites being developed in a project in Naperville, Illinois, which was started in 1996. The $544 included $344 used to fund a commitment to low income housing which is generating significant tax credits for the Company, and $200 to fund improvements to an existing multifamily rental property.

During 1997 the Company received distributions from two limited partnerships representing the Company's share of gains on the sale of the underlying rental properties. An apartment complex located near Denver, Colorado was sold at a gain of $317 during the first quarter, and during the fourth quarter an office complex, also located near Denver, was sold at a gain of $1.3 million.

DEPOSITS

Total deposits at December 31, 1998, were $348.3 million, a decrease of $177, from $348.5 million at December 31, 1997. The Company opened a new ATM site at its East Side (Chicago) office first quarter of 1998, which will improve convenience for its customers. The Company's ATM program has proven successful in providing additional fee income and helping to retain deposits. However, increased competition for depositor funds from the stock market, mutual funds, and annuity programs, as well as traditional competitors like banks and other thrifts, has made it difficult to retain deposits without overpaying. Total deposits at December 31, 1997, were $348.5 million, a decrease of $8.8 million, or 2.5%, from $357.3 million at December 31, 1996.

The following table sets forth the average balance of deposit categories and the average rates paid for each of the periods indicated.

<TABLE>
<CAPTION>

	For the year ended December 31,					
	1998		1997		1996	
	Balance	Rate	Balance	Rate	Balance	Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Non interest bearing demand	$ 6,252	-	$ 5,251	-	$ 5,073	-
Interest bearing demand	29,063	3.03%	25,965	3.07%	25,369	3.02%
Passbook accounts	60,796	2.73%	62,830	2.75%	64,919	2.72%

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Certificates of deposit	253,238	5.64%	259,300	5.83%	268,599	5.89%
Total	$349,349	4.81%	$353,346	4.99%	$363,960	5.04%

The following table sets forth the maturities of certificates of deposit of $100,000 or more at December 31, 1998:

Three months or less	$ 5,311
Over three months through six months	4,233
Over six months through twelve months	5,763
Over twelve months	5,412
Total	$ 20,719

SHORT TERM BORROWINGS

Substantially all of the Company's borrowing needs are satisfied through advances from the Federal Home Loan Bank which are available on terms with maturities from daily to ten years. At December 31, 1998, the Company had no daily advances, $20.0 million in term advances maturing in 1999 and $12.3 million in term advances maturing in 2001 through 2003. The following table sets forth certain information regarding Federal Home Loan Bank (FHLB) advances for the dates indicated.

	For the year ended December 31, 1998	1997	1996
Average balance outstanding	$ 42,772	$ 53,677	$ 45,136
Maximum amount outstanding at any month end	45,060	61,850	59,850
Balance outstanding at end of year	32,310	45,060	59,850
Weighted average interest rate during year	6.22%	6.19%	6.00%
Weighted average interest rate at end of year	6.00%	6.10%	6.14%

RESULTS OF OPERATIONS

Net income for the year ended December 31, 1998, decreased $2.1 million, to $5.9 million, compared to $8.0 million for the year ended December 31, 1997. Diluted earnings per share for 1998 was $1.73, compared to $2.29 for 1997. The primary reason for the decrease was a $4.1 million decrease in income from limited partnerships. The decrease included a $5.8 million loss from the Company's limited partnership investments in mortgage loan servicing, primarily due to impairment allowances for purchased mortgage servicing rights, offset in part by a $3.6 million gain on the sale of a limited partnership investment property during the first quarter of 1998. The $5.8 million loss reduced diluted earnings per share, net of income taxes, by approximately $1.12, while the $3.6 million gain increased diluted earnings per share, net of income taxes, by approximately $0.71 for the year ended December 31, 1998. Return on average assets (ROA) decreased to 1.21% for the year ended December 31, 1998, from 1.61% in 1997. Return on average stockholders' equity (ROE) for 1998 was 6.92%, compared to 10.20% in 1997.

Net income for the year ended December 31, 1997 was $8.0 million, compared to $5.4 million for the year ended December 31, 1996. The primary reason for the increase in earnings for 1997 was that in 1996 the Company made a payment of $2.3 million for the FDIC special assessment to recapitalize the SAIF pursuant to legislation signed by President Clinton on September 30, 1996. Net income for 1997 also benefited by a $570 reduction in the FDIC premium for insurance of accounts. Income from limited partnerships increased by $1.8 million, to $3.4 million in 1997, from $1.6 million in 1996, primarily because of gains on the sale of two rental properties in the amount of $317 (first quarter) and $1.3 million (fourth quarter), respectively. Basic earnings per share increased to $2.46 for the year ended December 31, 1997, compared to $1.44 for 1996, while diluted earnings per share increased to $2.29 for 1997, from $1.36 for 1996. The FDIC special assessment, net of income taxes, reduced earnings per share by $0.43 ($0.40 diluted) for the year ended December 31, 1996. The FDIC premium for insurance of accounts decreased from 23 cents per $100 of deposits in 1996 to approximately 6.4 cents per $100 of deposits in 1997. Return on average assets (ROA) increased to 1.61% for the year ended December 31, 1997, from 1.08% in 1996. Return on average stockholders' equity (ROE) for 1997 was 10.20%, compared to 6.56% in 1996.

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NET INTEREST INCOME

Net interest income decreased $211, to $17.8 million for the year ended December 31, 1998, compared to $18.0 million for the year ended December 31, 1997. The average yield on interest earning assets decreased to 8.19% during 1998, from 8.51% during 1997, while the average cost of funds decreased to 5.05%, from 5.22% for these same periods, resulting in a decrease in the rate spread to 3.14% in 1998, from 3.29% in 1997. The net interest margin decreased to 3.91% for 1998, compared to 3.92% for 1997.

Net interest income increased by $108, to $18.0 million for the year ended December 31, 1997, from $17.9 million for 1996. The average yield on interest earning assets increased to 8.51% during 1997, compared to 8.26% during 1996, while the average cost of funds increased to 5.22% in 1997, from 5.21% in 1996, resulting in an increase in the rate spread to 3.29% in 1997, compared to 3.05% in 1996.

<TABLE>
<CAPTION>

	For the year ended December 31,					
	1998			1997		
	Average Balance (3)	Interest and Dividends	Average Yield/ Cost	Average Balance (3)	Interest and Dividends	Average Yield/ Cost
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INTEREST EARNING ASSETS:						
Mortgage loans (1)	$ 370,485	$ 31,637	8.54%	$ 380,092	$ 33,612	8.84%
Consumer loans (1)	1,598	388	24.28%	1,242	174	14.01%
Commercial loans (1)	4,094	518	12.65%	1,431	227	15.86%
Total loans	376,177	32,543	8.65%	382,765	34,013	8.89%
Mortgage-backed securities (2)	13,640	804	5.89%	23,783	1,453	6.11%
Other securities (2)	48,504	3,099	6.39%	46,623	3,274	7.02%
Daily interest-bearing deposits	16,226	788	4.86%	4,877	260	5.33%
Total investments	78,370	4,691	5.99%	75,283	4,987	6.62%
TOTAL INTEREST-EARNING ASSETS	454,547	37,234	8.19%	458,048	39,000	8.51%
Office properties and equipment	4,690			4,244		
Real estate	2,354			2,316		
Other assets	25,158			30,737		
TOTAL ASSETS	$ 486,749			$ 495,345		
INTEREST BEARING LIABILITIES:						
Passbook accounts	$ 60,796	$ 1,659	2.73%	$ 62,830	$ 1,728	2.75%
NOW accounts	20,271	580	2.86%	18,232	535	2.93%
Money market accounts	8,792	301	3.42%	7,733	262	3.39%
Certificates of deposit	253,238	14,272	5.64%	259,300	15,116	5.83%
Total deposits	343,097	16,812	4.90%	348,095	17,641	5.07%
Borrowings	42,772	2,660	6.22%	54,365	3,386	6.23%
TOTAL INTEREST-BEARING LIABILITIES	385,869	19,472	5.05%	402,460	21,027	5.22%
Non-interest-bearing deposits	6,252			5,251		
Other liabilities	9,582			9,351		
TOTAL LIABILITIES	401,703			417,062		
Stockholders' equity	85,046			78,283		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 486,749			$ 495,345		
Net interest income		$ 17,762			$17,973	
Interest rate spread			3.14%			3.29%
Net interest margin			3.91%			3.92%
Ratio of average interest-earning assets to average interest-bearing liabilities		117.80%			113.81%	

</TABLE>

<TABLE>
<CAPTION>

	1996		
		Interest	Average

	Average Balance (3)	and Dividends	Yield/ Cost
INTEREST EARNING ASSETS:			
Mortgage loans (1)	$ 372,231	$ 32,507	8.73%
Consumer loans (1)	832	63	7.57%
Commercial loans (1)	1,866	240	12.86%
Total loans	374,929	32,810	8.75%
Mortgage-backed securities (2)	34,111	2,098	6.15%
Other securities (2)	56,944	3,844	6.75%
Daily interest-bearing deposits	5,276	167	3.17%
Total investments	96,331	6,109	6.34%
TOTAL INTEREST-EARNING ASSETS	471,260	38,919	8.26%
Office properties and equipment	4,170		
Real estate	2,069		
Other assets	23,647		
TOTAL ASSETS	$ 501,146		
INTEREST BEARING LIABILITIES:			
Passbook accounts	$ 64,919	$ 1,767	2.72%
NOW accounts	18,515	551	2.98%
Money market accounts	6,854	215	3.14%
Certificates of deposit	268,599	15,815	5.89%
Total deposits	358,887	18,348	5.11%
Borrowings	45,136	2,706	6.00%
TOTAL INTEREST-BEARING LIABILITIES	404,023	21,054	5.21%
Non-interest-bearing deposits	5,073		
Other liabilities	9,758		
TOTAL LIABILITIES	418,854		
Stockholders' equity	82,292		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 501,146		
Net interest income		$17,865	
Interest rate spread			3.05%
Net interest margin			3.79%
Ratio of average interest-earning assets to average interest-bearing liabilities		116.64%	

</TABLE>

(1) Includes nonaccrual loans.
(2) Includes securities available-for-sale at amortized cost.
(3) Based on monthly average balances.

RATE/VOLUME ANALYSIS

The table below presents the extent to which changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected the Company's interest income and interest expense during the periods indicated. Information is provided in each category with respect to (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume), and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

<TABLE>
<CAPTION>

	For the year ended December 31, 1998 vs. 1997 Increase (Decrease)			1997 vs. 1996 Increase (Decrease)		
	Due to Rate	Due to Volume	Net	Due to Rate	Due to Volume	Net
INTEREST EARNING ASSETS:						
Mortgage loans	$ (1,138)	$ (837)	$ (1,975)	$ 413	$ 692	$ 1,105
Consumer loans	154	60	214	70	41	111
Commercial loans	(54)	345	291	49	(62)	(13)
Total loan interest	(1,038)	(432)	(1,470)	532	671	1,203

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Mortgage-backed securities	(49)	(600)	(649)	(14)	(631)	(645)
Other securities	(303)	128	(175)	150	(720)	(570)
Daily interest-bearing deposits	(25)	553	528	106	(13)	93
Total investment interest	(377)	81	(296)	242	(1,364)	(1,122)
Total interest income	(1,415)	(351)	(1,766)	774	(693)	81
INTEREST BEARING LIABILITIES:						
Interest-bearing deposits	(525)	(304)	(829)	(127)	(580)	(707)
Borrowings	(5)	(721)	(726)	109	571	680
Total interest expense	(530)	(1,025)	(1,555)	(18)	(9)	(27)
Net interest income	$ (885)	$ 674	$ (211)	$ 792	$ (684)	$ 108

</TABLE>

ASSET/LIABILITY MANAGEMENT

The matching of assets and liabilities may be analyzed by examining the extent to which such assets and liabilities are "interest rate sensitive" and by monitoring an institution's interest rate sensitivity "gap". An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity gap is defined as the difference between the amount of interest earning assets anticipated, based upon certain assumptions, to mature or reprice within a specific time period and the amount of interest bearing liabilities anticipated, based upon certain assumptions, to mature or reprice within that time period. A gap is considered positive when the amount of interest rate sensitive assets exceeds the amount of interest rate sensitive liabilities, and negative when the amount of interest rate sensitive liabilities exceeds the amount of interest rate sensitive assets.

During a period of rising interest rates, a positive gap would tend to result in an increase in net interest income, while a negative gap would tend to adversely affect net interest income. During a period of falling interest rates, a negative gap would tend to result in an increase in net interest income, while a positive gap would tend to adversely affect net interest income.

At December 31, 1998, total interest earning assets maturing or repricing within one year exceeded total interest bearing liabilities maturing or repricing within one year by $40.2 million, representing a positive one year gap ratio of 8.4%. If interest rates continue to fall in 1999, as they have in 1998, the positive gap would indicate decreased net interest income in 1999.

<TABLE>
<CAPTION>

	At December 31,				
	Within 1 year	Over 1-3 years	Over 3-5 years	Over 5 years	Total
<S>	<C>	<C>	<C>	<C>	<C>
INTEREST EARNING ASSETS:					
Loans receivable	$188,745	$ 94,523	$ 44,795	$ 36,186	$ 364,249
Mortgage-backed securities	2,603	3,544	2,075	3,335	11,557
Other securities	50,672	-	-	2,791	53,463
Interest earning deposits	30,130	-	-	-	30,130
Total interest earning assets	272,150	98,067	46,870	42,312	459,399
INTEREST BEARING LIABILITIES:					
NOW accounts	5,627	7,385	4,154	5,342	22,508
Money market accounts	2,284	3,101	1,748	2,278	9,411
Passbook accounts	15,228	19,986	11,242	14,454	60,910
Certificates of deposit	200,731	41,089	7,860	1,189	250,869
FHLB advances	8,000	18,235	6,075	-	32,310
Total interest bearing liabilities	231,870	89,796	31,079	23,263	376,008
INTEREST SENSITIVITY GAP	$ 40,280	$ 8,271	$ 15,791	$ 19,049	$ 83,391
CUMULATIVE INTEREST SENSITIVITY GAP	$ 40,280	$ 48,551	$ 64,342	$ 83,391	
Cumulative gap as a percentage of total assets	8.41%	10.13%	13.43%	17.41%	
Cumulative interest earning assets as a					

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percentage of interest bearing liabilities	117.37%	115.09%	118.24%	122.18%

</TABLE>

The above table sets forth the amount of interest earning assets and interest bearing liabilities outstanding at December 31, 1998, which are expected to reprice or mature in each of the future time periods shown, based on certain assumptions. Except as stated, the amounts of assets and liabilities shown which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual terms of the asset or liability. Equity securities and mutual fund investments held as available-for-sale are included in the "within 1 year" column; FHLB stock is included in "over 5 years". Fixed rate loans are assumed to prepay at rates of 11% to 26%, dependent upon the interest rate of the loan. Adjustable rate loans are assumed to prepay at 45%. Multifamily and commercial real estate loans are assumed to prepay at 11% for fixed rate and 18% for adjustable rate loans. The Company has assumed transaction accounts reprice at the rate of 7% to 12% in year one, 33% in years two and three, 18% in years four through ten, and 5% thereafter. Fixed rate/maturity accounts reprice at maturity. (Also see Item 7a. "Quantitative and Qualitative Disclosures About Market Risk.")

PROVISION FOR LOAN LOSSES

The allowance for losses on loans is established through a provision for loan losses based on management's evaluation of the risk inherent in its loan portfolio and the general economy. Management's evaluation includes a review of all loans on which full collectibility may not be reasonably assured, the estimated fair value of the underlying collateral, economic conditions, historical loan loss experience, review of larger and known problem loans, and the Company's internal credit review process.

The Company's provision for losses on loans was reduced to $460 for the year ended December 31, 1998, from $700 for the year ended December 31, 1997, primarily due to reductions in non-performing loans and loans receivable. Net chargeoffs to the allowance for losses on loans were $501 during 1998, compared to $260 during 1997. The allowance for losses on loans increased to 1.62% of loans receivable at December 31, 1998, compared to 1.54% of loans receivable at December 31, 1997. Nonperforming loans to loans receivable decreased to 0.91% at December 31, 1998, from 1.39% at December 31, 1997, primarily due to foreclosed loans transferred to real estate acquired through foreclosure. Nonperforming assets to total assets decreased to 1.15% at December 31, 1998, from 1.64% at December 31, 1997, primarily due to the subsequent sale of property acquired through the foreclosures. The allowance for losses on loans amounted to 178% of nonperforming loans at December 31, 1998, increased from 111% at December 31, 1997.

The Company reduced its annual provision for losses on loans to $700 for the year ended December 31, 1997, from $800 for the three years ended December 31, 1996. Average net charge-offs during this four year period were $464, or 60% of the provision, although individual year's charge-offs were highly variable, from a high of $1.2 million in 1994, to a low of $40 in 1996. This variability is due primarily to the Company's commercial real estate lending, where individual loans can have a significant impact in any one year.

Charge-offs of $323 were partially offset by recoveries of $63 during the year ended December 31, 1997, compared to charge-offs of $114 and recoveries of $74 for 1996. The allowance for losses on loans increased to 1.54% of loans receivable at December 31, 1997, from 1.42% at December 31, 1996. Non-performing loans to loans receivable decreased to 1.39% at December 31, 1997, from 1.60% at December 31, 1996, while non-performing assets to total assets increased to 1.64% at December 31, 1997, from 1.57% at December 31, 1996. The allowance for losses on loans amounted to 110.93% of non-performing loans at December 31, 1997, increased from 88.89% at December 31, 1996.

OTHER INCOME

Other income decreased $3.4 million, to $861 during the year ended December 31, 1998, from $4.2 million during 1997, primarily due to the $4.1 million decrease in income from limited partnerships, which included a $5.8 million loss in mortgage loan servicing limited partnerships, which was partially offset by increased sales of single family homes by Illinois real estate development limited partnerships and the $3.6 million gain on sale of a limited partnership residential investment property located in Florida.

Purchased mortgage loan servicing rights represent the right to collect servicing fees and ancillary income from a portfolios of mortgage loans owned by third party investors. The value of this right to receive future income is periodically reevaluated based on changes in the characteristics of the underlying loan portfolios, including weighted average coupons, weighted average maturities, scheduled loan payments, and unscheduled loan payments (or prepayments). During 1998, prepayments significantly exceeded expectations, resulting in an estimated $6.4 million impairment of the asset at December 31, 1998. The Company, through its partnerships, actively manages for retention of

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mortgages that would have otherwise paid off, significantly improving the value of the servicing asset. However, further reductions in mortgage loan interest rates could result in continued high levels of prepayments, and would result in additional impairment to the servicing asset. At December 31, 1998, the Company had a remaining investment of $8.9 million in mortgage loan servicing, $2.6 million in residential development, and $1.4 million in other real estate limited partnerships.

Other income increased to $4.2 million for the year ended December 31, 1997, from $3.0 million for the year ended December 31, 1996, primarily due to the $1.8 million increase in income from limited partnerships, partially offset by the $283 change from gains to losses on the sale of securities. The increase in income from limited partnerships came primarily from gains recorded on the sale of partnership rental properties. A $317 gain was recorded during the first quarter of 1997, and a $1.3 million gain was recorded during the fourth quarter of 1997. Gains on loans sold decreased $53, to $167 for the year ended December 31, 1997, from $220 in 1996, primarily due to a decrease in loans sold in the secondary market (more were retained for portfolio), and also to a more competitive fee structure. The following table presents additional detail on miscellaneous other income for the years indicated:

	For the year ended December 31,		
	1998	1997	1996
Miscellaneous other income:			
Rental income	$ 135	$ 144	$ 170
Income from real estate owned, net	(127)	(257)	(292)
ATM/debit card fees	228	195	152
Credit enhancement fees	111	78	67
Other miscellaneous	187	78	310
Total miscellaneous other income	$ 534	$ 238	$ 407

OPERATING EXPENSES

Operating expenses remained at approximately $9.5 million for years 1998 and 1997. Compensation expense decreased $311, to $5.2 million in 1998, from $5.5 million in 1997, offsetting in part an increase of $94 in professional fees. Data processing and occupancy (including equipment) expenses increased $82 in 1998, primarily as the result of Year 2000 preparations. ATM/debit card expenses increased $82, to $208 in 1998, compared to $126 in 1997, primarily due to the introduction of the Company's debit card program in 1998 and the related front end fixed costs not yet absorbed by volume. Operating expenses as a percent of average assets increased to 1.96% in 1998, from 1.93% in 1997. The Company's efficiency ratio was 52.4% in 1998, compared to 44.3% in 1997, primarily due to a $3.4 million decrease in other income.

Operating expenses decreased $2.7 million, to $9.5 million for the year ended December 31, 1997, from $12.2 million in 1996, primarily due to the $2.3 million FDIC special assessment paid in 1996. The FDIC premium for insurance of accounts decreased $570, to $231 in 1997, from $801 in 1996, due to a reduction in the assessment rate. Compensation expense increased $214, or 4.0%, to $5.5 million in 1997, from $5.3 million in 1996. Professional fees decreased $124, to $348 for 1997, from $472 in 1996, primarily due to a $130 decrease in legal fees. Operating expenses as a percent of average assets decreased to 1.93% in 1997, from 1.98% (before the special assessment) in 1996. The Company's efficiency ratio was 44.3% in 1997, compared to 49.4% (before the special assessment) in 1996.

The following table provides additional detail on miscellaneous other expenses for the years indicated:

	For the year ended December 31,		
	1998	1997	1996
Miscellaneous other expense:			
Stationery and supplies	$ 187	$ 213	$ 214
Telephone and postage	278	249	222
Loan expense	21	24	22
Insurance	97	111	133
Security	100	89	77
Audit and examination fees	188	186	193

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Legal fees	145	99	229
Consulting fees	57	11	18
Benefit plan administration fees	44	52	32
Due and subscriptions	37	40	65
Checking account expenses	24	20	28
ATM/debit card expenses	208	126	99
Minority interest	54	41	28
Other	328	376	342
Total miscellaneous other expense	$1,768	$1,637	$1,702

</TABLE>

INCOME TAXES

The Company's effective income tax rate for 1998 was 31.95%, compared to 33.30% for 1997, and 31.0% for 1996. The effective tax rate for all three years was reduced from statutory rates by the dividends received deduction and by low income housing tax credits.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of funds are deposits, proceeds from principal and interest payments on loans, securities, including mortgage-backed securities, and Federal Home Loan Bank advances. While maturities and scheduled amortization of loans and mortgage-backed securities are predictable sources of funds, deposit flows and mortgage prepayments are greatly influenced by general interest rates, economic conditions, and competition. The Company's liquidity, represented by cash equivalents, is a product of its operating, investing and financing activities. These activities for the three years ended December 31, 1998, are summarized in the following table.

<TABLE>
<CAPTION>

	Year ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Operating activities:			
Net income	$ 5,881	$ 7,987	$ 5,399
Adjustments to reconcile net income to net cash provided by (used in) operating activities	1,123	(2,465)	85
Net cash provided by investing activities	31,640	27,144	701
Net cash used in financing activities	(13,119)	(33,558)	(5,667)
Net increase (decrease) in cash and cash equivalents	25,525	(892)	518
Cash and cash equivalents at beginning of year	8,283	9,175	8,657
Cash and cash equivalents at end of year	$ 33,808	$ 8,283	$ 9,175

</TABLE>

The primary investing activity of the Company is the origination and purchase of mortgage loans for its own portfolio. The Company originated or purchased $91.9 million, $94.9 million, and $86.7 million in loans for the years ended December 31, 1998, 1997, and 1996, respectively. Repayments and prepayments of loans were $112.7 million, $97.9 million, and $83.1 million for these same periods.

The Company also made significant investments in both debt and equity securities. The company invested $29.2 million, $45.1 million, and $30.8 million in these securities for the years ended December 31, 1998, 1997, and 1996, respectively. Proceeds from sales, repayments and maturities of $29.7 million, $65.9 million, and $45.8 million for these same periods.

Financing activities during 1998 consisted primarily of a $12.8 million decrease in Federal Home Loan Bank advances. Financing activities during 1997 included a $14.8 million decrease in Federal Home Loan Bank advances, a $8.9 million decrease in deposits and the repurchase of 426,597 shares of Treasury stock for $10.0 million, at an average cost of $23.50 per share. Financing activities during 1996 included a $4.7 million increase in Federal Home Loan Bank advances, offset by a $1.9 million decrease in deposits and the repurchase of 466,229 shares of Treasury stock for $8.7 million, at an average cost of $18.63 per share.

At December 31, 1998, the Company had approved mortgage loan commitments totalling $4.1 million, $8.9 million of undisbursed loans-in-process, a $1.1 million commitment to invest in low income housing, $9.0 million in credit enhancement arrangements (secured by securities and a letter of credit from the Federal Home Loan Bank), and $12.7 million in unused lines of credit, primarily to mortgage brokers.

Federal regulations require a savings institution to maintain an average daily

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balance of liquid assets (cash and eligible investments) equal to at least 4% of the average daily balance of its net withdrawable deposits and short term borrowings. Management has consistently maintained liquidity levels in excess of these regulatory requirements. The Association's average liquidity ratios were 14.6%, 8.8%, and 7.9% during 1998, 1997, and 1996, respectively.

The Association is also required to maintain specific amounts of capital pursuant to federal regulations. As of December 31, 1998, the Association was in compliance with all regulatory capital requirements with tangible and core capital of 12.8%, and risk-based capital of 20.9%, well above the requirements of 1.5%, 4.0%, and 8.0%, respectively.

SUBSIDIARY ACTIVITIES

Calumet Residential Corporation (CRC) is a second tier subsidiary of the Company, formed for the purpose of investing in real estate development and sale. CRC is currently invested as a limited partner in three Illinois single family home developments in Algonquin, Lake Villa and Naperville Illinois.

As of December 31, 1998, the Algonquin development has delivered 885 of 1,092 single family homes, with 46 homes under contract and 158 homesites remaining to be sold. During 1998 CRC increased its investment in this project by $2.4 million, adding 189 homesites to the project. During 1998 the project generated $344 income to CRC on closings of 92 units, and $3.1 million to date. CRC has a remaining investment of $2.2 million in the project at December 31, 1998.

As of December 31, 1998, the Lake Villa development has delivered 132 of 166 single family homes, with 18 homes under contract and 14 homesites remaining to be sold. During 1998 the project generated $130 income to CRC on closings of 48 units, and $590 to date. CRC has a remaining investment of $161 in the project at December 31, 1998.

As of December 31, 1998, the Naperville development has delivered 77 of 203 single family homes and 50 developed lots, with 60 homes under contract and 50 homesites remaining to be sold. During 1998 CRC recognized $1.0 million income from this project and has no remaining investment in the project at December 31, 1998.

CRC also participates as a limited partner in an office building rental property in a suburb of Denver, Colorado. During 1998 the investment generated $113 income, and at December 31, 1998 had a remaining investment balance of $274.

Calumet Savings Service Corporation (CSSC) is a second tier subsidiary of the Company and is engaged in the sale of insurance, annuity and investment products through its independent insurance agency and through its franchise arrangement with Investor Services. Calumet Financial Corporation (CFC) is a wholly owned subsidiary of CSSC, formed in 1997 to make consumer loans and small business loans.

Calumet Mortgage Corporation of Idaho (CMCID) was formed as a subsidiary of CSSC in January, 1995, to incorporate the existing loan origination office of the Association located in Ketchum, Idaho. This office originates and sells mortgage loans, primarily in Sun Valley and the surrounding areas. The Company increased its portfolio of Idaho mortgage loans primarily through this subsidiary. CMCID originated $35.4 million in mortgage loans in 1998, equal to its production in 1997.

THE YEAR 2000

The Company is aware of the issues associated with the programming code in existing computer systems as the year 2000 approaches. The Year 2000 problem is pervasive and complex as virtually every computer operation will be affected in some way by the rollover of the two digit year value to 00. The issue is whether computer systems will properly recognize date sensitive information when the year changes to 2000. Systems that do not properly recognize such information could generate erroneous data or cause a system to fail.

The Company has been working on the Y2K issues since early 1997. Of primary concern are the mission critical functions that are essential to the Company performing as a quality financial services provider for all the customers the Company serves. The Company has identified those items to include the teller and platform systems that process the financial transactions for all deposit and mortgage loan customers including general ledger processing, the mortgage loan department's loan origination system, the automated teller machines and their related network, and the processing systems associated with Calumet Financial Corporation, Calumet Savings Service Corporation, and Calumet Mortgage Corporation of Idaho.

Calumet Financial Corporation has identified its consumer loan system as mission critical. Calumet Savings Service Corporation has identified its local area network, which processes its accounting and insurance applications, as mission critical. Calumet Mortgage Corporation of Idaho has determined its loan

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origination system to be mission critical.

The Company has spent approximately $800,000 to date to upgrade and install new systems, completely replacing all teller and new, state of the art account terminals and software. The total cost to render all systems, including non-mission critical systems, Y2K compliant is estimated to be between $800,000 and $900,000. These capital expenditures will be amortized over a three to five year period. The Company does not track the internal costs incurred for the Y2K project. Such internal costs are principally related to the payroll costs attributable to the employees working on the project.

The hardware to process all teller, platform and general ledger systems was installed and in service during the third quarter of 1998. The system includes a network of pentium PCs that have been certified and tested for Y2K compliance. The outside service bureau utilized by the Company to process in this environment has completed their programming changes and has begun testing for all clients during the fourth quarter of 1998. The mortgage loan origination software and hardware located at the Company's headquarters has been certified and tested to be Y2K compliant. Tests on this system were successfully performed during the fourth quarter of 1998.

The Company's ATM network will require minimal hardware upgrades to be Y2K compliant The testing of the ATM network switch interface with the Company's service bureau was completed successfully during the third quarter of 1998.

Calumet Savings Service Corporation has installed the necessary hardware to render its accounting and insurance systems Y2K compliant. New software was obtained, installed, and successfully tested in the fourth quarter of 1998.

Calumet Financial Corporation utilizes the same service bureau as the Company for processing their consumer loans. CFC began testing in the fourth quarter of 1998. In addition, CFC utilizes a loan origination package that was upgraded to a new Y2K compliant version in the fourth quarter of 1998.

Calumet Mortgage Corporation of Idaho utilizes software that has been certified by their vendor as Y2K compliant. Tests of their mortgage origination system were successfully completed during the fourth quarter of 1998.

The Company has queried certain large commercial mortgage loan borrowers as to their Y2K compliance. As of this date, the Company has not identified any that pose a credit risk as a result of Y2K issues.

The Company presently believes that with the modifications, upgrades and new software and hardware currently in place, or soon to be installed and tested, the Y2K issue will not pose significant operational problems for the Company's computer systems or business operations. However, there can be no assurance that unforseen problems in the Company's computer systems, or the systems of third parties on which the Company's computers rely, will not have a material adverse effect on the Company's systems or operations.

ITEM 7a. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The business of the Company and the composition of its balance sheet consists of investments in interest-earning assets (primarily loans, mortgage-backed securities, and other securities) which are primarily funded by interest-bearing liabilities (deposits and borrowings). Such financial instruments have varying levels of sensitivity to changes in market interest rates resulting in market risk. All of the financial instruments of the Company are for other than trading purposes. Approximately 95% of the Company's financial assets and 100% of its financial liabilities are held and managed by the Association. The following discussion pertains primarily to the financial instruments held by the Association.

Interest rate risk results when the maturity or repricing intervals and interest rate indices of the interest-earning assets, interest-bearing liabilities, and off-balance sheet financial instruments are different, creating a risk that changes in the level of market interest rates will result in disproportionate changes in the value of, and the net earnings generated from, the Association's interest-earning assets, interest-bearing liabilities, and off-balance sheet financial instruments. The Association's exposure to interest rate risk is managed primarily through the Association's strategy of selecting the types of terms of interest-earning assets and interest-bearing liabilities which generate favorable earnings, while limiting the potential negative effect of changes in market interest rates. Since the Association's primary source of interest-bearing liabilities is customer deposits, the Association's ability to manage the types and terms of such deposits may be somewhat limited by customer preferences in the market areas in which the Association operates. Borrowings, which include FHLB advances, both short-term borrowings, and long-term borrowings, are generally structured with specific terms which in management's judgment, when aggregated with the terms for outstanding deposits and matched with interest-earning assets, mitigate the Association's exposure to interest rate risk. The rates, terms and interest rate indices of the Association's

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interest-earning assets result primarily from the Association's strategy of investing in loans and securities (a substantial portion of which have adjustable-rate terms) which permit the Association to limit its exposure to interest rate risk, together with credit risk, while at the same time achieving a positive interest rate spread from the difference between the income earned on interest-earning assets and the cost of interest-bearing liabilities (see "Asset/ Liability Management" for a further discussion of rate sensitive assets, rate sensitive liabilities and net interest spread).

SIGNIFICANT ASSUMPTIONS UTILIZED IN MANAGING INTEREST RATE RISK

Managing the Association's exposure to interest rate risk involves significant assumptions about the exercise of imbedded options and the relationship of various interest rate indices of certain financial instruments.

IMBEDDED OPTIONS: A substantial portion of the Association's loans and mortgage-backed securities are residential mortgage loans containing significant imbedded options which permit the borrower to prepay the principal balance of the loan prior to maturity ("prepayments") without penalty. A loan's propensity for prepayment is dependent upon a number of factors, including, the current interest rate and interest rate index (if any) on the loan, the financial ability of the borrower to refinance, the economic benefit to be obtained from refinancing, availability of refinancing at attractive terms as well as

economic and other factors in specific geographic areas which affect the sales and price levels of residential property. In a changing interest rate environment, prepayments may increase or decrease on fixed- and adjustable-rate loans depending on the current relative levels and expectations of future short- and long-term interest rates. Since a significant portion of the Association's loans are ARM loans, prepayments on such loans generally increase when long-term interest rates fall or are at historically low levels relative to short-term interest rates, making fixed-rate loans more desirable.

Securities, other than those with early call provisions, generally do not have significant imbedded options and repay pursuant to specific terms until maturity. While savings and checking deposits generally may be withdrawn upon the customer's request without prior notice, a continuing relationship with customers resulting in future deposits and withdrawals is generally predictable resulting in a dependable and uninterrupted source of funds. Time deposits generally have early withdrawal penalties, while term FHLB advances have prepayment penalties, which discourage customer withdrawal of time deposits and prepayment of FHLB advances prior to maturity.

INTEREST RATE INDICES: The Association's ARM loans are primarily indexed to the One Year Constant Maturity Treasury Index. When such loans are funded by interest-bearing liabilities which are determined by other indices, primarily deposits and FHLB advances, a changing interest rate environment may result in different levels of change in the different indices leading to disproportionate changes in the value of, and the net earnings generated from, the Association's financial instruments. Each index is unique and is influenced by different external factors, therefore, the historical relationships in various indices may not necessarily be indicative of the actual change which may result in the changing interest rate environment.

INTEREST RATE RISK MEASUREMENT

In addition to periodic gap reports (see "Asset/Liability Management") comparing the repricing periods of interest-earning assets and interest-bearing liabilities, management also utilizes a quarterly report ("model") prepared for the Association by the Office of Thrift Supervision ("OTS") based on information provided by the Association which measures the Association's exposure to interest rate risk. The model calculates the present value of assets, liabilities, off-balance sheet financial instruments, and equity at current interest rates, and at hypothetical higher and lower interest rates at one percent intervals. The present value of each major category of financial instrument is calculated by the model using estimated cash flows based on weighted average contractual rates and terms at discount rates representing the estimated current market interest rate for similar financial instruments. The resulting present value of longer term fixed-rate financial instruments are more sensitive to change in a higher or lower market interest rate scenario, while adjustable-rate financial instruments largely reflect only a change in present value representing the difference between the contractual and discounted rates until the next interest rate repricing date.

The following table reflects the estimated present value of interest-earning assets, interest-bearing liabilities, and off-balance sheet financial instruments as calculated by the OTS for the Association as of December 31, 1998, at current interest rates and at hypothetical higher and lower interest rates of one and two percent.

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<TABLE>
<CAPTION>

	Present Value at December 31, 1998				
	Down 2%	Down 1%	Current	Up 1%	Up 2%
INTEREST-EARNING ASSETS:					
Mortgage loans, including mortgage-backed securities:					
Adjustable rate	$ 166,674	$ 164,819	$ 163,085	$ 161,317	$ 159,354
Fixed rate	207,928	203,473	198,628	191,881	183,955
Commercial and consumer loans	15,395	15,313	15,234	15,158	15,084
Securities	68,788	67,378	66,010	64,624	63,202
TOTAL INTEREST-EARNING ASSETS	458,785	450,983	442,957	432,980	421,595
Other assets	17,040	17,169	17,397	17,669	17,908
Total assets	$ 475,825	$ 468,152	$ 460,354	$ 450,649	$ 439,503
INTEREST BEARING LIABILITIES:					
Passbook accounts	$ 61,087	$ 60,971	$ 60,624	$ 59,022	$ 57,000
NOW accounts	29,537	29,202	28,563	27,792	27,056
Money market accounts	9,394	9,346	9,253	9,133	9,016
Certificates of deposit	256,679	254,488	252,351	250,270	248,240
TOTAL DEPOSITS	356,697	354,007	350,791	346,217	341,312
Borrowings	33,732	33,223	32,729	32,249	31,783
TOTAL INTEREST-BEARING LIABILITIES	390,429	387,230	383,520	378,466	373,095
Other liabilities	7,658	7,655	7,652	7,650	7,647
Total liabilities	$ 398,087	$ 394,885	$ 391,172	$ 386,116	$ 380,742
Loan commitments	$ 132	$ 114	$ 89	$ 47	$ (11)
NET PORTFOLIO VALUE	$ 77,870	$ 73,381	$ 69,271	$ 64,580	$ 58,750

</TABLE>

For comparison purposes, the following table reflects the estimated present value of interest-earning assets, interest-bearing liabilities, and off-balance sheet financial instruments as calculated by the OTS for the Association as of December 31, 1997, at current interest rates and at hypothetical higher and lower interest rates of one and two percent.

<TABLE>
<CAPTION>

	Present Value at December 31, 1997				
	Down 2%	Down 1%	Current	Up 1%	Up 2%
INTEREST-EARNING ASSETS:					
Mortgage loans, including mortgage-backed securities:					
Adjustable rate	$228,046	$225,376	$222,736	$219,929	$216,675
Fixed rate	173,247	170,385	165,515	158,982	152,010
Commercial and consumer loans	9,925	9,882	9,840	9,800	9,759
Securities	46,676	45,407	44,101	42,663	41,139
TOTAL INTEREST-EARNING ASSETS	457,894	451,050	442,192	431,374	419,583
Other assets	22,640	22,767	22,928	23,076	23,201
Total assets	$480,534	$473,817	$465,120	$454,450	$442,784
INTEREST BEARING LIABILITIES:					
Passbook accounts	$ 60,775	$ 60,538	$ 59,044	$ 56,944	$ 54,995
NOW accounts	24,046	23,632	22,976	22,357	21,779
Money market accounts	8,412	8,322	8,215	8,110	8,006
Certificates of deposit	261,784	259,691	257,663	255,653	253,706
TOTAL DEPOSITS	355,017	352,183	347,898	343,064	338,486
Borrowings	46,411	45,685	44,976	44,283	43,606
TOTAL INTEREST-BEARING LIABILITIES	401,428	397,868	392,874	387,347	382,092
Other liabilities	8,706	8,705	8,705	8,704	8,703

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Total liabilities	$410,134	$406,573	$401,579	$396,051	$390,795
Loan commitments	$ 315	$ 230	$ 99	$ (62)	$ (237)
NET PORTFOLIO VALUE	$ 70,715	$ 67,474	$ 63,640	$ 58,337	$ 51,752

</TABLE>

The calculations of present value have certain shortcomings. The discount rates utilized for loans and mortgage-backed securities are based on estimated market interest rate levels for similar loans and securities nationwide, with prepayment levels generally assumed based on global statistics. The unique characteristics of the Association's loans and mortgage-backed securities may not necessarily parallel those assumed in the model, and therefore, would likely result in different discount rates, prepayment experiences, and present values. The discount rates utilized for deposits and borrowings are based upon available alternative types and sources of funds which are not necessarily indicative of the present value of deposits and FHLB advances since such deposits and advances are unique to, and have certain price and customer relationship advantages for, depository institutions. The present values are determined based on the discounted cash flows over the remaining estimated lives of the financial instruments and assumes that the resulting cash flows are reinvested in financial instruments with virtually identical terms. The total measurement of the Association's exposure to interest rate risk as presented in the above table may not be representative of the actual values which might result from a higher or lower interest rate environment. A higher or lower interest rate environment will most likely result in different investment and borrowing strategies by the Association designed to further mitigate the effect on the value of, and the net earnings generated from, the Association's net assets from any change in interest rates.

NET PORTFOLIO VALUE: The OTS adopted a final rule in August of 1993 incorporating an interest rate risk ("IRR") component into the risk-based capital rules. The IRR component is a dollar amount that is deducted from total capital for the purpose of calculating an institution's risk-based capital requirement and is measured in terms of the sensitivity of its net portfolio value ("NPV") to changes in interest rates. An institution's NPV is calculated as the net discounted cash flows from assets, liabilities, and off-balance sheet contracts. An institution's IRR component is measured as the change in the ratio of NPV to the net present value of total assets as a result of a hypothetical 200 basis point change in market interest

rates. A resulting decline in this ratio of more than 2% of the estimated present value of an institution's total assets prior to the hypothetical 200 basis point change will require the institution to deduct from its regulatory capital 50% of that excess decline. Implementation of the rule has been postponed indefinitely.

The following table presents the Association's ratio of NPV to the present value of total assets as of December 31, 1998 and 1997, as calculated by the OTS, based on information provided to the OTS by the Association.

<TABLE>
<CAPTION>

Change in interest rates (basis points)		Net Present Value	Present Value of Total Assets	Ratio of NPV to PV of TA	Percentage Change
<S>	<C>	<C>	<C>	<C>	<C>
	1998				
+200		$ 58,750	$ 439,503	13.37%	-1.68%
+100		64,580	450,649	14.33%	-0.72%
Static		69,271	460,354	15.05%	--
-100		73,381	468,152	15.67%	0.63%
-200		77,870	475,825	16.37%	1.32%
	1997				
+200		$ 51,752	$ 442,784	11.69%	-1.99%
+100		58,337	454,450	12.84%	-0.85%
Static		63,640	465,120	13.68%	--
-100		67,474	473,817	14.24%	0.56%
-200		70,715	480,534	14.72%	1.03%

</TABLE>

Certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate mortgage loans,

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have features that restrict changes in interest rates on a short-term basis and over the life of the loan. Further, in the event of a change in interest rates, prepayment and early withdrawal levels could deviate significantly from those assumed in calculating the tables. Finally, the ability of many borrowers to service their debt may decrease in the event of a significant interest rate increase.

In addition, the previous table does not necessarily indicate the impact of general interest rate movements on the Association's net interest income because the repricing of certain categories of assets and liabilities are subject to competitive and other pressures beyond the Association's control. As a result, certain assets and liabilities indicated as maturing or otherwise repricing within a stated period may in fact mature or reprice at different times and at different volumes.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT AUDITORS

Board of Directors and Stockholders
Calumet Bancorp, Inc.

We have audited the accompanying consolidated statements of financial condition of Calumet Bancorp, Inc. as of December 31, 1998 and 1997, and the related consolidated statements of income, cash flows , and stockholders' equity for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

/s/ Crowe,Chizek and Company LLP

Crowe, Chizek and Company LLP

Oak Brook, Illinois
February 18, 1999

CALUMET BANCORP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands)

<TABLE>
<CAPTION>

	AT DECEMBER 31,	
	1998	1997
<S>	<C>	<C>
Assets:		
Cash	$ 3,678	$ 2,932
Interest bearing deposits	30,130	5,351
CASH AND CASH EQUIVALENTS	33,808	8,283
Securities available-for-sale	50,672	46,967
Securities held-to-maturity (fair value: $14,222 (1998); $18,606 (1997))	14,348	18,768
Loans receivable, net	356,544	376,988
Investment in limited partnerships	12,905	24,645

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	1998	1997
Real estate held for sale acquired through foreclosure	2,109	2,491
Office properties and equipment, net	5,113	4,468
Accrued interest receivable and other assets	3,616	4,016
TOTAL ASSETS	$ 479,115	$ 486,626
LIABILITIES:		
Deposits	$ 348,284	$ 348,461
Federal Home Loan Bank advances	32,310	45,060
Advance payments by borrowers for taxes and insurance	3,014	3,237
Income taxes	506	1,229
Accrued interest payable and other liabilities	7,175	7,025
TOTAL LIABILITIES	391,289	405,012
STOCKHOLDERS' EQUITY:		
Preferred stock, $.01 par value, 2,000,000 shares authorized	-	-
Common stock, $.01 par value, 8,400,000 shares authorized 3,620,454 (1998) and 3,616,090 (1997) shares issued	36	36
Additional paid-in capital	35,262	35,217
Accumulated other comprehensive income	1,306	1,303
Retained earnings - substantially restricted	62,667	56,786
Unearned ESOP shares	-	(283)
Treasury stock (474,593 shares)	(11,445)	(11,445)
TOTAL STOCKHOLDERS' EQUITY	87,826	81,614
Total liabilities and stockholders' equity	$ 479,115	$ 486,626

</TABLE>

See notes to consolidated financial statements.

CALUMET BANCORP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Dollars in thousands, except per share data)

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Interest and Dividend Income:			
Loans	$ 32,543	$ 34,013	$ 32,810
Securities and deposits	4,691	4,987	6,109
Total interest and dividend income	37,234	39,000	38,919
INTEREST EXPENSE:			
Deposits	16,812	17,641	18,348
Federal Home Loan Bank advances	2,660	3,386	2,706
Total interest expense	19,472	21,027	21,054
NET INTEREST INCOME	17,762	17,973	17,865
Provision for losses on loans	460	700	800
Net interest income after provision for losses	17,302	17,273	17,065
OTHER INCOME:			
Gain on loans sold	193	167	220
Gain (loss) on sales of real estate	137	70	(4)
Gain (loss) on sales of securities	12	(230)	53
Income (loss) from limited partnerships	(712)	3,385	1,639
Insurance and brokerage commissions	273	233	352
Checking account fees	424	375	325
Other	534	238	407
Total other income	861	4,238	2,992
Other Expenses:			
Compensation and benefits	5,194	5,505	5,291
Office occupancy and equipment	1,402	1,295	1,302
Federal insurance premiums	215	231	801
FDIC special assessment	-	-	2,316
Advertising and promotion	335	343	375
Data processing	607	525	444

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Other	1,768	1,637	1,702
Total other expenses	9,521	9,536	12,231
Income before income taxes	8,642	11,975	7,826
Income taxes	2,761	3,988	2,427
NET INCOME	$ 5,881	$ 7,987	$ 5,399
BASIC EARNINGS PER SHARE	$ 1.87	$ 2.46	$ 1.44
DILUTED EARNINGS PER SHARE	$ 1.73	$ 2.29	$ 1.36

</TABLE>

See notes to consolidated financial statements.

CALUMET BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

<TABLE>
<CAPTION>

	FOR THE YEAR ENDED DECEMBER 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net income	$ 5,881	$ 7,987	$ 5,399
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for losses on loans	460	700	800
Provision for depreciation	457	357	361
Amortization of deferred loan and commitment fees	(753)	(851)	(939)
Amortization and accretion of premiums and discounts	178	205	233
Amortization and allocation of stock based benefits	283	703	701
Loss (gain) on sales of securities available-for-sale	(12)	230	(53)
Equity in loss (income) from limited partnerships	712	(3,385)	(1,639)
Net loss (gain) on sale of real estate	(137)	(70)	4
Originations of loans held for sale	(12,617)	(6,503)	(5,945)
Gain on loans sold	(193)	(167)	(220)
Proceeds from loans sold	12,810	6,670	6,165
Change in operating assets and liabilities:			
Decrease in accrued interest receivable and other assets	400	51	178
Increase (decrease) in income taxes	(615)	(23)	473
(Decrease) increase in accrued interest payable and other liabilities	150	(382)	(34)
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,004	5,522	5,484
INVESTING ACTIVITIES:			
Securities available-for-sale:			
Purchases	(29,083)	(45,063)	(30,238)
Proceeds from sale	9,722	53,883	35,075
Repayments and maturities	15,604	3,036	5,755
Securities held-to-maturity:			
Purchases	(151)	(10)	(557)
Repayments and maturities	4,366	8,998	4,974
Principal and fees collected on loans	112,681	97,898	79,034
Loans originated	(91,379)	(89,035)	(83,116)
Loans purchased	(510)	(5,844)	(3,567)
Investments in limited partnerships	(2,742)	(3,882)	(11,563)
Return of investment in limited partnerships	13,770	7,080	4,970
Proceeds from sales of real estate	464	588	348
Purchases of office property and equipment	(1,102)	(505)	(414)
NET CASH PROVIDED BY INVESTING ACTIVITIES	31,640	27,144	701

</TABLE>

See notes to consolidated financial statements.

CALUMET BANCORP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Dollars in thousands)

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<TABLE>
<CAPTION>

<S>	1998	1997	1996
	FOR THE YEAR ENDED DECEMBER 31,		
FINANCING ACTIVITIES:			
Net increase (decrease) in demand and passbook accounts	$ 5,934	$ (1,539)	$ 1,602
Net decrease in certificates of deposit	(6,111)	(7,330)	(3,523)
Proceeds of Federal Home Loan Bank advances	32,235	77,285	100,675
Repayment of Federal Home Loan Bank advances	(44,985)	(92,075)	(95,965)
Net increase (decrease) in advance payments by borrowers for taxes and insurance	(223)	113	66
Net proceeds from exercise of stock options	31	15	165
Purchase of treasury stock	-	(10,027)	(8,687)
NET CASH USED IN FINANCING ACTIVITIES	(13,119)	(33,558)	(5,667)
Increase (Decrease) in Cash and Cash Equivalents	25,525	(892)	518
Cash and cash equivalents at beginning of year	8,283	9,175	8,657
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 33,808	$ 8,283	$ 9,175
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the year for interest on deposits	$ 17,364	$ 17,568	$ 18,371
Cash paid during the year for interest on notes payable	2,728	3,451	2,663
	$ 20,092	$ 21,019	$ 21,034
Cash paid during the year for income taxes	$ 3,649	$ 3,788	$ 2,382
Noncash transactions:			
Loans to facilitate sales of real estate owned	$ 2,114	$ 88	$ 935
Loans transferred to real estate owned	2,059	1,432	553

</TABLE>

See notes to consolidated financial statements.

CALUMET BANCORP, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in thousands)

<TABLE>
<CAPTION>

<S>	Common Stock	Additional Paid-in Capital	Accumulated Other Comprehensive Income	Retained Earnings	Unearned ESOP Shares
BALANCE AT DECEMBER 31, 1995	$ 36	$ 34,665	$ 423	$ 68,418	$ (1,414)
Comprehensive income:					
Net income	-	-	-	5,399	-
Change in net unrealized gain on securities available-for-sale, net of reclassification and tax effects	-	-	(184)	-	-
Total comprehensive income					
Proceeds from exercise of stock options - 14,969 shares	-	351	-	-	-
Amortization of purchase price of MRP stock	-	74	-	-	-
Allocation of shares to ESOP participants	-	-	-	-	565
Repurchase of 310,819 shares of treasury stock	-	-	-	-	-
BALANCE AT DECEMBER 31, 1996	36	35,090	239	73,817	(849)
Comprehensive income:					
Net income	-	-	-	7,987	-
Change in net unrealized gain on securities available-for-sale, net of reclassification and tax effects	-	-	1,064	-	-
Total comprehensive income					

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Proceeds from exercise of stock options - 1,749 shares	-	37	-	-	-
Amortization of purchase price of MRP stock	-	90	-	-	-
Allocation of shares to ESOP participants	-	-	-	-	566
Repurchase of 292,731 shares of treasury stock	-	-	-	-	-
Transfer 1,055,451 shares in three-for-two stock split	-	-	-	(25,018)	-
BALANCE AT DECEMBER 31, 1997	36	35,217	1,303	56,786	(283)
Comprehensive income:					
Net income	-	-	-	5,881	-
Change in net unrealized gain on securities available-for-sale, net of reclassification and tax effects	-	-	3	-	-
Total comprehensive income					
Proceeds from exercise of stock options - 4,364 shares	-	45	-	-	-
Allocation of shares to ESOP participants	-	-	-	-	283
BALANCE AT DECEMBER 31, 1998	$ 36	$ 35,262	$ 1,306	$ 62,667	$ -

</TABLE>

<TABLE>
<CAPTION>

<S>	Stock Held for MRP <C>	Treasury Stock <C>	Total Stock-holders' Equity <C>
BALANCE AT DECEMBER 31, 1995	$ (273)	$(17,745)	$ 84,110
Comprehensive income:			
Net income	-	-	5,399
Change in net unrealized gain on securities available-for-sale, net of reclassification and tax effects	-	-	(184)
Total comprehensive income			5,215
Proceeds from exercise of stock options - 14,969 shares	-	-	351
Amortization of purchase price of MRP stock	136	-	210
Allocation of shares to ESOP participants	-	-	565
Repurchase of 310,819 shares of treasury stock	-	(8,687)	(8,687)
BALANCE AT DECEMBER 31, 1996	(137)	(26,432)	81,764
Comprehensive income:			
Net income	-	-	7,987
Change in net unrealized gain on securities available-for-sale, net of reclassification and tax effects	-	-	1,064
Total comprehensive income			9,051
Proceeds from exercise of stock options - 1,749 shares	-	-	37
Amortization of purchase price of MRP stock	137	-	227
Allocation of shares to ESOP participants	-	-	566
Repurchase of 292,731 shares of treasury stock	-	(10,027)	(10,027)
Transfer 1,055,451 shares in three-for-two stock split	-	25,014	(4)
BALANCE AT DECEMBER 31, 1997	-	(11,445)	81,614
Comprehensive income:			
Net income	-	-	5,881
Change in net unrealized gain on securities available-for-sale, net of reclassification and tax effects	-	-	3
Total comprehensive income			5,884
Proceeds from exercise of stock options - 4,364 shares	-	-	45
Allocation of shares to ESOP participants	-	-	283

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BALANCE AT DECEMBER 31, 1998	$ -	$(11,445)	$ 87,826

</TABLE>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data)

1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Calumet Bancorp, Inc.'s (the "Company's") principal business activity is the operation of Calumet Federal Savings and Loan Association of Chicago (the "Association"), its wholly owned subsidiary, and consists of attracting deposits from the public and investing those deposits, together with funds generated from operations and borrowings, primarily in residential mortgage loans. The Association operates five financial services offices -- Dolton, Lansing, Sauk Village and two in southeastern Chicago. The Association's deposit accounts are insured to the maximum allowable amount by the FDIC. The Company also invests in equity securities and in various limited partnerships which have invested in residential development, residential and commercial rental properties, and mortgage loan servicing.

The Company's results of operations are dependent primarily on net interest income, which is the difference between the interest income earned on its loan and investment securities portfolios, and its cost of funds, consisting of interest paid on its deposits and borrowings. The Company's operating results are also affected to a lesser extent by loan and commitment fees, customer service charges, and by the sale of real estate, insurance and annuities through its third tier subsidiaries. Operating expenses of the Company are primarily employee compensation and benefits, office occupancy and equipment costs, federal deposit insurance premiums, advertising and promotion costs, data processing and other administrative expenses.

The accounting policies of Calumet Bancorp, Inc. and subsidiaries which significantly affect the determination of consolidated financial position and results of operations are described below.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts and results of operations of the Company, the Association, and the Association's two first-tier subsidiaries: wholly owned Calumet Residential Corporation, which owns 51% of Calumet United Limited Liability Company (Wyoming); and wholly owned Calumet Savings Service Corporation, which wholly owns Calumet Financial Corporation, and Calumet Mortgage Corporation of Idaho.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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 allowance for losses on loans, impairment allowances for limited partnership investments, and the fair value of financial instruments are particularly subject to change.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent highly liquid investments with maturities of 90 days or less at the time of purchase and include cash and interest-bearing deposits. Net cash flows are reported for deposit transactions.

SECURITIES

Securities classified as held-to-maturity are carried at amortized cost if management has the positive intent and ability to hold the securities to maturity. Securities not classified as held-to-maturity are designated securities available-for-sale and carried at fair value with unrealized gains and losses reported in other comprehensive income. Other securities such as Federal Home Loan Bank stock are carried at cost.

The carrying value of securities reflects amortization of premiums and accretion of discounts over the estimated lives of the securities using the level yield method. Such amortization is included in interest income. Interest and dividends are included in interest income from securities as earned. Realized gains and losses on all securities are computed using the specific identification method. Securities are written down to fair value when a decline in fair value is not

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temporary.

LOANS RECEIVABLE

Loans receivable are stated at outstanding unpaid principal balances net of any deferred fees or costs on originated loans or unamortized premiums or discounts on purchased loans.

Premiums paid and discounts received in connection with mortgage loans purchased are deferred and amortized to income over the estimated life of the loans using the level-yield method. Loan origination fees and certain direct origination costs related to processing successful loan applications are deferred and the net amount amortized to income over the contractual life of the loans as an adjustment to interest income using the level yield method. Costs associated with processing unsuccessful loan applications are charged to expense as incurred.

Interest on loans is recorded when earned. The Company places loans (including impaired loans) on nonaccrual status when they have been delinquent 90 or more days. When a loan is placed on nonaccrual status, previously accrued but uncollected interest is fully reserved.

ALLOWANCE FOR LOSSES ON LOANS

The Company provides for possible losses on loans based on evaluations of the loan portfolio, past credit loss experience, current economic conditions, the amount and timing of future cash flows expected to be received on impaired loans, and other pertinent factors which form a basis for determining the adequacy of the allowance for losses. Management believes that the allowance for losses on loans is adequate to absorb probable losses in the portfolio; however, 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 on loans. Such agencies may require the Company to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

Loan impairment is reported when full payment under the loan terms is not expected. Impairment is evaluated in total for smaller-balance loans of similar nature such as residential mortgage and consumer loans, and on an individual basis for other loans. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported net, at the present value of estimated future cash flows, using the loan's existing rate, or at the fair value of collateral if repayment is expected solely from the collateral. Loans are evaluated for impairment when payments are delayed, typically 90 days or more, or when it is probable that all principal and interest amounts will not be collected according to the original terms of the loan.

REAL ESTATE ACQUIRED THROUGH FORECLOSURE

Real estate which has been acquired through, or in lieu of, foreclosure is carried at the lower of fair value, less estimated selling costs, or the related loan balance at the date of foreclosure. Valuations are periodically performed by management and the carrying value is reduced by a charge to operations if the carrying value of a property exceeds its estimated fair value less estimated selling costs determined by management on valuation dates subsequent to foreclosure. A loan is classified as real estate-owned when the Company has taken possession of the collateral even though foreclosure proceedings may not have been completed.

OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment are stated at cost, less accumulated depreciation. Provisions for depreciation are computed using the straight-line method over the estimated useful lives of the assets. Useful lives for office buildings are 30 to 40 years and for furniture, fixtures and equipment, 3 to 10 years.

INVESTMENT IN LIMITED PARTNERSHIPS

The Company invests in limited partnerships engaged in real estate development and sale and in loan servicing. As a limited partner without a controlling interest, the Company accounts for these investments using the equity method. The Company periodically reviews these investments for impairment based on review of independent appraisals, financial statements, and other relevant operating data. At December 31, 1998, the Company had recorded impairment reserves of $6.4 million against the value of its investment in certain limited partnerships engaged in mortgage loan servicing.

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INCOME TAXES

The Company and its subsidiaries file a consolidated federal income tax return. Deferred income taxes are provided for all significant items of income and expense that are recognized in different periods for financial reporting purposes and income tax reporting purposes. The asset and liability approach is used for the financial accounting and reporting of income taxes. This approach requires companies to take into account changes in income tax rates when valuing the deferred income tax accounts recorded on the balance sheet. In addition, it provides that a deferred income tax liability or asset shall be recognized for the estimated future tax effects attributable to "temporary differences" and loss and tax credit carryforwards. Temporary differences include differences between financial statement income and tax return income which are expected to reverse in future periods as well as differences between tax bases of assets and liabilities and their amounts for financial reporting purposes which are also expected to be settled in future periods. To the extent a deferred tax asset is established which, more likely than not, is not expected to be realized, a valuation allowance shall be established against such account.

DERIVATIVE FINANCIAL INSTRUMENTS

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

EARNINGS PER SHARE

All earnings per share data prior to the Company's November 17, 1997 three-for-two stock split have been restated to be comparable. Basic earnings per share of common stock has been determined by dividing net income for each period by the weighted average number of shares of common stock outstanding. Diluted earnings per share has been determined by dividing net income for the period by the weighted average number of shares of common stock outstanding and additional shares issuable under stock options. Common stock issuable under stock options assumes the exercise of stock options and the use of proceeds to purchase treasury stock at the average market price for the period. Shares of common stock purchased by the Company's Employee Stock Ownership Plan ("ESOP") prior to December 31, 1992, are included in shares outstanding for purposes of calculating earnings per share. Shares committed to be released to the ESOP during the year are expensed during the year based on original cost. The ESOP did not purchase any shares subsequent to December 31, 1992, which would be subject to AICPA Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans."

COMPREHENSIVE INCOME

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

INDUSTRY SEGMENT

The Company reports and evaluates internal financial information based on legal entities. This information is reviewed and evaluated on a consolidated basis and separately for each individual legal entity. Therefore, the Company determines segment information required to be disclosed under generally accepted accounting standards based upon legal entity.

NEW ACCOUNTING PRONOUNCEMENTS

Beginning January 1, 2000, Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities" will require all derivatives to be recorded

at fair value. Unless designated as hedges, changes in these fair values will be

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recorded in the income statement. Fair value changes involving hedges will generally be recorded by offsetting gains and losses on the hedge and on the hedged item, even if the fair value of the hedged item is not otherwise recorded. This new accounting standard is not expected to have any effect on the Company, but will depend on derivative holdings when the standard applies. Beginning January 1, 1999, Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard No. 134, "Accounting for Mortgage-backed Securities Retained after the Securitization of Mortgage Loans Held for Sale by a Mortgage Banking Enterprise" will allow for classifying mortgage loans originated in mortgage banking which are converted into securities as available for sale, trading, or held to maturity. Currently, these securities are required to be classified as trading. This new accounting standard is not expected to have any effect on the Company.

RECLASSIFICATION

Certain items in the 1996 and 1997 financial statements have been reclassified to conform to the 1998 presentation.

2. SECURITIES

Securities at December 31, 1998 are summarized as follows:

<TABLE>
<CAPTION>

<S>	Amortized Cost <C>	Gross Unrealized Gains <C>	Gross Unrealized Losses <C>	Fair Value <C>
AVAILABLE-FOR-SALE				
U.S. Government and agency securities	$25,030	$ 904	$ -	$25,934
U.S. Government securities fund	10,441	70	-	10,511
Money market fund	7,855	-	-	7,855
Equity securities	5,367	1,282	277	6,372
Total	$48,693	$ 2,256	$ 277	$50,672
HELD-TO-MATURITY				
FHLMC/FNMA mortgage securities	$10,529	$ 30	$ 152	$10,407
CMO securities	1,028	-	4	1,024
Municipal bonds	134	-	-	134
Federal Home Loan Bank stock	2,657	-	-	2,657
Total	$14,348	$ 30	$ 156	$14,222

</TABLE>

Securities at December 31, 1997 are summarized as follows:

<TABLE>
<CAPTION>

<S>	Amortized Cost <C>	Gross Unrealized Gains <C>	Gross Unrealized Losses <C>	Fair Value <C>
AVAILABLE-FOR-SALE				
U.S. Government and agency securities	$29,504	$ 468	$ -	$29,972
U.S. Government securities fund	6,957	-	-	6,957
Money market fund	3,697	-	-	3,697
Equity securities	4,739	1,604	2	6,341
Total	$44,897	$ 2,072	$ 2	$46,967
HELD-TO-MATURITY				
FHLMC/FNMA mortgage securities	$13,795	$ 44	$ 199	$13,640
CMO securities	1,709	-	7	1,702
Municipal bonds	140	-	-	140
Federal Home Loan Bank stock	3,124	-	-	3,124
Total	$18,768	$ 44	$ 206	$18,606

</TABLE>

Securities with carrying amounts of $4.6 million and $6.0 million at December 31, 1998 and 1997, respectively, are pledged under credit enhancement agreements.

The amortized cost and fair value of debt securities available-for-sale and

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held-to-maturity at December 31, 1998, by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
AVAILABLE-FOR-SALE		
Due in one year or less	$ 7,132	$ 7,174
Due after one year through five years	9,996	10,075
Due after five years through ten years	6,939	7,535
Due after ten years	963	1,150
	25,030	25,934
Equity securities	5,367	6,372
Mutual funds	18,296	18,366
Total	$48,693	$50,672
HELD-TO-MATURITY		
Due after one year through five years	$ 46	$ 48
Due after five years through ten years	9,154	9,029
Due after ten years	2,491	2,488
	11,691	11,565
Federal Home Loan Bank stock	2,657	2,657
Total	$14,348	$14,222

The table below provides information concerning sales of securities available-for-sale:

	For the year ended December 31,		
	1998	1997	1996
Gross proceeds from sales	$ 9,722	$ 53,883	$ 35,075
Gross realized gains	25	484	68
Gross realized losses (including impairment)	13	714	15
Income tax expense (credit) arising from net gains (losses)	4	(78)	19

3. LOANS RECEIVABLE

Loans receivable consisted of the following:

	At December 31,	
	1998	1997
Mortgage loans:		
One-to-four family residential	$202,240	$209,999
Multifamily residential	35,494	40,933
Commercial real estate	92,786	97,186
Construction loans	25,213	27,645
Land loans	11,038	12,207
Total mortgage loans	366,771	387,970
Other loans	6,346	4,920
Total loans receivable	373,117	392,890
Less: Undisbursed portion of loan proceeds	8,868	7,820
Unearned income	1,676	2,012
Allowance for losses on loans	6,029	6,070
Net loans receivable	$356,544	$376,988

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The Company has pledged residential mortgage loans as collateral to borrowings from the Federal Home Loan Bank of Chicago in an amount not less than 167% of outstanding advances and letters of credit.

The Company's lending activities have been concentrated primarily in residential real property secured by first liens on such property. The Company requires collateral on all loans and generally maintains loan-to-value ratios of no greater than 80% on mortgage loans. At December 31, 1998, the Company's mortgage loan portfolio was geographically diversified, with concentrations primarily in Illinois (35%), Colorado (18%), Idaho (21%), and New Mexico (16%). Mortgage loans in Indiana and Michigan, all within the company's immediate lending area, represent another 6% of the portfolio at December 31, 1998. At December 31, 1997, these concentrations were: Illinois (33%); Colorado (24%); Idaho (21%); New Mexico (15%); and Indiana/Michigan (4%).

At December 31, 1998, approximately $104.6 million or 28.5% of the Company's $366.8 million mortgage loan portfolio was secured by properties located in mountain and ski resort areas, the economies of which may be more susceptible to fluctuations in market and economic conditions. Furthermore, $36.2 million, or 34.6% of these loans are secured by second homes, which may be more susceptible to delinquencies than loans secured by primary residences; $35.9 million, or 34.3% of these loans were secured by primary residences; and $32.6 million, or 31.1% were secured by multifamily and commercial properties and land. At December 31, 1997, approximately $118.6 million or 30.6% of the Company's $388.0 million mortgage loan portfolio was secured by properties located in mountain and ski resort areas. $43.7 million, or 36.8% of these loans are secured by second homes, $35.7 million, or 30.1% of these loans were secured by primary residences; and $39.2 million, or 33.1% were secured by multifamily and commercial properties and land. The Company has not experienced unusual losses as a result of geographic diversification or lending in mountain or ski resort areas.

4. ALLOWANCE FOR LOSSES ON LOANS

Changes in the allowance for losses on loans are as follows:

<TABLE>
<CAPTION>

	For the year ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Balance at beginning of year	$ 6,070	$ 5,630	$ 4,870
Provision for losses	460	700	800
Charge-offs	(630)	(323)	(114)
Recoveries	129	63	74
Balance at end of year	$ 6,029	$ 6,070	$ 5,630

</TABLE>

At December 31, 1998, the Company had no loans that were considered impaired. At December 31, 1997, the Company had two related loans that were considered impaired with a recorded investment of $1.1 million. One of these loans was fully reserved in the amount of $350, the other had no specific reserve. Both of these loans were foreclosed during the first quarter of 1998 and no interest income was recorded. The average recorded investment in impaired loans during the year ended December 31, 1997, was approximately $1.1 million. For the year ended December 31, 1997, the Company recognized interest income on those impaired loans of $92.

5. OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment are summarized as follows:

<TABLE>
<CAPTION>

	At December 31,	
	1998	1997
<S>	<C>	<C>
Land	$ 939	$ 939
Buildings	4,679	4,485
Furniture and equipment	3,773	3,364
	9,391	8,788
Less accumulated depreciation	4,278	4,320
Office properties and equipment, net	$5,113	$4,468

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</TABLE>

6. DEPOSITS

Deposits are summarized as follows:

	At December 31,	
	1998	1997
Non-interest-bearing deposits	$ 4,586	$ 3,766
N.O.W. accounts	22,508	18,565
Money market accounts	9,411	8,436
Passbook savings	60,910	60,714
Certificates of deposit	250,869	256,980
	$348,284	$348,461
Deposit accounts with balances in excess of $100,000	$ 26,040	$ 23,112

Scheduled maturities of certificates of deposit at December 31, 1998 are as follows:

1999	$200,731
2000	36,252
2001	4,837
2002	3,412
2003	4,448
After 2003	1,189
Total	$250,869

Substantially all of the Association's depositors are residents of the State of Illinois.

7. FEDERAL HOME LOAN BANK ADVANCES

Scheduled maturities of Federal Home Loan Bank advances are as follows:

	At December 31,	
	1998	1997
1998	$ -	$19,000
1999	19,985	19,985
2001	6,250	-
2002	4,900	4,900
2003	1,175	1,175
Total	$32,310	$45,060

The Federal Home Loan Bank advances all have fixed rates of interest, are payable at maturity, and contain prepayment penalties. At December 31, 1998, the interest rates on advances ranged from 5.56% to 6.48%, with a weighted average rate of 6.00%. At December 31, 1997, the interest rates on advances ranged from 5.90% to 6.51%, with a weighted average rate of 6.10%. The Company is required to maintain qualifying loans in its portfolio of at least 170% of outstanding advances and letters of credit as collateral to notes payable to the Federal Home Loan Bank of Chicago (FHLB). FHLB stock is also pledged as collateral.

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8. INCOME TAXES

The provision for income taxes consists of the following:

	For the year ended December 31		
	1998	1997	1996
Current expense:			
Federal	$ 3,707	$ 3,101	$ 2,771
State	196	325	264
Deferred expense (benefit)	(1,142)	562	(608)
Total income tax expense	$ 2,761	$ 3,988	$ 2,427

Reconciliations of the income tax expense included in the consolidated financial statements and amounts computed by applying the statutory federal income tax rate are as follows:

	For the year ended December 31		
	1998	1997	1996
Federal income taxes at the statutory rate	$ 2,938	$ 4,072	$ 2,661
Items affecting federal income tax rate:			
State income taxes, net of federal benefit	135	365	152
Dividends received deduction	(80)	(142)	(176)
Low income housing tax credits	(233)	(222)	(218)
Other, net	1	(85)	8
Total	$ 2,761	$ 3,988	$ 2,427

Significant components of the deferred tax assets and liabilities are as follows:

	At December 31,	
	1998	1997
Deferred tax assets:		
Income from limited partnerships	$ 63	$ -
Allowance for losses on loans	1,954	1,866
	2,017	1,866
Deferred tax liabilities:		
Depreciation	357	346
Stock dividends on FHLB stock	73	91
Loan fees	294	144
Tax effect of tax bad debt reserves in excess of base year	335	419
Net unrealized gains on securities available-for-sale	673	767
Income from limited partnerships	-	871
Other, net	21	12
	1,753	2,650
Net deferred tax asset (liability)	$ 264	$ (784)

The net deferred tax asset (liability) is included in other assets (income taxes payable) on the Consolidated Statements of Financial Condition in 1998 and 1997, respectively. Retained earnings at December 31, 1998 includes approximately $6.7 million for which no provision for federal income taxes has been recognized. Tax legislation passed in August 1996 now requires all thrift institutions to deduct a provision for bad debts for tax purposes based on actual loss experience and recapture the excess bad debt reserve accumulated in the tax years after 1986. The Company recaptured $254 in 1998 and 1997 and will recapture a like amount for the next four years.

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9. EARNINGS PER SHARE

The following table presents a reconciliation of the denominators used to compute basic earnings per share and diluted earnings per share for the three years ended December 31, 1998.

	For the year ended December 31,		
	1998	1997	1996
Weighted average shares of common stock outstanding	3,143,816	3,244,500	3,748,353
Dilutive effects of assumed stock option exercises	252,520	243,561	207,546
Weighted average shares of common stock and common stock equivalents	3,396,336	3,488,061	3,955,899
EARNINGS PER SHARE:			
Net income available to common shareholders	$ 5,881	$ 7,987	$ 5,399
Basic earnings per share	$ 1.87	$ 2.46	$ 1.44
EARNINGS PER SHARE ASSUMING DILUTION:			
Net income available to common shareholders	$ 5,881	$ 7,987	$ 5,399
Diluted earnings per share	$ 1.73	$ 2.29	$ 1.36

10. OTHER COMPREHENSIVE INCOME

Other comprehensive income components and related taxes were as follows:

	For the year ended December 31,		
	1998	1997	1996
Unrealized holding gains (losses) on available for sale securities	$ (79)	$ 1,452	$ (199)
Less reclassification adjustments for gains (losses) later recognized in income	12	(230)	53
Net unrealized gains (losses)	(91)	1,682	(252)
Income tax effect	94	(618)	68
Other comprehensive income	$ 3	$ 1,064	$ (184)

11. REGULATORY MATTERS

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

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and plans for capital restoration are required. At December 31, 1998 and 1997, actual capital levels and minimum required levels of the Association were:

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	Actual		Minimum Required for Capital Adequacy		Minimum Required To Be Well Capitalized Under Prompt Corrective Action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
1998						
Total risk-based capital to risk-weighted assets	$ 60,818	20.94%	$ 23,236	8.00%	$ 29,045	10.00%
Tier 1 (core) capital to risk-weighted assets	57,126	19.67%	11,618	4.00%	17,427	6.00%
Tier 1 (core) capital to average assets	57,126	12.46%	18,337	4.00%	22,921	5.00%
Tier 1 (core) capital to adjusted total assets	57,126	12.75%	13,442	3.00%	N/A	N/A
Tangible capital to adjusted total assets	57,126	12.75%	6,721	1.50%	N/A	N/A
1997						
Total risk-based capital to risk-weighted assets	$ 52,176	17.38%	$ 24,022	8.00%	$ 30,027	10.00%
Tier 1 (core) capital to risk-weighted assets	48,399	16.12%	12,011	4.00%	18,016	6.00%
Tier 1 (core) capital to average assets	48,399	10.50%	18,463	4.00%	23,079	5.00%
Tier 1 (core) capital to adjusted total assets	48,399	10.69%	13,583	3.00%	N/A	N/A
Tangible capital to adjusted total assets	48,399	10.69%	6,792	1.50%	N/A	N/A

As of December 31, 1998, the most recent notification from the Office of Thrift Supervision categorized the association as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Association's category.

Dividends paid during the year by the Association to the Company are restricted to one half of excess capital as of the end of the prior year plus current earnings. At December 31, 1998, this restriction limited the potential dividend to $18.8 million. The Association paid no dividends in 1998, and $6.0 million and $9.0 million in dividends to the Company during 1997 and 1996, respectively.

The Association meets the Qualified Thrift Lender test, which requires at least 65% of assets to be housing-related or other specified assets. A failure to meet the QTL test places limits on growth, branching, new investment, FHLB advances and dividends.

12. EMPLOYEE BENEFIT PLANS

The Company maintains a 401(k) profit-sharing plan which covers all employees with one year of service who are at least 21 years of age. Contributions to the 401(k) profit-sharing plan are made at the discretion of the Board of Directors. There were no contributions to the plan in 1998, 1997 or 1996. The plan was terminated as of July 31, 1998, and is in process of being distributed to employees. The Company has received a favorable determination letter from the Internal Revenue Service regarding termination of the plan.

The Company sponsors an employee stock ownership plan (ESOP) that covers all employees with one year of service who are at least 21 years of age. The ESOP is funded by discretionary contributions made by the Association. The Association recorded $283, $566 and $565 of compensation expense during 1998, 1997 and 1996, respectively, based on the cost of shares released for those years. Unearned ESOP shares are considered to be outstanding for purposes of computing earnings per share. The average (split adjusted) unearned ESOP shares outstanding during 1998, 1997, and 1996 were 10,609, 84,870, and 169,740, respectively. The plan was terminated as of July 31, 1998, and is in process of being distributed to employees. The Company has received a favorable determination letter from the Internal Revenue Service regarding termination of the plan. All unallocated ESOP shares were allocated to eligible employees as of July 31, 1998.

In connection with the conversion to stock ownership, the Company adopted a Management Recognition and Retention Plan (MRP). The Association contributed $1.4 million allowing the MRP to acquire 187,425 (split adjusted) shares of common stock of the Company, at an average cost of $7.55 per share. Under the MRP, 133,074 (split adjusted) shares of common stock were awarded to key employees in 1992. One third of these shares vested in 1992, 1993, and 1994 at an amortized

cost of $335 each year. The remaining 54,351 (split adjusted) shares were awarded in 1995 and vested in 1995, 1996, and 1997. The amortized cost of the vested shares was $137 and $136 in 1997 and 1996, respectively.

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The Company has a stock option plan under the terms of which 530,438 (split adjusted) shares of the Company's common stock were reserved for issuance. The options become exercisable on a cumulative basis in equal installments over a five year period from the date of grant. The options expire ten years from the date of grant.

A summary of the status of the Company's stock option plan as of December 31, 1998, 1997, and 1996, and changes during the years then ended is presented below. Share and per share data has been adjusted for the 1997 three-for-two split:

	1998 Shares	Weighted-average Exercise Price	1997 Shares	Weighted-average Exercise Price	1996 Shares	Weighted-average Exercise Price
Outstanding at beginning of year	409,522	$ 7.61	412,146	$ 7.61	434,600	$ 7.59
Forfeited	(55)	14.92	-	-	-	-
Exercised	(4,364)	7.07	(2,624)	7.33	(22,454)	7.35
Outstanding at end of year	405,103	$ 7.61	409,522	$ 7.61	412,146	$ 7.61
Options exercisable at end of year	395,768	$ 7.44	390,741	$ 7.25	383,976	$ 7.07

Of the outstanding options at December 31, 1998, 358,741 relate to options granted in 1992 at an exercise price of $6.67 and having a remaining life of three years before expiration. All of these options are fully vested and exercisable. The remaining 46,362 options outstanding at December 31, 1998, relate to those granted in 1995 at an exercise price of $14.92 and have a remaining life of six years before expiration. These options vest in equal installments over a five year period from the date of grant and were 80% vested at December 31, 1998. Of these options, 37,090 were exercisable at December 31, 1998. The Company applies APB Opinion 25 and related Interpretations in accounting for its stock option plan. Accordingly, no compensation cost has been recognized at the date of grant. If the stock options granted in 1995 had been valued under SFAS No. 123 "Accounting for Stock-Based Compensation," at their fair value at the date of grant, those options would have been valued at $7.14 per share and resulted in an annual cost of $70 for 1995 through 1999.

Had compensation cost been determined based on the fair value at the grant dates for awards under the stock option plan in 1995, the Company's net income and earnings per share would have been reduced to the proforma amounts in the table below. For purposes of proforma disclosure, the estimated fair value of the stock options awarded is amortized to expense over their respective vesting periods.

	For the year ended December 31,		
	1998	1997	1996
Proforma net income	$ 5,833	$ 7,940	$ 5,349
Proforma basic earnings per share	$ 1.86	$ 2.45	$ 1.43
Proforma diluted earnings per share	$ 1.72	$ 2.27	$ 1.35

The fair value of options granted in 1995 was estimated at the date of grant using a Black-Scholes option pricing model using the following assumptions: dividend yield of 0%; expected volatility factor of the expected market price of the Company's common stock of 0.22; risk-free interest rate of 7.98%; and expected option term of 7 years.

The Black-Scholes option pricing valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options. The current year proforma amounts may not be indicative of future amounts if additional stock options are granted.

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13. COMMITMENTS AND CONTINGENCIES

The Company had outstanding commitments as follows:

	At December 31,	
	1998	1997
Residential property loans	$ 2,564	$ 7,682
Nonresidential property loans	1,517	491
Credit enhancements	8,973	9,225
Lines of credit	12,667	10,669
Letters of credit	-	1,491
Residential property investment	1,070	1,349

At December 31, 1998, the Company's residential property loan commitments included approximately $1.5 million of adjustable rate mortgages and $1.1 million of fixed rate mortgages. Interest rates on the fixed rate commitments ranged from 6.50% to 7.38%. The Company's residential loan commitments include $675 of commitments as a result of its mortgage banking activities. These loans will be sold to third-party investors under existing investor commitments to purchase. The nonresidential property loan commitments included $1.2 million of adjustable rate mortgages and $277 of fixed rate mortgages. The fixed rate commitment was at 8.5%.

The Company has entered into three credit enhancement agreements with local municipalities to guarantee the repayment of an aggregate of $6.0 million of municipal revenue bonds which are secured by first mortgages on an apartment and on a commercial office building project. To secure its guaranty of the bonds, the Company has agreed to pledge and deposit with the designated trustees certain securities or has provided an irrevocable standby letter of credit from the FHLB as security. In the event of default on the bonds, the Company's maximum liability is the amount of the credit guaranty. Fees for providing these credit enhancements were $111, $78, and $67 for the years ended December 31, 1998, 1997 and 1996, respectively.

The Company has committed to invest $2.0 million in low income housing projects located in the Chicago area. The investment is being made through a limited partnership and will be funded over a ten year period. At December 31, 1998, the Company has funded $930 of the $2.0 million commitment. The projects qualify for the low income housing tax credits applied against the Company's current income tax liability.

The Company and its subsidiaries are involved in litigation arising in the ordinary course of business. The resolution of these matters is not expected, either individually or in the aggregate, to have a material effect on the Company's financial condition or results of operations.

At December 31, 1998, the Company held an equity investment in a limited partnership engaged in mortgage loan servicing. The investment was valued at $667, based on the independent fair market value estimate of purchased mortgage servicing rights provided by the general partner. The servicing rights served as collateral for a bank loan used to purchase the rights, and the loan was in default at December 31, 1998. The general partner is working with the bank to restructure the loan, which may include sale of some of the rights to reduce the loan balance and additional equity investments by the limited partners. If the plan to restructure the loan fails, a forced sale of the mortgage loan servicing rights to pay off the loan could result in a loss of the Company's remaining investment.

14. STOCKHOLDERS' EQUITY

In connection with its conversion to stock ownership, the Company established a liquidation account in the amount of $36.6 million for the benefit of eligible account holders who continue to maintain their accounts at the Company after the conversion. The liquidation account is reduced annually to the extent that eligible account holders have reduced their qualifying deposits. Subsequent increases will not restore an eligible account holder's interest in the liquidation account. In the event of a complete liquidation, each account holder would be entitled to receive a distribution from the liquidation account in an amount proportionate to the current adjusted qualifying balances for accounts then held.

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The Company may not declare or pay cash dividends on or repurchase any of its shares of common stock if the effect thereof would cause stockholders' equity to be reduced below the balance of the liquidation account or if such declaration would otherwise violate regulatory requirements.

On April 29, 1998, at the annual meeting of the Company's shareholders, an Amendment to the Certificate of Incorporation of the Company was approved increasing the authorized common shares from 4,200,000 to 8,400,000 shares.

On October 21, 1997, the Board of Directors of the Company declared a three-for-two common stock split in the form of a 50% common stock dividend to stockholders of record on November 3, 1997. The share amounts shown in the consolidated statements of stockholders' equity reflect actual share amounts for each period. A total of 1,055,451 previously acquired treasury shares were used in the distribution. During 1997, the Company repurchased 426,597 (split adjusted) shares of its common stock at an average cost of $23.50 per share. The Company did not repurchase any shares in 1998. The Company has 3,145,861 shares of common stock outstanding at December 31, 1998, with a book value of $27.86 per share.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

SFAS No. 107 "Disclosures about Fair Values of Financial Instruments" requires disclosures of information about the fair value of financial instruments for which it is practicable to estimate a value, whether or not such value is recognized in the consolidated statements of financial condition.

The carrying value and the estimated fair value of financial instruments are as follows:

<TABLE>
<CAPTION>

	At December 31, 1998		At December 31, 1997	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Assets				
Cash and cash equivalents	$ 33,808	$ 33,808	$ 8,283	$ 8,283
Securities available-for-sale	50,672	50,672	46,967	46,967
Securities held-to-maturity	14,348	14,222	18,768	18,606
Loans receivable	356,544	361,998	376,988	385,847
Accrued interest receivable	2,948	2,948	3,115	3,115
Liabilities				
Demand, NOW and savings deposits	$ 97,415	$ 97,415	$ 91,481	$ 91,481
Certificates of deposit (time deposits)	250,869	252,896	256,980	258,988
FHLB advances	32,310	32,577	45,060	45,032
Accrued interest payable	3,337	3,337	3,957	3,957

</TABLE>

Whenever possible, quoted market prices are used to develop fair values. Where quoted market prices are not available, market prices of similar instruments are used for reference and to develop indices of estimated fair value. In other cases, it is necessary to use present values or other valuation techniques. Fair values derived can be significantly affected by the assumptions used, including the similarity of other instruments, discount rates, and estimates of future cash flows. Therefore, in many cases, the estimated fair values may not be realized in an immediate sale of the instrument. SFAS No. 107 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Therefore, the aggregate of the estimated fair value amounts is not intended to represent the underlying market value of the Company.

General methods utilized to estimate fair values are summarized below:

Cash and cash equivalents: The carrying amounts shown approximate fair value.
Securities: Quoted market values were used to estimate fair values. FHLB stock is carried at its redemption value.
Loans receivable: The fair value of fixed rate mortgage loans was estimated by discounting projected cash flows at market interest rates. The fair value of adjustable rate mortgage loans was estimated by using carrying amounts for loans repricing within one year and by discounting projected cash flows at market interest rates for loans repricing beyond one year. The fair value of commercial and consumer loans was estimated by discounting projected cash flows at market interest rates.
Demand, NOW, and savings deposits: All such account balances are withdrawable on demand without penalty; therefore, for purposes of SFAS No. 107, the carrying amount is deemed to be fair value.

Certificates of deposit (time deposits): The fair value of time deposit accounts

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which have fixed rates of interest was estimated using a discounted cash flow calculation and current interest rates for similar accounts with the same remaining term to maturity. The Company does not have any material, variable rate time deposits.
FHLB advances: The fair value of fixed rate FHLB advances was estimated using a discounted cash flow calculation and current interest rates for advances with the same remaining term to maturity.
Commitments: The fair value of commitments to extend credit and standby letters of credit is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of these commitments is not material.

16. OPERATING SEGMENT DATA

The segment financial information provided below has been derived from the internal financial reporting system used by management to monitor and manage the financial performance of the Company. The accounting policies of the three segments are the same as those described in the significant accounting policies. The three segments identified below, by legal entity, are the Company's banking operations of the Association, the residential construction and sale limited partnership investments of Calumet Residential Corporation ("CRC"), and the other investing activities at the holding company. All operations are domestic.

The banking operations of the Association consist of traditional community banking services, such as accepting deposits and making primarily residential real estate loans. Deposits are primarily gathered from the Association's five financial services offices in the Chicagoland area. The loan portfolio is geographically diversified, with concentrations primarily in Illinois, Colorado, Idaho, New Mexico, Indiana, and Michigan.

The residential construction and sale limited partnership investments of CRC are through one well-known Chicago area residential developer. Each of the developments in which CRC has invested are in the Chicagoland area.

The other investing activities of the holding company consist primarily of securities and limited partnership investments. The securities are generally comprised of U.S. Government money market funds, U.S. agencies, and common and preferred equities. The limited partnership investments consist of mortgage servicing rights and commercial investment properties.

The information presented below regarding the reportable segment assets, other revenues, and net income exclude activities associated with the each segment's investment in consolidated subsidiaries.

<TABLE>
<CAPTION>

<S>	Banking Operations <C>	Residential Construction & Sale Limited Partnership Investments <C>	Other Investments <C>	Totals <C>
1998				
Net interest income (expense)	$ 17,038	$ (154)	$ 799	$ 17,683
Equity in net income (loss) of limited partnerships	(170)	1,479	(2,133)	(824)
Other revenues	1,201	-	(4)	1,197
Provision for losses on loans	328	-	-	328
Income tax expense (benefit)	3,205	537	(861)	2,881
Segment net income (loss)	6,364	782	(1,107)	6,039
Investment in limited partnerships	243	2,371	10,018	12,632
Segment assets	446,576	4,051	26,438	477,065

</TABLE>

<TABLE>
<CAPTION>

<S>	Banking Operations <C>	Residential Construction & Sale Limited Partnership Investments <C>	Other Investments <C>	Totals <C>
1997				
Net interest income (expense)	$ 17,773	$ (366)	$ 562	$ 17,969
Equity in net income (loss) of				

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limited partnerships	(158)	821	2,638	3,301
Other revenues	41	-	463	504
Provision for losses on loans	682	-	-	682
Income tax expense	2,846	201	1,018	4,065
Segment net income	5,819	250	2,019	8,088
Investment in limited partnerships	135	5,853	18,390	24,378
Segment assets	450,217	5,914	29,094	485,225
1996				
Net interest income (expense)	$ 17,215	$ (167)	$ 886	$ 17,934
Equity in net income of limited partnerships	-	1,223	613	1,836
Other revenues	716	-	114	830
Provision for losses on loans	800	-	-	800
Income tax expense	1,754	403	268	2,425
Segment net income	4,203	649	757	5,609
Investment in limited partnerships	-	6,679	17,393	24,072
Segment assets	476,642	6,701	29,983	513,326

</TABLE>

Segment information is reconciled to the financial statements for the information presented above as follows:

<TABLE>
<CAPTION>

<S>	1998 <C>	1997 <C>	1996 <C>
Revenues			
Total revenues for reportable segments	$ 18,056	$ 21,774	$ 20,600
Other revenues	683	500	612
Elimination of intercompany revenues	(116)	(63)	(355)
Total consolidated revenues	$ 18,623	$ 22,211	$ 20,857
Net income			
Total net income for reportable segments	$ 6,039	$ 8,088	$ 5,609
Other net income (loss)	(158)	(101)	(210)
Total consolidated net income	$ 5,881	$ 7,987	$ 5,399
Assets			
Total assets for reportable segments	$ 477,065	$ 485,225	$ 513,326
Other assets	4,747	3,057	1,691
Elimination of intercompany assets	(2,697)	(1,656)	(4,800)
Consolidated total assets	$ 479,115	$ 486,626	$ 510,217

</TABLE>

17. CONDENSED PARENT COMPANY ONLY FINANCIAL INFORMATION

Condensed statements of financial condition, income, and cash flows for Calumet Bancorp, Inc. (parent company only) are presented below and should be read in connection with the consolidated financial statements and notes thereto.

<TABLE>
<CAPTION>

	AT DECEMBER 31,	
Statements of Financial Condition	1998	1997
<S>	<C>	<C>
Assets:		
Cash and cash equivalents	$ 9	$ 29
Securities available-for-sale	16,235	10,038
Loan receivable from ESOP	-	283
Equity in net assets of Association	61,694	54,082
Investment in limited partnerships	10,017	18,390
Other assets	486	354
TOTAL ASSETS	$ 88,441	$ 83,176
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Other liabilities	$ 615	$ 1,562
Common stock	36	36
Additional paid-in capital	35,262	35,217

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	1998	1997
Net unrealized gains on securities available-for-sale, including unrealized gains of the Association of $638 in 1998 and $297 in 1997	1,306	1,303
Retained earnings	62,667	56,786
Unearned ESOP shares	-	(283)
Treasury stock	(11,445)	(11,445)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 88,441	$ 83,176

</TABLE>

<TABLE>
<CAPTION>

Statements of Income	FOR THE YEAR ENDED DECEMBER 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Dividends received from the Association	$ -	$ 6,000	$ 9,000
Interest and dividend income	799	621	886
Interest expense	-	(58)	-
Gain on sale of real estate	-	19	70
Gain (loss) on sale of securities available-for-sale	(13)	454	68
Income (loss) from limited partnerships	(2,133)	2,638	613
Equity in undistributed (overdistributed) earnings of Association	6,989	(33)	(4,358)
Total income	5,642	9,641	6,279
General and administrative expenses	621	635	612
Income before income taxes	5,021	9,006	5,667
Income tax expense (benefit)	(860)	1,019	268
NET INCOME	$ 5,881	$ 7,987	$ 5,399

</TABLE>

<TABLE>
<CAPTION>

Statements of Cash Flows	FOR THE YEAR ENDED DECEMBER 31, 1998	1997	1996
<S>	<C>	<C>	<C>
Operating activities:			
Net income	$ 5,881	$ 7,987	$ 5,399
Equity in (undistributed) overdistributed earnings of Association	(6,989)	33	4,358
Gain on sale of real estate	-	(19)	(70)
Loss (gain) on sales of securities	13	(454)	(68)
Equity (income) loss from limited partnerships	2,133	(2,638)	(613)
Decrease (increase) in other assets	(132)	(265)	269
Increase (decrease) in other liabilities	(681)	540	(12)
NET CASH PROVIDED BY OPERATING ACTIVITIES	225	5,184	9,263
INVESTING ACTIVITIES:			
Purchase of securities	(12,370)	(21,951)	(23,883)
Proceeds of sales and maturities of securities	5,571	22,296	27,076
Loans originated	-	-	(7,000)
Principal payments on loans receivable	283	2,566	5,565
Investments in limited partnerships	(101)	(1,250)	(5,000)
Return of investment in limited partnerships	6,341	2,891	1,288
Proceeds from sale of real estate	-	166	1,123
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(276)	4,718	(831)
FINANCING ACTIVITIES:			
Net proceeds from exercise of stock options	31	16	165
Purchase of treasury stock	-	(10,027)	(8,687)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	31	(10,011)	(8,522)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20)	(109)	(90)
Cash and cash equivalents at beginning of year	29	138	228
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 9	$ 29	$ 138

</TABLE>

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18. QUARTERLY RESULTS OF OPERATIONS(UNAUDITED)

	For the year ended December 31, 1998				For the year ended December 31, 1997			
	Three months ended				Three months ended			
	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31
Interest income	$ 9,534	$ 9,349	$ 9,418	$ 8,933	$ 9,756	$ 9,776	$ 9,757	$ 9,711
Interest expense	4,986	4,918	4,918	4,650	5,231	5,279	5,330	5,187
Net interest income	4,548	4,431	4,500	4,283	4,525	4,497	4,427	4,524
Provision for losses on loans	106	118	118	118	200	200	200	100
Net interest income after provision for losses on loans	4,442	4,313	4,382	4,165	4,325	4,297	4,227	4,424
Gains (losses) on sales of securities	25	-	(13)	-	31	69	(59)	(271)
Other income (1)	4,507	120	(3,584)	(194)	984	951	555	1,978
Other expenses	2,744	2,244	2,283	2,250	2,748	2,185	2,247	2,356
Income before income taxes	6,230	2,189	(1,498)	1,721	2,592	3,132	2,476	3,775
Income taxes	2,236	784	(771)	512	821	1,067	800	1,300
Net income	$ 3,994	$ 1,405	$ (727)	$ 1,209	$ 1,771	$ 2,065	$ 1,676	$ 2,475
Basic earnings per share (2)	$ 1.27	$ 0.45	$ (0.23)	$ 0.38	$ 0.52	$ 0.64	$ 0.53	$ 0.78
Diluted earnings per share (2)	$ 1.17	$ 0.41	$ (0.23)	$ 0.36	$ 0.48	$ 0.60	$ 0.49	$ 0.72
Reported stock prices (2):								
High	$ 39.00	$ 38.25	$ 35.56	$ 30.44	$ 24.83	$ 26.50	$ 31.58	$ 34.63
Low	33.00	33.00	26.00	26.63	21.67	22.83	24.83	31.00
Close	36.00	33.50	30.06	27.13	23.75	25.33	30.83	33.25

(1) Other income for the fourth quarter of 1997 includes a gain of $1.2 million on the sale of a limited partnership investment. Other income for the first quarter of 1998 includes a gain of $3.6 million on the sale of a limited partnership investment. Other income for the second quarter of 1998 includes a $1.4 million write down of purchased mortgage servicing rights. Other income for the third quarter of 1998 includes a $4.3 million write down of purchased mortgage servicing rights. Other income for the fourth quarter of 1998 includes a $1.0 million write down of purchased mortgage servicing rights.

(2) Stock prices and per share data have been restated for the November 17, 1997, three-for-two stock split.

19. MERGER WITH FBOP CORPORATION

On September 9, 1998, the Company announced that a definitive agreement had been signed pursuant to which FBOP Corporation ("FBOP") would acquire, for cash, all of the outstanding stock of the Company in a transaction valued at approximately $111.6 million, or $32.00 per fully diluted share, after deducting the Company's merger-related expenses. The transaction was expected to be completed during the first quarter of 1999, subject to the approvals of regulatory agencies and the Company's shareholders. On November 20, 1998, the Company received a letter from FBOP stating that FBOP was prepared to terminate the Merger Agreement unless the Company agreed to a price reduction of $4.0 million. FBOP asserted that, since the date of the Merger Agreement, actual and potential losses associated with the Company's investment in mortgage loan servicing limited partnerships constituted a "Material Adverse Change" under the Merger Agreement, which would allow FBOP to terminate the Merger Agreement at its option.

The Company convened a special meeting of its Board of Directors on November 22, 1998, to consider FBOP's letter, and the Board rejected the various assertions made in the FBOP letter, including, specifically, the assertion that a "Material Adverse Change" had occurred. Nonetheless, in order to avoid additional costs and time associated with litigation and without any prejudice to the

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Company's rights under the Merger Agreement, the Company offered to accept a reduction in the aggregate merger consideration of $1.5 million provided that the Merger Agreement was amended (i) to exclude the purchased mortgage servicing rights investments and changes in the value of interest rate sensitive assets currently in the Company's portfolio from the "Material Adverse Change" representation and condition under the Merger Agreement and (ii) to provide for upward adjustment to the purchase price if the Company recovers losses relating to the purchased mortgage servicing rights prior to the closing of the merger.

FBOP subsequently proposed that the Company accept a $2.0 million reduction in the aggregate merger consideration and share in any recovery in the value of the purchased mortgage servicing rights investments. FBOP was advised that a reduction of that magnitude had been considered by the Board at its special meeting and had been rejected. In response to the counter proposal of FBOP it was the position of the Company's Board that in view of the substantial reduction in purchase price embodied in the original $111.6 million merger consideration, any reduction in excess of $1.5 million would be unfair to Calumet's shareholders. As of 5:00 P.M., Monday, November 23, 1998, the Company's offer had not been accepted and, therefore, terminated at that time in accordance with its terms.

On December 8, 1998, the Company advised FBOP in writing that unless it received, by 5:00 P.M. on December 15, 1998, unequivocal written assurances that FBOP will fully perform its obligations under the Merger Agreement, the Company will treat the Merger Agreement as terminated by FBOP's anticipatory repudiation of the contract, its failure to provide reasonable assurances of performances thereunder, and its continuing failure to perform its obligations under the Merger Agreement.

On December 11, 1998, the Company received a letter from FBOP stating in part that "FBOP has and will fully perform its obligations under the Agreement and Plan of Merger and reserves all of its rights under that Agreement." In that letter FBOP also requested a meeting with management of the Company to discuss the Merger Agreement. The Company met with representatives of FBOP on December 21, 1998. At that meeting FBOP would not give the Company any assurance that FBOP would proceed with the Merger Agreement and informed the Company that they would make no decisions on the Merger Agreement at that time but would continue to reserve their rights under the Merger Agreement.

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

None

PART III

ITEM 10. DIRECTORS AND OFFICERS OF REGISTRANT

The following table sets forth as to each director, his or her name, age, the year he or she first became a director and the number of shares of Common Stock and the percent thereof beneficially owned at December 31, 1998. The table also sets forth the number of shares of Common Stock and the percent thereof beneficially owned by non-director executive officers and by all directors and executive officers as a group at December 31, 1998.

<TABLE>
<CAPTION>

Name	Age (1)	Year First Elected Director(2)	Year Term Expires	Shares of Common Stock Beneficially Owned (3)	Percent of Class
DIRECTORS					
Thaddeus Walczak (5)	70	1950	2001	395,202	12.6%
Dr. Henry Urban (5)	74	1953	2001	44,059	1.4%
William A. McCann	61	1991	2000	54,972	1.8%
Darryl Erlandson (6)	38	1996	2000	13,168	0.4%
Carole J. Lewis (6)	60	1975	1999	306,941	9.8%
Louise Czarobski	74	1982	1999	18,848	0.6%
Tytus Bulicz	54	1991	1999	1,966	0.1%
OTHER EXECUTIVE OFFICERS					

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John Garlanger	52	N/A	N/A	106,078	3.4%
All directors and executive officers as a group	(14 persons)	N/A	N/A	1,108,490	35.2%

</TABLE>

(1) At December 31, 1998.

(2) Includes prior service on the Board of Directors of Calumet Federal.

(3) In accordance with Rule 13d-3 under the Exchange Act, a person is deemed to be the beneficial owner, for purposes of this table, of any shares of Common Stock if he or she has shared voting and/or investment power with respect to such security. The table includes shares owned by spouses, other immediate family members in trust, shares held in retirement accounts or funds for the benefit of the named individuals, and other forms of ownership, over which shares the persons named in the table possess voting and investment power. This table also includes 387,382 shares of Common Stock subject to outstanding options which will be exercisable within sixty days from December 31, 1998.

(4) Assuming re-election at the Meeting.

(5) Thaddeus Walczak is a first cousin to Dr. Henry J. Urban.

(6) Darryl Erlandson is the son-in-law of Carole J. Lewis.

Set forth below is certain information with respect to the directors of the Company. Unless otherwise indicated, the principal occupation listed for each person below has been his or her occupation for the past five years.

THADDEUS WALCZAK joined Calumet Federal in 1955 and has served as Chairman of the Board and Chief Executive Officer since January, 1987. For the past forty-two years Mr. Walczak has been a member of the Association's Board of Directors.

He was appointed President of the Association in 1961 and served in that capacity until January, 1987.

DR. HENRY J. URBAN is a self-employed dentist in Chicago, Illinois.

WILLIAM A. MCCANN is the President and sole stockholder of William A. McCann Associates, Inc., a real estate appraisal and consulting firm in Chicago, Illinois. William A. McCann Associates, Inc. has been periodically engaged by the Association to provide real estate appraisal services. Mr. McCann serves on the Mayor of Chicago's Task Force Committee on institutional land uses.

DARRYL ERLANDSON is a Vice President of the Association and president of its subsidiaries, Calumet Savings Service Corporation and Calumet Financial Corporation. Mr. Erlandson was elected to the Board of the Company and Association in June, 1996.

CAROLE J. LEWIS has been with Calumet Federal since 1965. Ms. Lewis was appointed President and Chief Operating Officer of the Association in January, 1987 and has been a director since 1975. Prior to being appointed President of the Association, Ms. Lewis has served as Executive Vice President, Chief Loan Officer and Marketing Director of the Association.

LOUISE CZAROBSKI, now retired, was previously an executive secretary for Continental Bank of Illinois, now known as Bank of America Illinois.

TYTUS R. BULICZ is a Senior Development Engineer for the Advanced Combustion Group of Navistar International Transportation Corporation. Mr. Bulicz has been a member of the Board of Directors of the Association since November, 1991 and a director of Calumet Bancorp since August, 1995.

MEETINGS AND COMMITTEES OF THE BOARD OF DIRECTORS

The Board of Directors of the Company and Association conduct their business through meetings of the Board and through their committees. During the fiscal year ended December 31, 1998, the Board of Directors of the Company held 14 meetings and the Board of Directors of Calumet Federal held 13 meetings. No director of the Company or Calumet Federal attended fewer than 75% of the total meetings of the Board and committee meetings on which such Board member served during this period.

The Board of Directors of the Company has also established a Stock Option Committee. This committee did not meet during the year ended December 31, 1998.

The Board of Directors of the Association has established Executive, Audit and Compliance, Compensation and Community Reinvestment Act ("CRA") Committees.

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The Executive Committee consists of Mr. Walczak, Ms. Lewis and Dr. Urban. This Committee has the authority to exercise most powers of the Board of Directors between meetings of the full Board of Directors. The Executive Committee also recommends employee salaries and benefits (except with regard to its members), as well as the election of officers, the establishment of Association committees and various other organizational activities of the Association on an annual basis. All activities of this Committee are reported to the Association's Board of Directors on a periodic basis. This Committee met twice during 1998.

The Audit and Compliance Committee consists of Dr. Urban, Mr. Bulicz and Ms. Czarobski. This Committee reviews the Company's budget and audit performance and meets with the Company's auditors. This Committee met four times in 1998. In addition, this Committee oversees and monitors the Company's system of internal control by, among other things, monitoring and reviewing regulatory reports and the internal audit activities.

The members of the Compensation Committee are William McCann, who serves as Chairman, Tytus R. Bulicz, Louise Czarobski and Dr. Henry J. Urban. This Committee met once during 1998.

The board members of the CRA Committee are William McCann, Henry J. Urban, Carole J. Lewis and Tytus Bulicz. This committee implements CRA policies and programs and monitors the Association's activities in the CRA area. This Committee met four times during 1998.

ITEM 11. EXECUTIVE COMPENSATION

Under rules established by the Securities and Exchange Commission, the Company is required to provide certain data and information in regard to the compensation and benefits provided to the Company's Chief Executive Officer and other executive officers of the Company. The disclosure requirements for the Chief Executive Officer and such executive officers include the use of tables and a report explaining the rationale and considerations that led to fundamental compensation decisions affecting those individuals. In fulfillment of this requirement, the Compensation Committee of the Company, at the direction of the Board of Directors has prepared the following report.

The Compensation Committee is responsible for establishing the compensation for the senior executive officers of the Company and its subsidiaries consistent with the Company's and the Association's business plans, strategies, and goals. The Compensation Committee establishes the factors and criteria upon which the executive officers' compensation is based and how such compensation relates to the Company's performance, general compensation policies, competitive realities, and regulatory requirements.

The Compensation Committee's functions and objectives are to: (a) determine the competitiveness of current base salary, annual incentives and long-term incentives relative to specific competitive markets for the Chairman and President; (b) develop a performance review mechanism that has written objectives and goals which are used to make salary increase determinations; (c) develop an annual incentive plan for senior management; and (d) provide guidance to the Board of Directors in their role in establishing objectives regarding executive compensation.

The overall compensation philosophy of the Company is as follows:

- to attract and retain quality talent, which is critical to both the short-term and long-term success of this Company;

- to reinforce strategic performance objectives through the use of incentive compensation programs;

- to create a mutuality of interest between executive officers and shareholders through compensation structures that share the rewards and risks of strategic decision-making; and

- to encourage executives to achieve substantial levels of ownership of stock in the Company.

The compensation package offered to executive officers consists of a mix of salary, incentive bonus awards, and stock option awards as well as benefits under several employee benefit plans offered by the Association.

For the fiscal year ended December 31, 1998, the Company experienced strong core earnings. In setting executive compensation, for the Chairman and Chief Executive Officer, and the President and Chief Operating Officer, the Compensation Committee considered the return on assets, return on equity, asset quality and the maintenance of an appropriate interest rate spread as it relates to overall industry performance.

At June 30, 1998 those measures were: Return on Assets 1.62%, Return on Equity

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13.26%, Non-performing Loans to Total Loans 1.52%, and Interest Rate Spread 3.33%. These are the primary factors, although not the exclusive ones considered, on which the Compensation Committee bases executive compensation. This Committee expects to review these standards, adjusting them for unique factors, such as the increase in equity of the Association as a result of its conversion to a stock company and the lower interest rate environment of the last year, which helped maintain favorable interest rate spreads, in the consideration of executive compensation and incentive compensation.

The Compensation Committee investigates the competitiveness of the compensation of the Chairman and the President by having the following survey data updated at least annually. Among the sources consulted are the America's Community Bankers Peer Group Report, and SNL Securities L.P. Peer Group Analysis.

These surveys encompass Financial Service Companies, Banks, Savings Banks, and Thrifts throughout the United States with assets ranging from $200 million to $1 billion. The information is used as a frame of reference for annual salary adjustments. The base compensation of the Chairman, as given on the summary compensation table as compared with the base compensation for similar executives, is in the 75th percentile and that of the President is in the 75th percentile. The Committee viewed work performance as the most important measurement factor in setting base compensation.

The Committee established certain goals and objectives in 1998 with which to measure the performance of the Chairman and the President for the purpose of awarding incentive bonuses based on the attainment of certain goals which were measured as of June 30, 1998. The goals were: Return on Assets 1%; Return on Equity 11%; Asset Quality (ratio of non-performing loans to total loans) 2.75%; Interest rate spread 2.50%. Notwithstanding the attainment of the goals no incentive bonus would be paid unless an incentive plan "trigger" was achieved. The Committee determined that the "trigger" would be equal to 75% of the performance level of the Association's peer group. The peer group selected for this comparison consists of those savings institutions included in the America's Community Bankers Peer Group Report. This report is prepared on a quarterly basis and submitted to the Company and special attention is given to the peer group referred to as the East North Central Financial Institutions Having an Asset Size of $300 to $500 Million Residential Lenders, Utilizing Savings and Time Funding and those that are Well Capitalized. The Peer Group Report covers 14 profit, efficiency and exposure measures.

The Committee adopted the weighting factors establishing the importance of the corporate goals compared to its peer group as follows:

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Description	Goals	Weighting	Calumet	Peer Group	Performance Relative to Peer Group
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Return on assets	1.00%	60%	1.62%	.97%	167%
Return on equity	11.00%	20%	13.26%	9.24%	143%
Asset quality (ration of non-performing loans to total loans)	2.75%	15%	1.52%	1.07%	70%
Interest rate spread	2.50%	5%	3.33%	2.79%	119%

</TABLE>

Based on this weighting, average bonuses would be awarded in a range of 25% of base salary to 85% of base salary in the case of the Chairman and in a range of 25% to 65% of base salary for President, absent special circumstances or non-recurring items that would mandate the payment of a bonus in excess of these limitations or the elimination of a bonus entirely. The Committee stated such items that could be excluded in their consideration of incentive bonuses would be profits resulting from an extraordinary or non-recurring item, profits or losses resulting from imposition of Generally Accepted Accounting Principle changes, regulatory changes, acquisition as a result of a merger or bulk purchase of assets by the Company or similar circumstances. The Compensation Committee members in the exercise of their fiduciary duty and with their dedication to operating a safe and sound Company reserved unto themselves the right to amend or alter, based on general economic conditions and other factors governing the performance of the Company, the guidelines and goals established at any time.

The members of the Compensation Committee are William McCann, who serves as Chairman, Tytus R. Bulicz, Louise Czarobski and Dr. Henry J. Urban. No member of the Compensation Committee is or was an officer of the Company or the Association. McCann and Associates, a company controlled by Mr. McCann was paid

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$22,750 during 1998 for appraisal work performed by that company for the Association.

The complete Board of Directors serves as the Compensation Committee for the remainder of the executive employees of the Company. Both the Compensation Committee and the Board will continue to review the standards of performance of the Association and the appropriate peer group to which comparisons may be made. They reserve the right to change the standard and peer group comparables as they see fit in order to assure that the standards reflect the reality of the market place and the actual performance of the Company.

The following tables set forth for the fiscal years ended December 31, 1998, 1997 and 1996 certain information as to the

total compensation received by each of the four most highly compensated executive officers of the Company and the Association receiving total cash compensation in excess of $100,000 during this period for services in all capacities to the Company and the Association. These amounts reflect total cash compensation paid by the Association to these individuals during the period. For the fiscal year ended December 31, 1998 forty percent (40%) of the compensation paid to Mr. Walczak, thirty percent (30%) of the compensation paid to Mr. Garlanger, and twenty-five percent (25%) of the compensation paid to Ms. Lewis was reimbursed by the Company to the Association, to compensate the Association for the time devoted by those individuals to Company business. Mr. Erlandson's compensation was paid solely by the Association.

Summary Compensation Table

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Name and Principal Position	Year	Annual Compensation: Salary	Annual Compensation: Bonus	Annual Compensation: Other Annual Compen-sation (1)	Long Term Compensation: Awards: Restricted Stock Awards	Long Term Compensation: Awards: Securities Underlying Options (#)	Long Term Compensation: Payouts: LTIP Payouts	All Other Compen-sation (2)
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Thaddeus Walczak	1998	$ 378,735	$ 265,115	$ 24,600	$ -	-	$ -	$ 63,934
Chairman - CEO	1997	360,700	225,438	19,900	-	-	-	149,625
	1996	350,200	249,500	19,900	-	-	-	99,750
Carole J. Lewis	1998	225,000	120,375	24,600	-	-	-	63,934
President - COO	1997	214,300	102,864	19,900	-	-	-	149,625
Director	1996	208,060	114,430	19,900	-	-	-	99,750
John Garlanger	1998	128,800	22,000	-	-	-	-	63,934
Sr. Vice President	1997	123,900	24,000	-	-	-	-	149,625
Treasurer - CFO	1996	119,600	27,000	-	-	-	-	99,750
Darryl Erlandson	1998	77,700	10,000	21,850	-	-	-	40,064
Vice President	1997	74,000	10,000	17,400	-	-	-	40,997
Director	1996	68,500	12,000	10,150	-	-	-	26,534

</TABLE>

(1) Directors' and committee fees

(2) Fair value of ESOP shares allocated

<TABLE>
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Option Value at December 31, 1998

Name	Option Price	Number of Securities Underlying Unexercised Options at December 31, 1998: Exercisable #	Number of Securities Underlying Unexercised Options at December 31, 1998: Unexercisable #	Value of Unexercised In-the-Money Options at December 31, 1998 (1): Exercisable	Value of Unexercised In-the-Money Options at December 31, 1998 (1): Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>
Thaddeus Walczak	$ 6.67	145,962	-	$ 2,986,383	$ -
	$ 14.92	15,348	3,837	187,399	46,850
Carole J. Lewis	$ 6.67	89,989	-	1,841,175	-
	$ 14.92	9,379	2,345	114,518	28,632
John Garlanger	$ 6.67	25,461	-	520,932	-
	$ 14.92	2,046	512	24,982	6,252

</TABLE>

(1) Based on a market value of $27.13 at December 31, 1998, less the option

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price indicated.

CALUMET BANCORP, INC.
Performance Graph for 1998

[LINE GRAPH]

	Dec-93	Dec-94	Dec-95	Dec-96	Dec-97	Dec-98
NASDAQ Index	100.0	97.8	138.3	170.0	208.3	293.5
Peer Index	100.0	101.3	155.4	202.2	336.8	302.6
CBCI Index	100.0	93.8	128.6	154.1	232.4	188.5

The above performance graph was prepared from data obtained from the Center for Research in Security Prices at the University of Chicago. The market index being used is the CRSP Total Return Index for the NASDAQ Stock Market (US Companies). The peer group index was based on data from all companies listed on NASDAQ as depository institutions and includes both banks and thrifts.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as to those persons believed by management to be beneficial owners of more than 5% of the outstanding shares of Common Stock on December 31, 1998. Persons and groups owning in excess of 5% of the Common Stock are required to file certain reports regarding such ownership with the Company and with the Securities and Exchange Commission, in accordance with the Securities Exchange Act of 1934 (the "Exchange Act"). Additionally, certain other publicly available Exchange Act reports may provide information regarding the identities of persons or groups who hold in excess of 5% of the common stock. Other than those persons listed below, the Company is not aware of any person or group, as such term is defined in the Exchange Act, that owns more than 5% of the Common Stock as of December 31, 1998.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Common Stock Outstanding (a)
Thaddeus Walczak 38 East Road Chesterton, Indiana 46304	395,202 (b)	12.6%
Carole J. Lewis 38 East Road Chesterton, Indiana 46304	306,941 (c)	9.8%
John Hancock Advisers, Inc. 101 Huntington Avenue Boston, Massachusetts 02199	207,000 (d)	6.6%

(a) The total number of shares of Common Stock outstanding on December 31, 1998 was 3,145,861.

(b) The number of shares owned by Mr. Walczak, an Officer and Director of the Company, include 165,147 shares of the Common Stock of the Company which may be acquired pursuant to presently exercisable options.

(c) The number of shares owned by Ms. Lewis, an Officer and Director of the Company, includes 101,713 shares of Common Stock of the Company which may be acquired pursuant to presently exercisable options.

(d) Based on information filed in a Schedule 13G by John Hancock Advisers, Inc. on January 29, 1998.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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Under Section 16(a) of the Exchange Act, the Company's directors, executive officers and any person holding more than 10% of the Company's Common Stock are required to report their initial ownership of the Company's Common Stock and any subsequent changes in that ownership to the Securities and Exchange Commission. Specific due dates for these reports have been established and the Corporation is required to disclose in this Proxy Statement any failure to file such reports by these dates during 1998. Based solely on a review of copies of such reports furnished to the Company, or written representations that no reports were required, the Company believes that during 1998 all filing requirements applicable to its directors and executive officers were satisfied.

TRANSACTIONS WITH MANAGEMENT

Prior to the enactment of the Financial Institution Reform, Recovery and Enforcement Act of 1989, Calumet Federal offered residential mortgage loans to officers, directors and employees at current market rates but reduced points and waived application fees on a case-by-case basis. Since FIRREA, all loans are made to officers, directors and employees on the same terms as loans granted to members of the general public, except the Association may waive application fees for non-management employees. No director or executive officer or member of their immediate families or affiliates had any loans with Calumet Federal at December 31, 1998. McCann and Associates, a company controlled by Mr. McCann (director) was paid $22,750 during 1998 for appraisal work performed by that company for the Association.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a)(1) Financial Statements

The following consolidated financial statements of the registrant and its subsidiaries are filed as a part of this document under Item 8. Financial Statements and Supplementary Data.

Consolidated Statements of Financial Condition at December 31, 1998 and 1997

Consolidated Statements of Income for the years ended December 31, 1998, 1997,and 1996
Consolidated Statements of Stockholders' Equity for the years ended December 31, 1998, 1997, and 1996
Consolidated Statements of Cash Flows for the years ended December 31, 1998, 1997, and 1996
Notes to Consolidated Financial Statements
Report of Independent Auditor at December 31, 1998, and for the three years then ended

(a)(2) All schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions, are inapplicable or the required information has been included elsewhere herein, and therefore have been omitted.

(a)(3) Listing of Exhibits

(3)(i) and (ii) The registrant hereby incorporates by reference its Articles of Incorporation and By-Laws as exhibits to its registration statement on form S-1, which was filed with the Securities and Exchange Commission.

(21) Subsidiaries of the Registrant
(23) Consent of Independent Auditors

(b) Reports on Form 8-K

On September 17, 1998, the Registrant filed on Form 8-K a copy of the Agreement and Plan of Merger among Calumet Bancorp, Inc., FBOP Corporation and FBOP Acquisition Corp. dated as of September 9, 1998, and a copy of the related Press Release issued September 9, 1998 announcing the signing of the agreement. Under the terms of the merger FBOP Acquisition Corp., a wholly owned subsidiary of FBOP Corporation, will acquire for cash all of the outstanding stock of Registrant for a purchase price of approximately $111.6 million less Registrant's merger related expenses, or $32.00 per fully diluted share. The transaction is expected to be completed during the first quarter of 1999 and is subject to the approval of the regulatory agencies and the Registrant's shareholders and to the satisfaction of certain contractual closing conditions under the Merger Agreement.

On December 1, 1998, the Registrant filed on Form 8-K a copy of a Press Release issued November 23, 1998, describing the receipt of a letter from FBOP stating that FBOP was prepared to terminate the Merger Agreement unless the Company agreed to a price reduction of $4.0 million, and events

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following the receipt of that letter.

SIGNATURES

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

CALUMET BANCORP, INC.

Date: March 23, 1999 By: /s/ Thaddeus Walczak

Thaddeus Walczak
Chairman of the Board 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 on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ Carole J. Lewis

Carole J. Lewis
President, Chief Operating Officer and Director
Date: March 23, 1999

By: /s/ Thaddeus Walczak

Thaddeus Walczak
Chairman of the Board and Chief Executive Officer
Date: March 23, 1999

By: /s/ John L. Garlanger

John L. Garlanger
Senior Vice President and Treasurer
(Principal Financial and Accounting Officer)
Date: March 23, 1999

By: /s/ William A. McCann

William A. McCann
Director
Date: March 23, 1999

By: /s/ Dr. Henry J. Urban

Dr. Henry J. Urban
Director
Date: March 23, 1999

By: /s/ Tytus R. Bulicz

Tytus R. Bulicz
Director
Date: March 23, 1999

By: /s/ Louise Czarobski

Louise Czarobski
Director
Date: March 23, 1999

By: /s/ Darryl Erlandson

Darryl Erlandson
Director
Date: March 23, 1999

SHAREHOLDERS' INFORMATION

CORPORATE HEADQUARTERS

Calumet Bancorp, Inc.
1350 East Sibley Boulevard
Dolton, Illinois 60419
(708) 841-9010

GENERAL COUNSEL

Kemp & Grzelakowski, Ltd.
1900 Spring Road, Suite 500
Oak Brook, Illinois 60523

STOCK TRANSFER AGENT AND REGISTRAR

Inquiries regarding stock transfer, registration, lost certificates or changes in name and address should be directed to the stock transfer agent and registrar by writing:

Harris Trust and Savings Bank
Attention: Shareholder Services
Post Office Box 755
Chicago, Illinois 60690

INDEPENDENT AUDITORS

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Crowe, Chizek and Company, LLP
One Mid America Plaza
Oak Brook, Illinois 60523

INVESTOR INFORMATION

Shareholders, investors, and analysts interested in additional information may contact John Garlanger, Senior Vice President and Treasurer, at the corporate headquarters.

ANNUAL MEETING OF SHAREHOLDERS

The Annual Meeting of Shareholders of Calumet Bancorp, Inc. has been postponed to an undetermined date pending the results of the Special Meeting of Shareholders of Calumet Bancorp, Inc. to vote on the Agreement and Plan of Merger with FBOP Corporation, to be held at 1:00 p.m. (Central time) on Wednesday, April 14, 1999, at the Company's corporate headquarters.

At March 19, 1999, the Company had 329 shareholders of record and approximately 900 beneficial owners registered in street name.

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EXHIBIT 21

SUBSIDIARIES OF THE REGISTRANT

PARENT

Calumet Bancorp, Inc.

SUBSIDIARY	PERCENTAGE OWNED	JURISDICTION OR STATE OF INCORPORATION
Calumet Federal Savings and Loan Association of Chicago	100%	United States
Calumet Savings Service Corporation ("CSSC") (1)	100%	Illinois
Calumet Residential Corporation ("CRC") (1)	100%	Illinois
Calumet Financial Corporation ("CFC") (2)	100%	Illinois
Calumet Mortgage Corporation of Idaho ("CMCID") (2)	100%	Idaho
Calumet United Limited Liability Corporation ("CULLC") (3)	51%	Wyoming

(1) First tier subsidiary of Calumet Federal Savings

(2) First tier subsidiary of Calumet Savings Service Corporation

(3) 51% owned by Calumet Residential Corporation and 49% by two individuals

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EXHIBIT 23

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-43063) pertaining to Calumet Bancorp, Inc. 1992 Stock Option Plan of our report dated February 18, 1999, with respect to the consolidated financial statements of Calumet Bancorp, Inc. included elsewhere herein.

/s/ Crowe, Chizek and Company LLP

CROWE, CHIZEK AND COMPANY LLP

Oak Brook, Illinois
March 19, 1999

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