SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

ST PAUL BANCORP INC
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(X) Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 1994

or

( ) Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to

Commission File Number 0-15580

St. Paul Bancorp, Inc.
(Exact name of registrant as specified in its charter)

Delaware	36-3504665
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6700 W. North Avenue Chicago, Illinois	60635
(Address of principal executive offices)	(Zip Code)

(312) 622-5000
(Registrant's telephone number, including area code)

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 twelve months (or 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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, $.01 par value -- 19,468,775 shares, as of April 29, 1994

ST. PAUL BANCORP, INC.
AND SUBSIDIARIES

FORM 10-Q
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ST. PAUL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION (UNAUDITED)

<TABLE>
<CAPTION>

Dollars in thousands	March 31, 1994	December 31, 1993
<S>	<C>	<C>
ASSETS:		
Cash and cash equivalents		
Cash and amounts due from depository institutions	$ 102,213	$ 87,805
Federal funds sold	62,000	56,200
Short-term marketable-debt securities (Market: March 31, 1994-$32,308; December 31, 1993-$192,326)	32,308	192,326
Total cash and cash equivalents	196,521	336,331
Marketable-debt securities (Market: March 31, 1994-$188,252; December 31, 1993-$142,876)	189,418	142,051
Mortgage-backed securities (Market: March 31, 1994-$918,998; December 31, 1993-$733,314)	930,519	733,649
Loans receivable	2,304,043	2,350,893
Less: accumulated provision for loan losses	45,074	46,574
Net loans receivable	2,258,969	2,304,319
Loans held-for-sale, at lower of cost or market (Market: March 31, 1994-$18,659; December 31, 1993-$28,616)	18,599	28,497
Accrued interest receivable	21,572	20,247
Foreclosed real estate (Net of accumulated provision for losses: March 31, 1994-$992; December 31, 1993-$819)	25,512	19,105
Real estate held for investment	11,926	11,237
Investment in Federal Home Loan Bank stock	29,847	31,290
Office properties and equipment	40,282	40,865
Prepaid expenses and other assets	36,100	37,785
TOTAL ASSETS	$3,759,265	$3,705,376
LIABILITIES:		
Deposits	$3,251,680	$3,252,618
FHL Bank advances	57,220	7,219
Other borrowings	56,420	56,751
Advance payments by borrowers for taxes and insurance	18,780	19,513
Other liabilities	24,165	21,946
Total liabilities	3,408,265	3,358,047
COMMITMENTS		

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STOCKHOLDERS' EQUITY:		
Preferred stock (par value $.01 per share: authorized-10,000,000 shares; none issued)	--	--
Common stock (par value $.01 per share: authorized-40,000,000 shares; issued at March 31, 1994-19,698,975 shares; outstanding at March 31, 1994-19,498,625 shares, issued and outstanding at December 31, 1993-19,683,981 shares)	197	197
Paid-in capital	136,823	136,609
Retained income, substantially restricted	216,952	210,215
Unrealized gain on securities, net of taxes	1,206	4,594
SFAS No. 87 adjustment, net of taxes	(46)	(46)
Borrowings by employee stock ownership plan	(1,179)	(4,240)
Unearned shares held by employee stock ownership plan (196,350 shares)	(2,883)	--
Treasury stock (4,000 shares)	(70)	--
Total stockholders' equity	351,000	347,329
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$3,759,265	$3,705,376

</TABLE>

See notes to consolidated financial statements

<TABLE>
<CAPTION>

ST. PAUL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

Dollars in thousands except per share amounts	Three months ended March 31, 1994	1993
<S>	<C>	<C>
INTEREST INCOME:		
Loans receivable	$ 44,905	$ 50,267
Mortgage-backed securities	10,144	10,961
Marketable-debt securities	1,778	1,490
Trading account	1	30
Federal Funds	457	272
Other short-term investments	1,863	1,999
Total interest income	59,148	65,019
INTEREST EXPENSE:		
Deposits	28,208	30,890
Short-term borrowings	6	2,089
Long-term borrowings	1,416	1,337
Total interest expense	29,630	34,316
Net interest income	29,518	30,703
Provision for loan losses	1,950	4,000
Net interest income after provision for loan losses	27,568	26,703
OTHER INCOME:		
Loan servicing fees	349	483
Other fee income	3,568	3,034
Net gain on assets sold	389	165
Net trading account gain (loss)	(5)	5
Discount brokerage commissions	1,234	1,338
Income from real estate operations	667	563
Insurance and annuity commissions	956	879
Other	169	76
Total other income	7,327	6,543
GENERAL AND ADMINISTRATIVE EXPENSE:		
Salaries and employee benefits	11,956	10,120
Occupancy, equipment and other office expense	5,233	4,312
Advertising	1,126	1,237
Federal deposit insurance	2,240	2,203
Other	1,233	1,208
General and administrative expense	21,788	19,080

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Loss on foreclosed real estate	460	327
Income before income taxes	12,647	13,839
Income taxes	4,449	4,596
NET INCOME	$ 8,198	$ 9,243
EARNINGS PER SHARE:		
Primary	$ 0.40	$ 0.47
Fully diluted	0.40	0.47
DIVIDENDS PER SHARE	$ 0.075	$ 0.067

</TABLE>

See notes to consolidated financial statements.

ST. PAUL BANCORP,INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)

<TABLE>
<CAPTION>

	Common Stock		Paid-in	Retained	Unrealized	FASB 87	Borrowing By	Unearned ESOP	Treasury	
	Shares	Amount	Capital	Income	Gain/Loss	Adjustment	ESOP	Shares	Stock	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at December 31, 1992	18,258,158	$183	$115,253	$173,976	$ --	$ --	($2,071)	$ --	$ --	$287,341
Issuance of common stock under stock option plan	75,000	1	799	--	--	--	--	--	--	800
Issuance of common stock to Elm Financial	1,292,313	12	19,754	--	--	--	--	--	--	19,766
Net Income	--	--	--	9,243	--	--	--	--	--	9,243
Cash dividends paid to shareholders ($0.067 per share)	--	--	--	(1,220)	--	--	--	--	--	(1,220)
Balance at March 31, 1993	19,625,471	$196	$135,806	$181,999	$0	$0	($2,071)	$0	$0	$315,930
Balance at December 31, 1993	19,683,981	$197	$136,609	$210,215	$4,594	($46)	($4,240)	$ --	$ --	$347,329
Unearned ESOP Shares	(196,350)	--	--	--	--	--	2,833	(2,883)		--
Issuance of common stock under stock option plan	14,994	--	214	--	--	--	--	--	--	214
Net Income	--	--	--	8,198	--	--	--	--	--	8,198
Cash dividend paid to shareholders ($0.075 per share)	--	--	--	(1,461)	--	--	--	--	--	(1,461)
Adjustment to Unrealized Gain	--	--	--	--	(3,388)	--	--	--	--	(3,388)
Repayment of ESOP Borrowing	--	--	--	--	--	--	178	--	--	178
Treasury stock purchases	(4,000)	--	--	--	--	--	--	--	(70)	(70)
Balance at March 31, 1994	19,498,625	$197	$136,823	$216,952	$1,206	($46)	($1,179)	($2,883)	($70)	$351,000

</TABLE>

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ST. PAUL BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

<TABLE>
<CAPTION>

Dollars in thousands	Three months ended March 31, 1994	1993
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net income	$ 8,198	$ 9,243
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	1,950	4,000
Provision for losses on foreclosed real estate	200	--
Provision for depreciation	1,215	1,115
Assets originated and acquired for sale	(28,671)	(13,365)
Sale of assets held for sale	38,949	14,147
Increase in accrued interest receivable	(1,325)	(216)
(Increase) decrease in prepaid expenses and other assets	1,584	(3,592)
Increase (decrease) in other liabilities	2,218	(856)
Net amortization of yield adjustments	(1,757)	(998)
Other items, net	1,277	(496)
Net cash provided by operating activities	23,838	8,982
INVESTING ACTIVITIES:		
Principal repayments on loans receivable	150,940	86,274
Loans originated and purchased for investment	(114,055)	(74,682)
Loans receivable sold	1,270	4,910
Principal repayment on available-for-sale mortgage-backed securities	26,403	--
Principal repayment on held-to-maturity mortgage-backed securities	40,445	55,387
Purchase of held-to-maturity mortgage-backed securities	(277,279)	(28,624)
Sale of available-for-sale mortgage-backed securities	9,941	--
Maturities of held-to-maturity marketable-debt securities	--	18,776
Maturities of available-for-sale marketable-debt securities	2,000	--
Purchase of available-for-sale marketable-debt securities	(20,000)	--
Purchase of held-to-maturity marketable-debt securities	(30,695)	(59,759)
Additions to real estate held for investment	(2,604)	(969)
Real estate sold	2,434	989
Decrease in investment in Federal Home Loan Bank stock	1,443	1,897
Purchase of office properties and equipment	(1,217)	(1,579)
Proceeds from sales of office properties and equipment	585	499
Acquisition of Elm Financial, net of cash and cash equivalents acquired of $11,002.	--	(15,655)
Net cash used by investing activities	(210,389)	(12,536)
FINANCING ACTIVITIES:		
Net increase (decrease) in checking and savings deposits	90,740	(15,138)
Proceeds from sales of certificates of deposit	67,141	70,308
Payments for maturing certificates of deposit	(158,819)	(63,905)
Net proceeds from issuance of subordinated notes	--	33,422
Repayment of FHL Bank advances	--	(25,000)
Increase in FHL Bank advances	50,000	--
Decrease in other borrowings, net	(192)	(2,981)
Dividends paid to stockholders	(1,461)	(1,220)
Net proceeds from exercise of stock options	138	513
Purchase of Treasury Stock	(70)	--
Decrease in advance payments by borrowers for taxes and insurance	(733)	(561)
Net cash provided (used) by financing activities	46,744	(4,562)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(139,807)	(8,116)
Cash and cash equivalents at beginning of period	336,331	311,567
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 196,524	$ 303,451
SUPPLEMENTAL DISCLOSURES:		
Interest credited on deposits	$ 24,789	$ 28,150

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Interest paid on deposits	2,523	2,930
Total interest paid on deposits	27,312	31,080
Interest paid on borrowings	1,639	3,813
Income taxes paid, net	(81)	1,342
Common stock issued in acquisition of Elm Financial	--	19,766
Real estate acquired through foreclosure	6,846	2,580
Loans originated in connection with real estate acquired through foreclosure	--	--

</TABLE>

See notes to consolidated financial statements.

ST. PAUL BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of Management all necessary adjustments, consisting only of normal recurring accruals, necessary for a fair presentation have been included. The results of operation for the three-month period ended March 31, 1994 are not necessarily indicative of the results that may be expected for the entire fiscal year.

2. The accompanying consolidated financial statements include the accounts of St. Paul Bancorp, Inc. (the "Company" or "St. Paul Bancorp") and its wholly-owned subsidiaries, St. Paul Federal Bank For Savings (the "Bank" or "St. Paul Federal"), Annuity Network, Inc. and St. Paul Financial Development Corporation. The financial statements of St. Paul Federal include the accounts of its subsidiaries. Certain prior year amounts have been reclassified to conform to the 1994 presentation.

3. At March 31, 1994 the Bank had outstanding commitments to originate 1-4 family, real estate loans of $49.3 million. Of these commitments, $38.3 million were for adjustable-rate loans and $11.0 million were for fixed-rate loans. Most of these commitments expire after sixty days. Unused home equity lines of credit totaled $36.2 million as of March 31, 1994. Also, the Bank had commitments to purchase $226.9 million in mortgage-backed securities at March 31, 1994. The Bank anticipates funding origination and mortgage-backed security purchase commitments with excess liquidity and $160.0 million of

Federal Home Loan Bank advances.

During April 1994, the Bank had a commitment to enter into an additional $83.8 million of notional amount interest rate exchange agreements to hedge the interest rate risk associated with borrowing commitments referred to above.

At March 31, 1994 the Bank held commitments to sell $17.0 million of fixed-rate, 1-4 family real estate loans. Market value losses, if any, related to these commitments have been reflected in the consolidated financial statements.

4. On February 23, 1993, the Company acquired ("the Acquisition") Elm Financial Services, Inc. ("Elm Financial"). The following schedule details the net effect during the first half of 1993 of the Acquisition on cash and cash equivalents:

<TABLE>

<S>	<C>
Purchase price	$48,194
Less: issuance of St. Paul stock	19,766
Less: Elm stock acquired in 1992	1,771
Cash paid for Acquisition	26,657
Cash and cash equivalents acquired	11,002
Acquisition of Elm Financial, net of cash and cash equivalents acquired	$15,655

</TABLE>

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ST. PAUL BANCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. As of January 1, 1994, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 114, "Accounting by Creditors for Impairment of a Loan". Loans accounted for under SFAS No. 114 include multi-family and commercial real-estate loans. SFAS No. 114 requires that impaired loans be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate. As a practical expedient, impairment may be measured based on the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment should be recorded through a specific valuation allowance. Also, SFAS No. 114 provides guidance on the classification of loans as real estate ("REO") in-substance foreclosed.

The Company previously valued loans considered to be impaired under SFAS No. 114 based on the fair value of the collateral, and since all of the Company's REO in-substance at December 31, 1993 continued to be classified as REO in-substance under SFAS No. 114, the adoption of SFAS No. 114 had no impact on the Consolidated Statement of Income or the Consolidated Statement of Financial Condition.

The following schedule presents activity for impaired loans during the first quarter of 1994, which is comprised primarily of multi-family loans:

<TABLE>
<CAPTION>

Impaired Loan Activity

			Eliminations				
	Balance 1/1/94	New Impairments	Transfer to REO	Charge-offs	Improvement in Valuation	Repayments	Balance 3/31/94
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Performing loans	35,645,731	13,928,151	0	(2,213,982)	(13,483,776)	(1,331,374)	32,544,750
Non-performing loans	5,787,282	3,395,415	(2,100,000)	(635,308)	0	(82)	6,447,307
Total impaired balance	$41,433,013	$17,323,566	$(2,100,000)	$(2,849,290)	$(13,483,776)	$(1,331,456)	$38,992,057

</TABLE>

The following schedule provides a rollforward of specific valuation allowances on impaired loans (see schedule above) during the first quarter of 1994. Specific valuation allowances represent the amount of impairment on impaired loans.

<TABLE>
<CAPTION>

Specific Valuation Allowance Activity

	Balance 1/1/94	Decreases in Value	Improvements in Value	Charge-offs	Balance 3/31/94
<S>	<C>	<C>	<C>	<C>	<C>
Performing loans	4,551,018	2,906,600	(472,802)	(2,213,982)	4,770,834
Non-performing loans	487,282	495,415	(82)	(635,308)	347,307
Total impaired balance	$5,038,300	$3,402,015	$(472,884)	$(2,849,290)	$5,118,141

</TABLE>

The following table provides activity in the accumulated provision for loan

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losses:

Dollars in thousands	Real Estate loans	Consumer loans	Total loans
Balance at December 31, 1991	44,743	1,421	46,164
Provision for losses	9,425	1,200	10,625
Charge offs	(7,545)	(695)	(8,240)
Recoveries	127	5	132
Transfers	769	(769)	---
Balance at December 31, 1992	$47,519	$1,162	$48,681
Provision for losses	10,250	500	10,750
Acquired from Elm	929	---	929
Charge offs	(14,050)	(306)	(14,356)
Recoveries	521	49	570
Transfers	813	(813)	---
Balance at December 31, 1993	$45,982	$ 592	$46,574
Provision for losses	1,880	70	1,950
Charge offs	(3,439)	(27)	(3,466)
Recoveries	1	15	16
Transfers	15	(15)	---
Balance at March 31, 1994	$44,439	$ 635	$45,074

6. The Board of Directors of the Company has adopted an employee stock ownership plan ("ESOP") designed to invest in the common stock of the Company for the benefit of employees of the Company. All employees who have completed at least one year of credited service at the Bank are eligible to participate in the ESOP. The ESOP is subject to the Employee Retirement Income Security Act of 1974 and is intended to constitute a qualified stock bonus plan for income tax purposes.

The ESOP is authorized to borrow money to finance the acquisition of Company common stock and to pledge the stock acquired to secure payment of the loan. The Bank does not provide financing for the ESOP. During 1987, the ESOP borrowed $5.0 million to purchase 750,000 shares of Company common stock. As of March 31, 1994, $179,000 of this loan remains outstanding. During 1991, the ESOP obtained a $5.0 million line of credit, which was increased to $18.0 million in 1993. This line of credit was used to purchase 286,400 shares of Company common stock, and as of March 31, 1994, $3.9 million of this line of credit is outstanding. Outstanding ESOP borrowings are guaranteed by the Company and are included in other borrowings in the Consolidated Statements of Financial Condition.

St. Paul Bancorp stock that is acquired through borrowed funds are held by the ESOP trustee as collateral for the related borrowings. As the loans are repaid, shares held as collateral are released. The ESOP loans are being repaid from Bank contributions and dividends received on St. Paul Bancorp stock held by the ESOP. Payment of the ESOP loans is guaranteed by the Company. The Company also has pledged $1.0 million in marketable debt securities as collateral for the ESOP loan.

Contributions to the ESOP are made at the sole discretion of the Board of Trustees of the ESOP, but may not exceed 15% of the aggregate compensation of all participants. Since the inception of the ESOP, contributions have been sufficient to service the ESOP debt and, in certain years, have allowed the ESOP to acquire additional shares of St. Paul Bancorp stock.

Beginning January 1, 1994, the Company prospectively adopted the provisions of American Institute of Certified Public Accountants ("AICPA") Statement of Position 93-6, "Employers' Accounting for Employee Stock Ownership Plans." SOP 93-6 requires the recognition of compensation expense for ESOP shares acquired after 1992 and not committed to be released before the beginning of 1994, be measured based on the fair value of those shares when committed to be released to employees, rather than based on their original cost.

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As of March 31, 1994, the ESOP had 196,350 of shares acquired after January 1, 1993 that are committed to be released beginning in 1996. The adoption of SOP 93-6 had no impact on the first quarter's net income. The effect of SOP 93-6 on net income in 1996 and beyond is non-determinable since it is based on future prices of St. Paul Bancorp stock. Under SOP 93-6 the average number of ESOP shares considered outstanding for earnings per share purposes during the first quarter of 1994 was 196,350 lower than for 1993 because unallocated shares are excluded from the calculation. The effect of excluding these shares from the earnings per share computation was to increase earnings per share by less than $0.01. Also, under SOP 93-6, $15,000 of dividends on the 196,350 of unearned ESOP shares were reported as a reduction of accrued interest on the ESOP borrowings rather than as a reduction of retained earnings during the first quarter of 1994.

Contributions to the ESOP recorded as compensation expense totaled $78,000, $846,000, and $1.1 million during the three months ended March 31, 1994, the year ended 1993 and the year ended 1992, respectively.

The following table summarizes shares of Company stock held by the ESOP:

	March 31, 1994	December 31, 1993
Shares allocated to participants	701,745	710,670
Unallocated shares:		339,999
Grandfathered under SOP 93-6	143,649	N/A
Unearned ESOP shares	196,350	N/A
Total	1,041,744	1,050,669
Fair value of unearned ESOP shares	$3,509,756	$ N/A

MANAGEMENT'S DISCUSSION AND ANALYSIS

GENERAL

St. Paul Bancorp, Inc. ("St. Paul Bancorp" or the "Company") is the holding company for St. Paul Federal Bank For Savings (the "Bank"), the largest independent savings institution headquartered in Illinois. The Company is headquartered in Chicago, Illinois and its principal business currently consists of the operations of its wholly-owned subsidiary, the Bank. The Company also owns and operates two other subsidiaries, Annuity Network, Inc., ("Annuity Network") which sells annuity products and St. Paul Financial Development Corporation ("St. Paul Financial"), which primarily engages in single family home development in the Chicago metropolitan area.

The Bank is a consumer-oriented retail financial institution, operating 50 full service banking offices throughout the Chicago, Illinois metropolitan area. Of these banking offices, 15 are located within OMNI(R) grocery superstores and provide the Bank access to an expanded retail customer base. The Bank uses its banking offices to attract retail deposits and originate loans in the neighborhoods and surrounding suburbs of metropolitan Chicago with favorable savings patterns and high levels of home ownership. Deposit accounts in the Bank are insured by the Federal Deposit Insurance Corporation ("FDIC").

Funds obtained from the retail banking facilities are reinvested in a variety of loan products and investment securities. Generally, the Bank invests in loans secured by mortgages on real estate, securities, and to a lesser extent, consumer and commercial loans. The Bank focuses most of its current lending activities on the origination and purchase of various mortgage products secured by 1-4 family residential properties. In addition to originating loans in its local market area, the Bank utilizes a correspondent loan program to originate 1-4 family mortgages in Illinois, Wisconsin, Indiana, Michigan, and Ohio.

The Bank also offers mortgage loans secured by 5-35 unit apartment buildings located in the Chicago Metropolitan area and financing to qualifying borrowers to facilitate the sale of multi-family, and occasionally, commercial real estate owned by the Bank. Prior to 1990, the Bank originated, on a

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nationwide basis (primarily in California), loans secured by multi-family real estate and to a lesser extent, loans secured by commercial real estate. At March 31, 1994, $1.01 billion or 26.9% of total assets were comprised of loans secured by multi-family real-estate properties, of which $599.4 million or 15.9% of total assets represents multi-family loans secured by real estate located in California. Also, $68.0 million or 1.8% of the Company's total assets at March 31, 1994 included loans secured by commercial real estate, other than multi-family. Periodically, the Bank will also repurchases multi-family loans sold with recourse.

A variety of consumer loan products, including home equity loans, secured lines of credit, and education, auto and credit card loans1 are offered through the retail banking offices. The Bank also invests in mortgage-backed securities ("MBS"), government and other high-quality, liquid securities.

Management's focus on retail operations includes significant diversification of income sources beyond net interest income. The Bank services approximately 152,000 checking accounts, which generate significant fee income. The Bank engages in mortgage banking activities and operates 172 automated teller machines ("ATMs") throughout the Chicago metropolitan area. Through subsidiaries (Investment Network, Inc. and St. Paul Service, Inc.), the Bank offers discount brokerage services and a full line of insurance products in its banking offices.

Earnings of the Bank are susceptible to interest rate risk to the extent that the Bank's funding (i.e., deposits and borrowings) reprice on a different basis and in different periods than its securities and loans. The Bank tries to structure its balance sheet to reduce its exposure to interest rate risk and to maximize its return on equity, commensurate with risk levels that do not jeopardize the financial safety and soundness of the institution. See "LIQUIDITY" for further discussion. The Bank's earnings are also affected by changes in real estate market values. As changes in the forces of supply and demand for real estate, economic conditions of real estate markets and interest rates occur, the risk of actual losses in the Bank's loan portfolio will change. See "CREDIT" for further details.

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1 The credit card product is offered by the Bank through an agency agreement with another lender.

CAPITAL

Stockholders' equity of the Company was $351.0 million at March 31, 1994 or 9.47% of average assets during the first quarter of 1994. In comparison, stockholders' equity at December 31, 1993 was $347.3 million or 9.27% of average assets for the year ended December 31, 1992. The growth in stockholders' equity is primarily attributed to $8.2 million of net income earned during the three months ended March 31, 1994, partially offset by a $3.4 million decline on the unrealized gains on available-for-sale securities and the payment of $1.5 million of dividends. See "CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY" for further analysis.

In January 1994, the Company announced that it intends to acquire up to 984,000 shares of its outstanding common stock (or approximately 5% of shares outstanding) from time to time over the first six months of 1994 through open market and privately negotiated transactions. The reacquired shares will be held as treasury stock and will reduce the level of stockholders' equity in future periods. Management's primary objectives in reacquiring the shares are to increase return on equity and earnings per share for those shares of the Company's stock that will remain outstanding. At March 31, 1994, only 4,000 shares had been acquired under this repurchase program.

Office of Thrift Supervision ("OTS") regulatory capital requirements for federally-insured institutions such as the Bank include minimum ratios of core and tangible capital to adjusted total assets of 3.0% and 1.5%, respectively. Savings institutions also are required to maintain a ratio of total regulatory capital to risk-weighted assets of 8.0%. Total regulatory capital for purposes of the risk-based capital requirements consists of core capital and supplementary capital (to the extent supplementary capital does not exceed core capital). Supplementary capital includes such items as general valuation allowances ("GVAs"), subject to certain limitations.

During the first quarter of 1994, the Bank continued to exceed the

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core, tangible, and risk-based capital requirements by wide margins. The following table presents the Bank's regulatory capital position as of March 31, 1994 and December 31, 1993:

MARCH 31, 1994			
Dollars in Thousands	Core Capital	Tangible Capital	Risk-Based Capital
Actual percentage	9.27%	9.27%	17.00%
Required percentage	3.00	1.50	8.00
Excess percentage	6.27%	7.77%	9.00%
Actual capital	$344,029	$344,029	$371,502
Required capital	111,317	55,659	174,876
Excess capital	$232,712	$288,370	$196,626

DECEMBER 31, 1993			
Dollars in Thousands	Core Capital	Tangible Capital	Risk-Based Capital
Actual percentage	9.50%	9.50%	16.67%
Required percentage	3.00	1.50	8.00
Excess percentage	6.50%	8.00%	8.67%
Actual capital	$347,989	$347,989	$376,355
Required capital	109,875	54,938	180,490
Excess capital	$238,114	$293,051	$195,964

The following schedule reconciles stockholders' equity of the Company to each of the components of regulatory capital of the Bank at March 31, 1994:

Dollars in thousands	March 31, 1994
Stockholders' equity of the Company	$351,000
Plus: borrowings by ESOP and unearned ESOP shares	4,062
Less: capitalization of Company	(8,180)
Shareholder's equity of the Bank	346,882
Less: investments in non-includable subsidiaries(2)	(786)
Less: intangible assets	(2,067)

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Tangible and core capital	344,029
Plus: allowable GVAs	27,473
Risk-based capital	$ 371,502

</TABLE>

During the first quarter of 1994, the Bank's regulatory capital ratios were reduced by the payment of a $9.0 million dividend to St. Paul Bancorp and a reduction in unrealized gains on securities. The reduction in the regulatory capital ratios associated with these items was partly offset by the Bank's net income which totaled $8.2 million during the first quarter. Also, the risk-based capital ratio benefited from the OTS' new rule which allows additional multi-family loans to be risk-weighted in the 50% category.

The OTS has issued notice of a proposed regulation that would require all but the most highly rated savings institutions to maintain a ratio of core capital to total assets of between 4% and 5%. If the Bank were required to meet a 4% core capital ratio as of March 31, 1994, its excess core capital would have been $195.6 million versus $232.7 million under current requirements.

In 1993, the OTS issued a regulation which adds an interest rate risk component to the risk-based capital requirement associated with "excess interest rate risk." Under the new regulation, an institution is considered to have excess interest rate risk if, based upon a 200-basis point change in market interest rates, the market value of an institution's capital changes by more than 2%. In this situation, the percent change in the market value of capital in excess of 2% is added to the institution's risk-based capital requirement. The

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2 As of March 31, 1994, the Bank had an additional $372,000 invested in non-includable subsidiaries which will be fully phased-out of tangible, core, and risk-based capital for periods after June 30, 1994. St. Paul Service, Inc. and EFS San Diego (acquired from Elm Financial) are treated as non-includable subsidiaries for purposes of the regulatory capital computation.

new regulation became effective on January 1, 1994.

At March 31, 1994, the Bank does not have "excess interest rate risk" as defined in the OTS regulation and currently is not subject to an additional risk-based capital requirement. Had the Bank been subjected to a higher risk-based capital requirement, it excess risk-based capital (which totaled 9.00% or $196.6 million at March 31, 1994) would have been reduced.

Additionally, under the Federal Deposit Insurance Corporation Improvement Act, the OTS is required to publish regulations to ensure that its risk-based capital standards take adequate account of concentration of credit risk, risk from non-traditional activities, and actual performance and expected risk of loss on multi-family mortgages. Although final rules have not been promulgated by the OTS, current proposed rules would allow the regulators to impose, on a case by case basis, an additional capital requirement above the current requirements where an institution has significant concentration of credit risk or risks from non-traditional activities.

Capital requirements higher than the generally applicable minimum requirements may be established for a particular savings institution if the OTS determines that the institution's capital was or may become inadequate in view of its particular circumstances. Individual minimum capital requirements may be appropriate where the savings institution is receiving special supervisory attention, has a high degree of exposure to interest rate risk, or poses other safety or soundness concerns. No such requirements have been established for the Bank.

At March 31, 1994, the Bank is considered "well capitalized" under the OTS' prompt corrective action regulations based upon ratios of Tier 1 leverage capital, Tier 1 risk-based capital and total risk-based capital of 9.27%, 15.65%, and 17.00% respectively.

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KEY CREDIT STATISTICS

<TABLE>
<CAPTION>

Dollars in thousands	March 31, 1994 Dollar	%	December 31, 1993 Dollar	%	December 31, 1992 Dollar	%
LOAN PORTFOLIO BY PRODUCT						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Real Estate Dependent Loans:						
1-4 family	$1,193,468	51.8%	$1,187,210	50.5%	$1,085,679	46.7%
5-35 units multi-family	35,345	1.5	38,460	1.6	46,771	2.0
> 35 unit multi-family	979,542	42.5	1,026,007	43.6	1,097,281	47.1
Commercial real estate	68,019	2.9	73,094	3.1	66,812	2.9
Land	10,071	0.4	10,307	0.4	3,126	0.1
Total real estate dependent loans loans	2,286,445	99.1	2,335,078	99.2	2,299,669	98.8
Consumer loans	20,078	.9	19,572	0.8	27,517	1.2
Total loans	$2,306,523	100.0%	$2,354,650	100.0%	$2,327,186	100.0%
NON-PERFORMING ASSETS						
Real Estate Dependent Loans:						
1-4 family	$ 9,464	18.4%	$ 11,202	22.6%	$ 12,759	26.4%
5-35 family	3,208	6.2	1,970	4.0	1,994	4.1
> 35 unit multi-family	9,324	18.1	10,938	22.1	13,565	28.0
Commercial real estate	146	.3	2,597	5.2	---	--
Land	2,406	4.6	2,406	4.9	---	--
Subtotal	24,548	47.6	29,113	58.8	28,318	58.5
Consumer loans	519	1.0	555	1.1	1,041	2.2
Real Estate Owned:						
1-4 family	$ 4,602	8.9%	$ 4,925	9.9%	$ 2,776	5.7%
5-35 family	---	--	---	--	750	1.5
> 35 unit multi-family	19,367	37.6	14,998	30.2	14,133	29.2
Commercial real estate	2,535	4.9	---	--	1,390	2.9
Land	---	--	---	--	---	--
Subtotal	26,504	51.4	19,923	40.1	19,049	39.3
Total non-performing assets	$ 51,571	100.0%	$ 49,591	100.0%	$ 48,408	100.0%

<CAPTION>

	March 31, 1994	December 31, 1993	December 31, 1992
KEY CREDIT RATIOS			
<S>	<C>	<C>	<C>
Net charge-offs to average loans receivable and foreclosed real estate	0.59%	0.69%	0.41%
Net California charge-offs to average California loans receivable and foreclosed real estate	2.04	2.01	0.32
Loan loss reserve to total loans	1.96	1.98	2.10
Loan loss reserve to non-performing loans	179.81	156.99	165.81
Non-performing assets to total assets	1.37	1.34	1.38
General valuation allowance to non-performing assets	79.40	85.41	97.30
General valuation allowance to impaired loans, net of specific valuation allowances	120.88	N/A	N/A

</TABLE>

N/A Not applicable

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CREDIT

Since savings institutions are required by law to invest primarily in loans secured by mortgages on real estate, the Bank's asset portfolios are exposed to risk associated with changes in real estate market values. Generally, real estate market values are specific to local real estate markets and are based on the forces of supply and demand for real estate, the economic conditions of the local real estate market, and interest rates. As changes in real estate markets occur, the risk of actual losses in the Bank's loan portfolio will change.

At March 31, 1994, the loans receivable portfolio was comprised of mortgages on 1-4 family residences and multi-family dwellings. The loan portfolio also included, but to a lesser extent, commercial real estate loans, land loans and consumer loans. See "KEY CREDIT STATISTICS" for further details.

The Bank reports 1-4 family and consumer loans as non-performing when they become 90 days or more delinquent and multi- family and commercial loans when they become 60 days or more delinquent. Certain non-performing loans are also placed on a non- accrual status in accordance with the Bank's accounting policy.

At March 31, 1994, non-performing loans totaled $25.1 million compared to $29.7 million at December 31, 1993. Contributing to the slight decline in non-performing loans were the following: 1) the transfer of $6.9 million of delinquent loans to REO; 2) a $1.7 million or 15.5% reduction in delinquent 1-4 family loans; and 3) $1.2 million in charge-offs. Of the $25.1 million on non- performing loans at March 31, 1994, $7.5 million were secured by real estate located in California.

The following are descriptions of individual non-performing loans at March 31, 1994 in which the Bank's net investment exceeds $2.0 million:

- A $3.0 million first mortgage loan (120 days delinquent) secured by a 100 unit apartment building located in Colton, California. The property was removed from bankruptcy during the second quarter of 1994 and the Bank anticipates completing foreclosure during the third quarter of 1994.

- A $3.1 million first mortgage loan (150 days delinquent) secured by a 128 unit apartment building located in Madison, Wisconsin. The property was removed from bankruptcy during the first quarter of 1994 and the Bank anticipates completing foreclosure during the second quarter of 1994.

- A $2.2 million first mortgage loan (150 days delinquent) secured by 9.6 acre parcel of land located in Downers Grove, Illinois. The Bank will be receiving a deed-in-lieu of foreclosure during the second quarter of 1994. Currently, the Bank is negotiating the sale of the property with a purchaser.

As of January 1, 1994, the Company adopted SFAS No. 114. See "NOTES TO CONSOLIDATING FINANCIAL STATEMENTS" for listing of impaired loans and related specific valuation allowances.

The following two tables summarize the components of classified assets and substandard assets at March 31, 1994 and December 31, 1993 (dollars in thousands):

<TABLE>
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Classified Assets

<S>	March 31, 1994 <C>	December 31, 1993 <C>
Substandard	$ 226,362	$ 244,949
Doubtful	2,816	3,955
Loss(3)	5,697	6,058
Total	$ 234,875	$ 254,962

</TABLE>

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3 Assets classified "loss" represents impaired amounts under SFAS No. 114. Assets classified as loss are provided for through a specific valuation allowance. These specific valuation allowances have not been deducted in this schedule. See "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for further details.

Substandard Assets

	March 31, 1994		December 31, 1993	
Non-performing assets:				
REO	$ 20,530	9.07%	$ 11,884	4.85%
REO "in-substance"	5,974	2.64	8,039	3.28
Delinquent/nonaccrual loans	25,067	11.07	29,668	12.11
	51,571	22.78	49,591	20.24
Loans delinquent 30-59 days				
In portfolio	12,420	5.49	16,812	6.86
Sold with recourse	--	--	1,766	0.72
Subtotal	12,420	5.49	18,578	7.58
Loans current and performing:				
In portfolio	142,382	62.90	153,540	62.68
Sold with recourse	19,989	8.83	23,240	9.49
Subtotal	162,371	71.73	176,780	72.17
Total substandard assets	$226,362	100.00%	$244,949	100.00%
Less: substandard loans sold with recourse(4)	19,989		25,006	
Substandard assets in portfolio	$206,373		$219,943	
Percent of Total Assets	5.49%		5.94%	

Of the $234.9 million of total classified assets at March 31, 1994, $210.7 million or 89.7% represented multi-family assets, of which $136.3 million (or 58.0% of total classified assets) consisted of California multi-family assets. Of the $226.4 million of substandard assets, $162.4 million or 71.7% were current and performing in accordance with the mortgage notes but were deemed classified pursuant to the Bank's credit rating system.

In comparison, at December 31, 1993, $228.4 million or 89.6% of the total classified assets represented multi-family assets, of which $153.3 million (or 60.1% of total classified assets) consisted of California multi-family assets. Of the $244.9 million of substandard assets at December 31, 1993, $176.8 million or 72.2% were current and performing in accordance with the mortgage notes but were deemed classified pursuant to the Bank's credit rating system.

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4 Total loans sold with recourse was $126.3 million; however, maximum remaining loss exposure under these agreements is $25.5 million.

The accumulated provision for loan losses at March 31, 1994 was $45.1 million compared to $46.6 million at December 31, 1993, a decrease of $1.5

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million. See "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for further detail. On a quarterly basis, the Loan Loss Reserve Committee of the Board of Directors ("Reserve Committee") reviews the adequacy of the accumulated provision for loan losses and the current loss provision after evaluating the results of the loan loss reserve methodology. The Reserve Committee carefully evaluates the various risk elements of credit which are inherent in each of the portfolios, including loans sold with recourse. The risk components which are evaluated include the results of individual credit reviews, the level of non-performing and classified assets, geographic concentrations of credit, national economic conditions, trends in real estate values, the impact of changing interest rates on principal amortization and borrower debt service coverage(5), as well as historical loss experience, peer group comparisons, and the regulatory guidance issued by the OTS and other regulatory bodies.

The loan loss provision recorded during the first quarter of 1994 was $2.0 million compared to $1.5 million during the fourth quarter of 1993 and $4.0 million during the first quarter of 1993. The lower provision recorded during the first quarter of 1994 generally reflects the reduction in classified loans and a lower multi-family portfolio balance. See "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for further details. As a result of Management's evaluation of the effect of the January 17, 1994 Southern California earthquake, Management did not believe it was necessary to adjust its loan loss reserves. Moreover, unlike many institutions, it was not necessary for the Bank to provide any payment or debt service relief to its borrowers in connection with the California earthquake.

The loan loss provision recorded during the first quarter of 1994 maintains the accumulated provision for loan losses at levels considered prudent by the Reserve committee. Based on analysis of available information, the Reserve Committee believes that the loan loss reserve methodology results in accumulated provisions for loan losses which are adequate in view of the risks inherent in

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5 Because the majority of multi-family and commercial real estate loans are currently at their interest rate floors, increases in interest rates up to the loan floors will have no impact on the required loan payments, which we believe mitigates some of the credit risk attendant to higher interest rates.

the loan portfolio. The federal regulators have the authority to order the Bank to establish additional reserves if they disagree with the Reserve Committee's assessment of the adequacy of the accumulated provision for loan losses.

The Company adopted SFAS No. 114 effective January 1, 1994. SFAS No. 114 requires that impaired loans that are within the scope of the statement be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral-dependent. The shortfall between the impaired loan's net carrying amount and its computed value shall be provided for by creating a valuation allowance with a corresponding charge to bad-debt expense or by adjusting an existing valuation allowance for the impaired loan with a corresponding charge or credit to bad debt expense. Because the Company previously carried those loans that are considered "impaired" under SFAS No. 114 at the fair value of the underlying collateral, the adoption of the new rules had no impact on the Company's provision for loan losses. See "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for further details.

The Company recorded $3.5 million in net charge-offs during the first quarter of 1994, equivalent to 0.59% of the average loans and REO on an annualized basis. In comparison, the Company's net charge-offs in 1993 and 1992 were equivalent to 0.69% and 0.41% of average loans and REO, respectively. The reduction in the 1994 charge-off ratio relative to the 1993 ratio is consistent with improvements in the loan portfolio which also resulted in lower first quarter 1994 provisions and classified loan balances. See "KEY CREDIT STATISTICS" and "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for further details.

Comprising the Bank's $3.5 million of net charge-offs in the first quarter of 1994 were $2.8 million of charge-offs on impaired loans, $166,000 of early prepayment inducements on California real estate loans, $110,000 of charge-offs on 1-4 family and consumer loans not accounted for under SFAS No. 114 and $152,000 of losses recorded in connection with foreclosure.

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OTHER REAL ESTATE OWNED ("REO")

REO totaled $26.5 million at March 31, 1994 compared to $19.9 million at the end of 1993. The transfer of two multi-family loans totaling $4.3 million and a $2.5 million commercial real estate loan to REO during the quarter produced most of the increase in REO balances in the current period. No REO sales were completed during the first quarter of 1994. Of the $26.5 million of REO at March 31, 1994, $15.9 million was located in California.

The following is a description of each individual multi-family or commercial REO asset at March 31, 1994:

- A $10.2 million, first mortgage loan (210 days delinquent) secured by a 435 unit apartment building located in Kent, Washington. The Bank's net carrying amount of the loan is only $6.0 million since a portion of the ownership interest in the loan was sold without recourse to other institutions and $1.1 million of charge-offs have been recorded. At March 31, 1994, the Bank classified this asset as in-substance foreclosed real estate.

  The property was removed from bankruptcy during the first quarter of 1994 and the Bank anticipates completing foreclosure during the second quarter of 1994. The Bank had begun to make disbursements for capital improvements to the properties which may total $2 million in the aggregate. After improvements have been completed, the Bank will market the property. The Bank will be reimbursed on a pro-rata basis by the investing participants for the disbursements made for this property. As of March 1994, the building is 25% occupied at an average rent per unit of $425.

- A $5.0 million, 176 unit apartment building located in Riverside, California. Bank Management is currently negotiating a sales contract with a buyer and believes that this asset will be sold during the second quarter of 1994. As of March 1994, the building is 78% occupied at an average rent per unit of $517.

- A $2.5 million commercial real estate building (35,000 square feet) located in Freeport, Illinois. Bank Management is currently negotiating a sale or lease transaction with the current tenant. As of March 1994, the building is 100% occupied at an average rent per square foot of $10.70.

- A $2.2 million, 75 unit apartment building located in Panorama City, California. Bank Management is currently negotiating a sales contract with a buyer and believes that this asset will be sold during the second quarter of 1994. As of March 1994, the building is 48% occupied at an average rent per unit of $503.

- A $2.1 million, 108 unit apartment building located in Fontana,

California. Bank Managementis currently negotiating a sales contract with a buyer and believes that this asset will be sold during the second quarter of 1994. As of March 1994, the building is 53% occupied at an average rent per unit of $518.

- A $2.1 million, 84 unit apartment building located in Sacramento, California. Bank Management is currently negotiating a sales contract with a buyer and believes that this asset will be sold during the second quarter of 1994. As of March 1994, the building is 76% occupied at an average rent per unit of $458.

- A $2.0 million, 70 unit apartment complex located in Canoga Park, California. This property sustained some damage in the January 17, 1994 earthquake. Repairs to the building, which are estimated to total $330,000, will be completed during the second quarter of 1994. Bank Management is currently negotiating a sales contract with a buyer and believes that this asset will be sold during the second quarter of 1994. As of March 1994, the building is 51% occupied at an average rent per unit of $480. See discussion above regarding the effect of the January 17, 1994 earthquake on the loan loss provision and discussion below regarding its effect on the REO provision.

The accumulated provision for real estate losses totaled $992,000 at

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March 31, 1994 compared to $819,000 at December 31, 1993. In accordance with the Company's accounting policy, REO assets are initially recorded at the lower of their net book value or fair value, less estimated selling costs. The accumulated provision for loan losses is charged for any excess of net book value over fair value at the foreclosure, or in-substance foreclosure, date. Subsequent to foreclosure, the accumulated provision for foreclosed real estate losses is used to establish specific valuation allowances on individual REO properties as declines in market value occur and to provide general valuation allowances for possible losses associated with risks inherent in the REO portfolio. On January 17, 1994, the Bank sustained damage to a multi-family and a single-family REO asset located in the Southern California region affected by an earthquake. Total losses identified by the Bank in connection with the earthquake are less than $300,000. Management does not expect to incur any additional expense or losses in connection with this earthquake.

LIQUIDITY

Cash and cash equivalents (i.e., amounts due from depository institutions, federal funds sold, and marketable-debt securities with original maturities of less than 90 days) at March 31, 1994 totaled $196.5 million, or $139.8 million lower than cash and cash equivalents at December 31, 1993 of $336.3 million.

Average cash and cash equivalents were $327.6 million during the first quarter of 1994, relatively unchanged from average cash and cash equivalents during the first quarter of 1993 of $323.2 million.

During the first quarter 1994, Management reduced the cash and cash equivalents in an effort to enhance investment earnings. The reduction in the liquidity portfolio was accomplished through the purchase of $199.2 million of adjustable-rate and $78.1 million of fixed-rate MBS. These purchases are expected to add incremental interest income by providing a higher yield than otherwise would be generated by federal funds or short-term marketable-debt securities and supplement the Bank's $1.0 billion residential loan origination goal.

The Bank's liquidity portfolio helps protect the Bank from contracting margins during periods of rapidly rising interest rates. Also, adjustable rate loans and MBS, subject to their periodic and lifetime caps, provide significant interest rate risk protection against rising market rates. At March 31, 1994, the Bank had a positive one year GAP of 15.90%. However, interest rate floors in effect on $851.1 million of adjustable-rate loans at March 31, 1994 may prevent rate sensitive assets from repricing as quickly as rate sensitive liabilities despite the positive one-year GAP.

Sources of Funds. The major sources of funds during the first quarter of 1994 included $150.9 million of principal repayments on loans receivable, $66.8 million of principal repayments on MBS, $50.0 million of new FHLB advances, and $40.2 million from the sale of loans receivable. In comparison, the major sources of funds during the same period in 1993 included $86.2 million of principal repayments on loans, $55.4 million of principal repayments on MBS, $33.4 million from the issuance of subordinated notes, $18.8 million in maturities on marketable-debt securities, and $19.1 million of proceeds from the sale of loans receivable.

Long-term market interest rates dropped substantially from the end of 1992 to year-end 1993, causing the first quarter 1994 originations and loan repayments to exceed those recorded during the first quarter of 1993. See "USES OF FUNDS" for further discussion of loan originations. Loan repayments in the latter half

of the 1994 first quarter declined substantially from the first half, which Management believes may be indicative of lower loan repayment trends for future quarters in 1994.

Fixed rate loan originations increased approximately $27 million, or 47% in 1994 compared to 1993, which provided for higher loan sales during the first quarter of 1994 compared to the first quarter of 1993. Generally, the Bank's policy is to sell conforming, fixed rate mortgage loans in the secondary market.

The Company borrowed $50.0 million from the FHLB during the first quarter

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of 1994 to acquire MBS. To mitigate interest rate risk on the matched funding, the Bank has entered into a $50.5 million notional amount interest exchange agreement. The Company intends to acquire MBS during 1994 with matched borrowings and excess liquidity to enhance net interest income and supplement the Bank's $1.0 billion residential loan origination goal for 1994. Generally, the Bank's policy requires a 1% spread or better when acquiring assets with borrowings. See "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for further details of borrowing commitments.

In February of 1993, St. Paul Bancorp issued $34.5 million of 8.25% subordinated debt. The Company used a portion of the proceeds to acquire St. Paul Financial Development from the Bank on June 30, 1993 and for general corporate purposes, such as financing the operations of St. Paul Financial Development and financing acquisitions of financial services companies.

Uses of Funds. The major uses of funds during the three months ended March 31, 1994 included $277.3 million for the acquisition of MBS, $142.7 million of loan originations, and $50.7 million for the purchase of marketable-debt securities. In comparison, the major uses of funds during the same period in 1993 included $88.0 million of loan originations, $59.8 million for the purchase of marketable-debt securities, $28.6 million of MBS purchases, $26.7 million of the acquisition of Elm Financial, and a $25.0 million FHLB advance maturity.

As discussed above, the drop in long-term market interest rates from the end of 1992 to year-end 1993 increased demand for the Bank's primary mortgage products. This resulted in higher loan originations during the first quarter of

1994 compared to the same period in 1993. See "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for further details of loan origination commitments.

During the first quarter of 1994, the Company used liquidity and new borrowings to acquire $199.2 million of adjustable-rate and $78.1 million of fixed rate MBS in order to add incremental interest income through extended maturities and arbitrage transactions at profitable spreads. Also, MBS purchased during the first quarter of 1994 supplement the Bank's $1.0 billion residential loan origination goal.

New investments in MBS during the first quarter of 1994 exceeded that of 1993. Asset growth provided by the acquisition of Elm Financial during the first quarter of 1993 limited the Bank's demand for secondary market products. See "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for details of MBS purchase commitments. New investment in marketable-debt securities were relatively unchanged between the two first quarter periods. MBS and marketable-debt securities are preferable investments because they have high credit quality, low risk-based capital requirements and favorable yields (including the adjustable rate characteristics of many investments and MBS). Also, MBS are included in the qualified thrift lender test.

During the first quarter of 1993, the Bank also used liquidity generated by loan repayments in excess of new loan originations to repay $25.0 million of maturing FHLB advances. No debt was repaid during 1994.

See "CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)" for further detail.

Holding Company Liquidity. At March 31, 1994, St. Paul Bancorp had $23.7 million of cash and cash equivalents and $997,000 of marketable-debt securities. A portion of St. Paul Bancorp's U.S. marketable-debt securities were used to collaterize borrowings of the ESOP.

Sources of liquidity for St. Paul Bancorp during 1994 included $9.0 million of dividends from the Bank(6) and $400,000 of dividends from Annuity Network, Inc.

- - -----------

6 In addition, the Bank received approval from the OTS to pay $8.1 million in dividends to St. Paul Bancorp on May 19, 1994.

Uses of St. Paul Bancorp's liquidity during the first quarter of 1994 included $1.5 million to finance the activities of St. Paul Financial Development, $1.5 million of dividends paid to shareholders, and $711,000 paid to service the subordinated debt issued in February of 1993.

In January of 1994, the Company announced its intention to repurchase

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up to 984,000 shares of its outstanding common stock during the first six months of 1994. As of March 31, 1994, only 4,000 shares have been repurchased.(7)

Regulatory Liquidity Requirements. Savings institutions are required to maintain average daily balances of liquid assets equal to a specified percentage of the institution's average net withdrawable deposits plus short-term borrowings. Liquid assets include cash, certain time deposits, federal funds sold, certain corporate debt securities, and securities of specified United States government, state, or federal agency obligations. This liquidity requirement may be changed from time to time by the Director of the OTS to any amount within the range of 4% to 10% depending upon the economic conditions and the deposit flows of savings institutions. At March 31, 1994, the Bank had $361.5 million invested in liquid assets, which exceeded the current regulatory liquidity requirement of 5% by $199.3 million.

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7 During April 1994, an additional 271,950 shares were acquired under this repurchase program.

STATEMENT OF FINANCIAL CONDITION

St. Paul Bancorp reported total assets of $3.76 billion at March 31, 1994 compared to $3.71 billion at December 31, 1993, an increase of $53.9 million or 1.5%. Higher mortgage-backed securities ("MBS") balances of $196.8 and an increase in marketable-debt security balances of $47.4 million contributed to the growth in total assets during the first quarter of 1994. These increases were partly offset by a $139.8 million reduction in cash and cash equivalents and lower loans receivable of $46.9 million.

Cash and cash equivalents decreased $139.8 million or 41.6% during the first three months of 1994 to total $196.5 million at March 31, 1994. During the first quarter of 1994, the Bank extended the maturities of its investment portfolio by using liquidity to acquire MBS and marketable-debt securities. See "LIQUIDITY" for further discussion.

At March 31, 1994, marketable-debt securities totaled $189.4 million compared to $142.1 million at December 31, 1993. The purchase of $50.0 million of marketable-debt securities during the first three months of 1994 produced the 35.3% increase in marketable-debt securities. At March 31, 1994, 44.6% of the marketable-debt security portfolio had adjustable-rate characteristics compared to 29.5% of the portfolio at December 31, 1993. The weighted average interest rate earned on the marketable-debt security portfolio was 4.22% at March 31, 1994 compared to 4.21% at December 31, 1993.

MBS totaled $930.5 million at March 31, 1994, $196.8 million or 26.8% higher than MBS $733.6 million at December 31, 1993. The purchase of $275.1 million of MBS partly offset by principal repayments of $66.9 million, produced the growth in MBS during the first three months of 1994. At March 31, 1994, 62.5% of the MBS portfolio had adjustable-rate characteristics compared to 74.3% of the portfolio at December 31, 1993. The weighted average interest rate earned on the MBS portfolio was 5.47% at March 31, 1994 compared to 5.91% at December 31, 1993.

Loans receivable totaled $2.30 billion at March 31, 1994 compared to $2.35 billion at December 31, 1993, a decline of $46.9 million. Loan repayments of

$150.9 million exceeded loans originated for portfolio which contributed to the reduction in loans receivable at quarter end. At March 31, 1994, 73.1% of the loan portfolio was adjustable-rate compared to 71.7% at December 31, 1993. The weighted average interest rate earned on loans decreased to 7.70% at March 31, 1994 compared to 7.88% at December 31, 1993. See "GENERAL" for a discussion of loan origination goals in 1994.

Deposits totaled $3.25 billion at March 31, 1994, relatively unchanged from December 31, 1993. Certificate of deposit ("CDs") balances declined during the quarter, while savings, checking, and money market account balances increased. At March 31, 1994, 53.4% of the deposit portfolio was comprised of CDs compared to 54.1% of the portfolio at December 31, 1993.

FHLB advances increased $50.0 million during the first three months of

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1994 to total $57.2 million at March 31, 1994. During the first quarter of 1994, $50.0 million of new FHLB advances were used to purchase MBS. See "LIQUIDITY" for further discussion.

Stockholders' equity totaled $351.0 million at March 31, 1994, $3.7 million higher than total equity of $347.3 million at December 31, 1993. The growth in equity was produced by $8.2 million of net income, partly offset by a $3.4 million reduction in the unrealized gain on securities and $1.5 million of dividends paid to shareholders. See "CAPITAL" for further details.

See "REO" for discussion of the increase in foreclosed real estate balances.

RATE/VOLUME ANALYSIS

The following table presents the components of the changes in net interest income by volume and rate(8) for the three months ended March 31, 1994 and 1993:

<TABLE>
<CAPTION>

Dollars in thousands	INCREASE/(DECREASE) DUE TO VOLUME	RATE	TOTAL CHANGE
CHANGE IN INTEREST INCOME:			
Loans receivable	$(1,528)	$(3,834)	$(5,362)
Mortgage-backed securities	1,646	(2,463)	(817)
Marketable-debt securities	177	111	288
Trading accounts	(27)	(2)	(29)
Federal funds	174	11	185
Other short-term investments	(332)	196	(136)
Total interest income			(5,871)
CHANGE IN INTEREST EXPENSE:			
Deposits	1,379	(4,061)	(2,682)
Short-term borrowings	(2,023)	(60)	(2,083)
Long-term borrowings	(151)	230	79
Total interest expense			(4,686)
NET CHANGE IN NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES			$(1,185)

</TABLE>

- - -----------

8 This analysis allocates the change in interest income and expense related to volume based upon the change in average balances and prior periods applicable yields or rates paid. The change in interest income and expense related to rate is based upon the change in yields or rates paid and the prior period average balances. Changes due to both rate and volume have been allocated to volume and rate changes in proportion to the relationship of the absolute dollar amounts of the change in each. The above allocation procedures have been applied consistently in 1994 and 1993.

The effect of nonperforming assets has been included in the rate variance.

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COMPARISON OF THREE MONTHS ENDED MARCH 31, 1994 AND 1993

General. Net income totaled $8.2 million or $0.40 per share during the first quarter of 1994 compared to $9.2 million or $0.47 per share during the same period in 1993. The lower level of income in 1994 compared to 1993 was associated with a $2.7 million increase in general and administrative expenses, a $1.2 million decrease in net interest income, and higher net expenses from REO operations of $133,000. These reductions were partly offset by a $2.1 million decline in the provision of loan losses, a $784,000 improvement in other income, and lower income tax expense of $147,000.

Comprising the $1.2 million reduction in net interest income was a $5.9 million decline in interest income, partly offset by lower interest expense of $4.7 million. The net interest margin ("NIM") declined 16 basis points from 3.50% for the first quarter of 1993 to 3.34% for the first quarter of 1994. Lower yields earned on loans and MBS caused a 72 basis point reduction in the NIM while lower deposit costs benefited the NIM by 45 basis points. The lower rates on loans and MBS were caused by originations and purchases of assets at rates lower than the portfolio average and a continued high level of principal repayments in older, higher yielding loans and MBS. The lower deposits cost was associated with a 51 basis point drop in the average deposit cost between the first quarter of 1994 and 1993. The Bank's ability to sustain the current level of net interest income during future periods is largely dependent upon the maintenance of the interest rate spread, the relative size of interest earning assets compared to interest bearing liabilities, the level of loan repayments and originations, and asset quality.

The interest rate spread was 3.19% at March 31, 1994 compared to 3.30% at December 31, 1993 and 3.42% at March 31, 1993. Many forces influence the magnitude of the Bank's interest rate spread, most notably: interest rate floors in effect on adjustable-rate loans, the Bank's ability to originate loans and the availability of attractively priced loans and MBS in the secondary market, the performance of the economy, the actions of the Board of Governors of the Federal Reserve System, the Bank's asset/liability management actions and market interest rates generally. As higher interest rate loans and MBS continued to be repaid in this low interest rate environment, the Bank faces the possibility of a

narrowing interest rate spread. However, loan payments in the latter half of the 1994 first quarter declined substantially from the first half, which Management believes may be indicative of lower loan repayments for future quarters in 1994. See "LIQUIDITY" and "ASSET/LIABILITY REPRICING TABLE" for further detail.

Interest Income. Interest income declined $5.9 million or 9.0% to total $59.1 million during the first quarter of 1994. Lower interest income recorded on loans receivable of $5.4 million and MBS of $817,000 contributed to the lower income level during the current year while income earned on investments increased $308,000.

Interest income on loans receivable declined $5.4 million or 10.7% during the first quarter of 1994 compared to the same period in 1993. The most significant factor contributing to the lower level of income was a 64 basis point decline in loan yield from 8.29% recorded during the first quarter of 1993 to 7.65% recorded in the same period in 1994. The decline in loan yield was associated with loan originations at rates below the portfolio's average and payoffs of higher yielding loans.

Approximately 62 basis points of the 7.65% loan yield, or approximately $3.6 million of interest income earned during the first quarter of 1994, was attributable to interest rate floors on Nationwide and 1-4 family loans. In comparison, during the first quarter of 1993, approximately 55 basis points, or $3.4 million of interest income earned during the quarter was attributed to interest rate floors. At March 31, 1994, approximately $722 million of the Bank's Nationwide loans and approximately $129 million of the 1-4 family loans were at their weighted average floor of 7.93%. Had the floors not been in effect on these loans, their weighted average interest rate would have been 6.26%, or 167 basis point lower, which would have lowered the Bank's March 31, 1994 interest rate spread by 41 basis points. In comparison, at December 31, 1993, approximately $781.7 million of Nationwide loans and $112.5 million of 1-4 family loans were at their weighted average floor of 8.07%. Had the floors not been in effect on these loans, their weighted average interest rate would have been 6.35%, or 172 basis point lower, which would have lowered the Bank's interest rate spread by 42 basis points.

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Loans receivable averaged $2.35 billion during the first quarter of 1994 compared to $2.42 billion during the same period in 1993, a decrease of $75.4 million. A steady decline in the loan portfolio since March 1993 caused by loan repayments in excess of loans originated for investment generated the lower average loans receivable in the current period. The lower average loans receivable reduced interest income in the first quarter of 1994 by $1.5 million.

Interest income on MBS was lower during the first quarter of 1994 compared to 1993 primarily as a result of a drop in yield, partly offset by an increase in average balances. The yield on MBS was 5.41% during the current quarter compared to 6.81% during the same quarter in 1993, a decline of 140 basis points. The lower yield resulted from the reinvestment of principal repayments from relatively high rate MBS into lower yielding MBS during the past twelve months. Offsetting lower yields was an increase in average MBS balances, which totalled $749.8 million during the first quarter of 1994 compared to $643.4 million during the same period in 1993. The acquisition of $520.2 million of MBS during the twelve months ended March 31, 1994 allowed average MBS balances to increase despite the high level of loan refinancing activity experienced within the industry during the past twelve months.

Interest income from investments, which includes marketable-debt securities, trading account assets, federal funds and other short-term investments, during the first quarter of 1994 increased $308,000 over income recorded during the same period in 1993. Most of the increase was associated with higher yields on marketable-debt securities, largely associated with an increase in short-term market interest rates in 1994. The combined yield on investments was 3.73% during the first quarter of 1994, or 30 basis points higher than the 3.43% during the first quarter of 1993. Average investment balances totaled $437.8 million during the first quarter of 1994, or relatively unchanged from the average balance of $441.2 during the first quarter of 1993.

Interest Expense. Interest expense totaled $29.6 million during the three months ended March 31, 1994, or $4.7 million or 13.7% lower than interest expense recorded during the same period in 1993. A $2.7 million reduction in interest expense on deposits and a $2.0 million reduction in interest expense on borrowings produced the decline during the current quarter.

A $4.1 million reduction in deposit interest expense associated with lower rates paid to depositors and a $1.3 million increase in deposit interest expense associated with higher average deposit balances produced the $2.7 million decrease in deposit interest expense. The rate paid on deposits averaged 3.54% during the first quarter of 1994 compared to the average rate during the first quarter of 1993 of 4.05%. Lower short-term market interest rates allowed the Bank to reduce rates paid on all of its deposit products. For example, the weighted average rate paid on certificates of deposit, which constitute over half of the Bank's deposits, declined 32 basis points from March 31, 1993 to March 31, 1994, while the weighted average rate paid on checking and savings accounts declined 41 basis points during the same period. Also, the Bank experienced a shift in the composition of its deposit products away from certificates of deposit, the Bank's highest costing deposit, to checking and savings accounts. This shift has allowed the Bank to reduce its overall interest cost for deposits.

Deposit balances averaged $3.24 billion during the first quarter of 1994 compared to $3.09 billion during the first quarter of 1993, an increase of $143.0 million. Carrying the deposit accounts acquired from Elm Financial for a full quarter in 1994 compared to only about one-half of a quarter in 1993 largely generated the higher balances.

Most of the reduction in interest expense on borrowings is associated with a $2.0 million drop in interest expense on short-term borrowings, largely as a result of the elimination of all the Bank's short-term borrowings in 1993. The average rate paid on short-term borrowings decreased 19 basis points during the first quarter of 1994 to 6.51% from 6.70% during the first quarter of 1993.

Interest expense on long-term borrowings during the first quarter of 1994 increased slightly to $1.4 million from $1.3 million during the same period of 1993. Most of the increase in long-term borrowing expense resulted from the

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recognition of a full quarter's expense during 1994 on the subordinated notes issued in February of 1993, partly offset by the lower of long-term borrowings in the current year. Average long-term borrowing balances were $63.5 million during 1994 compared to $71.0 million during 1993 while the average rate paid on long-term borrowings was 9.05% in 1994 compared to 7.64% in 1993. See "LIQUIDITY" for further discussion of borrowing activity.

Provision for Loan Losses. The Company recorded a $2.0 million provision for loan losses during the first three months of 1994 compared to a $4.0 million provision recorded during the same period in 1993. Effective January 1, 1994, the Company adopted SFAS No. 114. Since the Company previously valued loans considered to be impaired under SFAS No. 114 at the fair value of the loan's collateral, the adoption of SFAS No. 114 had no impact on the Company's provision for loan losses during the first quarter of 1994. See "NOTES TO CONSOLIDATED FINANCIAL STATEMENTS" for further details. See "CREDIT" for further discussion of loss provisions and adequacy of the accumulated provisions for losses.

Other Income. Other income totaled $7.3 million during the first quarter of 1994 compared to $6.5 million during the same period in 1993. Most of the improvement was associated with higher checking and ATM transaction fees, primarily due to an increase in checking accounts and expansion of ATM operations, and higher gains on asset sales of $224,000. The improvement in gains on asset sales mostly resulted for the disposition of an available-for-sale security during the first quarter of 1994. The higher volume of loan sales in 1994 also contributed to increased gains in the current year. Management believes that rising interest rates may reduce the Bank's gains on loan sales in future periods.

Other improvements which occurred during the first quarter of 1994 included a $104,000 increase in income from real estate operations, a $93,000 increase in "other" income, and a $77,000 increase in insurance and annuity commissions. An increase in the volume of real estate sales, the recognition of interest income on a tax refund received during the first quarter of 1994, and higher annuity sales volumes during 1994 produced these improvements.

Loan servicing fees were $134,000 lower during the first quarter of 1994 compared to the same period in 1993, primarily as a result of a $176.6 million drop in the average loan servicing portfolio. Discount brokerage commissions were $104,000 lower in 1994 due to a decline in trading volumes.

General and Administrative Expense. General and administrative expenses increased $2.7 million or 14.2% from the first quarter of 1993. Most of the increase was associated with a $1.8 million or 18.1% increase in compensation and

benefits and a $921,000 or 21.4% increase in occupancy, equipment and other office expense.

Most of these increases resulted from the expansion of the branch network, including the 8 branches acquired in the acquisition of Elm Financial, extended hours at many of the Bank's branch facilities, and expansion of ATM operations. Higher pension costs, payroll taxes, and medical insurance premiums were also experienced in 1994.

Advertizing costs dropped $111,000 during the first quarter of 1993. Lower planned marketing activities in 1994 compared to 1993 caused the reduction in this expense.

Management of the Company is committed to controlling general and administrative costs in order to help protect against declines in net income. During 1994, Management has taken steps to reduce general and administrative expenses from levels originally targeted for 1994.

Operations of Foreclosed Real Estate. The Bank generated a net loss from its foreclosed real estate operation of $460,000 during the first quarter of 1994 compared to a net loss of $327,000 during the same period in 1993. The net loss recorded in 1994 was mostly associated with a $200,000 increase in the provision for losses, partly offset by lower costs to operate Nationwide REO. See "REO" for further discussion of REO.

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Income Taxes. Income taxes totaled $4.4 million or 35.2% of pre-tax income during the first quarter of 1994 compared to $4.6 million or 33.2% of pre-tax income during the first quarter of 1993. A higher statutory federal income tax rate and a change in certain state income tax planning strategies produced the increase in the effective rate between the two periods.

AVERAGE BALANCES, INTEREST AND AVERAGE YIELDS

Dollars in thousands	At March 31, 1994		Three months ended March 31 1994			1993		
	Balance	Average Rate	Average Balance(a)	Interest	Average Yield	Average Balance(a)	Interest	Average Yield
Loans receivable (b)	$2,322,642	7.70%	$2,349,415	$44,905	7.65%	$2,424,819	$50,267	8.29%
Mortgage-backed securities	930,519	5.47	749,756	10,144	5.41	643,388	10,961	6.81
Marketable-debt securities	189,418	4.48	165,151	1,778	4.37	148,245	1,490	4.08
Trading account	---	--	111	1	3.65	3,089	30	3.94
Federal funds	62,000	3.33	58,578	457	3.16	36,247	272	3.04
Other investments (c)	62,154	4.31	213,939	1,863	3.53	253,600	1,999	3.20
Total interest-earning assets	$3,566,733	6.81%	$3,536,950	$59,148	6.70%	$3,509,388	$65,019	7.42%
Deposits	$3,251,680	3.50%	$3,235,814	$28,208	3.54%	$3,092,843	$30,890	4.05%
Borrowings:								
Short-term borrowings (d)	262	6.95	374	6	6.51	126,368	2,089	6.70
Long-term borrowings (d)	109,316	7.02	63,458	1,416	9.05	70,974	1,337	7.64
Total borrowings	109,578	7.02	63,832	1,422	9.03	197,342	3,426	7.04
Total interest-bearing liabilities	$3,361,258	3.62%	$3,299,646	$29,630	3.64%	$3,290,185	$34,316	4.23%
Excess of interest-earning assets over interest-bearing liabilities	$205,475		$237,304			$219,203		
Ratio of interest-earning assets over interest-bearing liabilities	1.06		1.07			1.07		
Net interest income		-		$29,518			$30,703	
Interest rate spread		3.19%			-			-
"Average" interest rate spread		-			3.06%			3.19%
Net yield on average earning assets		-			3.34%			3.50%

(a) All average balances based on daily balances.
(b) Includes loans held for sale and loans placed on nonaccrual.
(c) Includes investment in Federal Home Loan Bank stock, deposits at Federal Home Loan Bank, and other short-term investments.
(d) Includes FHL Bank advances, floating rate notes, other borrowings, subordinated capital notes. Excludes ESOP loan.

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ASSET/LIABILITY REPRICING SCHEDULE

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	at March 31, 1994							
	Weighted Average Rate	Balance	% of Total	6 Months or less	More than 6 months to 1 year	1-3 years	3-5 years	Over 5 years
RATE SENSITIVE ASSETS:				(Dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investments:(a)								
Adjustable rate	3.67%	$139,825	4%	$130,212	$9,613	-	-	-
Fixed rate	4.66	173,747	5	49,390	2,005	59,437	33,068	29,847
Mortgage-backed securities:(b)								
Adjustable rate	4.61	581,823	16	292,550	289,273	-	-	-
Fixed rate	6.93	348,696	10	28,873	18,521	99,023	61,403	140,876
Mortgage loans:(b)								
Adjustable and renegotiable rate	7.42	1,670,140	46	1,168,719	271,125	173,913	56,383	-
Fixed rate	8.47	613,689	17	63,523	50,735	207,198	124,863	167,370
Consumer loans (b)	8.19	20,214	1	4,673	1,835	9,426	1,966	2,314
Assets held for sale	7.06	18,599	1	18,599	-	-	-	-
Total rate sensitive assets	6.81%	$3,566,733	100%	$1,756,539	$643,107	$548,997	$277,683	$340,407
RATE SENSITIVE LIABILITIES:								
Deposits:								
Checking accounts	1.11%	$396,411	12%	$106,092	$22,658	$74,276	$53,664	$139,721
Savings accounts	2.42	823,157	24	261,561	43,830	143,680	103,809	270,277
Money market deposit accounts	2.70	297,330	9	297,330	-	-	-	-
Fixed-maturity certificates	4.70	1,734,782	52	759,835	261,318	494,428	151,638	67,563
	3.50	3,251,680	97	1,424,818	327,806	712,384	309,111	477,561
Borrowings:(c)								
FHL Bank advances	4.71	57,220	2	50,263	-	5,557	314	1,086
Other borrowings	9.88	35,962	1	-	-	35,962	-	-
Mortgage-backed note	8.80	16,396	*	16,396	-	-	-	-
	7.02	109,578	3	66,659	0	41,519	314	1,086
Total rate sensitive liabilities	3.62%	$3,361,258	100%	$1,491,477	$327,806	$753,903	$309,425	$478,647
Excess (deficit) of rate sensitive assets over rate sensitive liabilities (GAP)	3.19%	$205,475		$265,062	$315,301	$(204,906)	$(31,742)	$(138,240)
Cumulative GAP				$265,062	$580,363	$375,457	$343,715	$205,475
Cumulative GAP to total assets without regard to hedging transactions				7.05%	15.44%	9.99%	9.14%	5.47%
Cumulative GAP to total assets with impact of hedging transactions				7.85%	15.90%	9.99%	9.14%	5.47%

</TABLE>

* Less than one percent.
(a) Includes investment in FHL Bank Stock.
(b) Excludes accrued interest and accumulated provisions for losses.
(c) Excludes ESOP borrowing

The mortgage loan repricing/maturity projections were based upon principal repayment percentages in excess of the contractual amortization schedule of the underlying mortgages. Multi-family mortgages were estimated to be prepaid at a rate of approximately 10% per year; adjustable-rate mortgage loans on one-to four-family residences and loan securities were estimated to prepay at a rate of 18% per year; fixed-rate loans and loan securities were estimated to prepay at a rate of 15% per year. Checking accounts were estimated to be withdrawn at rates between 15% and 21% per year depending on the age of the accounts. Regular savings accounts were estimated to be withdrawn at rates between 15% and 26% per year depending on the age of the accounts. Except for multi-family loans, the prepayment assumptions included in the Asset/Liability Repricing Schedule are based upon the Bank's actual prepayment experience over the past year as well as management's future expectations of prepayments. The Bank assumed a prepayment percentage of 10%

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because of current market conditions and the nature of the Bank's multi-family portfolio. The new decay assumption on passbook and checking accounts is based on a historical regression analysis of the Bank's growth in these accounts.

PART II. -- OTHER INFORMATION

ITEM 6 -- EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibit 11, Statement re: Computation of Per Share Earnings

(b) (i) The Company filed a current report on Form 8-K on January 14, 1994 relating to the announcement of the Company's intent to repurchase upto 984,000 shares of its outstanding common stock.

(ii) The Company filed a current report on Form 8-K on January 19, 1994 relating to the announcement of the death of Faustin A. Pipal, the former Chairman of the Board of Directors.

(iii) The Company filed a current report on Form 8-K on March 16, 1994 relating to the scheduled date and the record date for the 1994 annual meeting of stockholders'.

SIGNATURES

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

ST. PAUL BANCORP, INC.
(Registrant)

Date: May 13, 1994 By: /s/ Joseph C. Scully
Joseph C. Scully
Chairman of the Board and Chief Executive Officer
(Duly Authorized Officer)

Date: May 13, 1994 By: /s/ Robert N. Parke
Robert N. Parke
Senior Vice President and Treasurer

(Principal Financial Officer)

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EXHIBIT 11

STATEMENT RE: COMPUTATION OF PER SHARE EARNINGS

<TABLE>
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<S>	<C>	Three months ended September 30, 1993 <C>
1.	Net income	$ 8,197,954
2.	Weighted average common shares outstanding	19,497,747
3.	Earnings per common share	$ 0.42
4.	Weighted average common shares outstanding	19,497,747
5.	Common stock equivalents due to dilutive effect of stock options	948,934
6.	Total weighted average common shares and equivalents outstanding	20,446,681
7.	Primary earnings per share	$ 0.40
8.	Total weighted average common shares and equivalents outstanding (Line 6)	20,446,681
9.	Additional dilutive shares using end of period market value versus average market value for the computation of stock options under the	

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	treasury stock method	---
10.	Total shares for fully diluted earnings per share	20,446,681
11.	Fully diluted earnings per share	$ 0.40

</TABLE>

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