SECURITIES AND EXCHANGE COMMISSION

FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

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FILER

FIDELITY BANCORP INC /DE/

CIK:**912219**| IRS No.: **363915246** | State of Incorp.:**DE** | Fiscal Year End: **0930**
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SIC: **6035** Savings institution, federally chartered

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 of the
Securities Exchange Act of 1934

For the fiscal year ended September 30, 1997

Commission file number 0-22826

FIDELITY BANCORP, INC.
(Exact name of registrant as specified in its charter)

Delaware	36-3915246
(State of incorporation)	(I.R.S. Employer Identification No.)

5455 West Belmont Avenue, Chicago, Illinois 60641
(Address of principal executive offices)

Telephone (773) 736 - 4414
Securities registered pursuant to Section 12 (b) of the Act: None
Securities registered pursuant to Section 12 (g) of the Act:

Common Stock, par value $.01
(Title of class)

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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 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. [X]

The aggregate market value of the voting stock held by non-affiliates of the registrant, i.e., persons other than directors and executive officers of the registrant is $60,268,790 and is based upon the last sales price as quoted on Nasdaq Stock Market for December 1, 1997.

The Registrant has 2,811,707 shares of common stock outstanding as of December 1, 1997.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 1998 Annual Meeting of Stockholders are incorporated by reference into Part III of this Form 10-K.
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ITEM 1. BUSINESS

GENERAL

On December 3, 1993, Fidelity Bancorp, Inc., a Delaware corporation (the "Company") completed its public offering of its common stock and acquired Fidelity Federal Savings Bank, (the "Bank") as part of the Bank's conversion from a federally-chartered mutual savings bank to a federally-chartered stock savings bank. The Company issued and sold 3,782,350 shares of common stock at $10.00 per share, thereby completing the conversion. Primarily as a result of stock repurchase programs, outstanding shares of common stock at September 30, 1997 totalled 2,794,978. The Company's common stock is listed on the Nasdaq National Market and trades under the symbol "FBCI".

Originally organized in 1906, the Bank conducts its business through its main office and four full-service branch offices, located in Chicago, Franklin Park, and Schaumburg, Illinois. The Bank's results of operations are dependent on net interest income which is the difference between interest earned on its loan and investment portfolios, and its cost of funds, consisting of interest paid on deposits and Federal Home Loan Bank ("FHLB") advances. In addition to traditional mortgage loans, consumer loans, and retail banking products, the Bank generates non-interest income such as transactional fees, and fees and commissions from its full-service securities brokerage services offered through INVEST Financial Corporation ("INVEST") as well as insurance and annuity products. The Bank's operating expenses primarily consist of employee compensation, occupancy expenses, federal deposit insurance premiums and other general and administrative expenses. The Bank's results of operations are also significantly affected by general economic and competitive conditions, particularly changes in market interest rates, government policies and actions of regulatory authorities.

As a federally chartered savings bank, the Bank's deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"), up to applicable limits. The Bank is a member of the FHLB of Chicago, which is one of the twelve regional banks for federally insured savings institutions comprising the FHLB system. The Bank is regulated by the Office of Thrift Supervision ("OTS") and the FDIC. The Bank is further regulated by the Board of Governors of the Federal Reserve System as to reserves required to be maintained against deposits and certain other matters.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report contains certain forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-

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looking statements to be covered by the safe harbor provisions for forward-looking statements contained in the Private Securities Reform Act of 1995, and is including this statement for purposes of these safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse affect on the operations and future prospects of the Company and the subsidiaries include, but are not limited to, changes in: interest rates, general economic conditions, legislative/regulatory changes, monetary and fiscal policies of the

U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality or composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in the Company's market area and accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business, including additional factors that could materially affect the Company's financial results, is included in the Company's filings with the Securities and Exchange Commission.

MARKET AREA AND COMPETITION

The Bank's market area for deposits is concentrated in the neighborhoods surrounding its offices in the northwest Chicago and suburban areas. The Bank's primary market area for lending includes northwest Chicago, western Cook County and adjacent areas in DuPage, Kane and Lake Counties, Illinois, and to a lesser extent McHenry County and the remainder of Cook County, Illinois. Management believes that its offices are located in communities that can generally be characterized as consisting of stable, residential neighborhoods of predominately one- to four-family residences.

The Chicago metropolitan area is a highly competitive market. The Bank's market share of deposits and loan originations in the Chicago metropolitan area amounts to less than one percent. Competition comes from savings institutions and commercial banks, many of which have greater financial resources than the Bank. Additional competitors for loans are mortgage brokerage, mortgage banking and insurance companies and to a lesser extent credit unions. Competition for deposits includes traditional savings institutions, commercial banks and credit unions, and also includes mutual funds, brokerage firms, insurance companies and corporate deferred compensation and savings plans. Changes in federal and state banking laws have allowed industry consolidation into larger financial entities, some based in other states and foreign countries. Increased competition for loans and deposits may also come from the reduction of barriers to interstate banking.

The Bank serves its community with a wide selection of mortgage and consumer loans and retail deposit and investment services. Management believes the Bank's major appeal to consumers in its market area is its financial and customer service.

REGULATORY ENVIRONMENT

The Bank is subject to extensive regulation, supervision and examination by the 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 approved activities in which the Bank can engage. The regulations are designed primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities wide discretion in connection with their supervisory and enforcement activities. Any change in regulation, whether by the OTS, the FDIC or Congress, could have a material impact on the Bank and its operations. See Item 7. "Management's Discussion and Analysis - Regulation and Supervision."

ITEM 2. PROPERTIES

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The Bank conducts its business through five full-service offices. All offices have ATM facilities. All offices, except for the Franklin Park branch, have drive through facilities. Management believes that the current facilities are adequate to meet the present and immediately foreseeable needs of the Bank and the Company. Certain information concerning the offices of the Company and the Bank is set forth below.

Location	Original Date Leased or Acquired	Net Book Value of Property or Leasehold Improvements at September 30, 1997 (In thousands)	Leased or Owned
EXECUTIVE AND HOME OFFICE: 5455 W. Belmont Ave. Chicago, IL 60641	Various dates commencing in 1955	$ 1,105	Owned
BRANCHES:			
Higgins Branch 6360 W. Higgins Road Chicago, IL 60630	1984	462	Owned
Franklin Park Branch 10227 W. Grand Ave. Franklin Park, IL 60131	1980	52	Leased
Schaumburg Branch 2425 West Schaumburg Rd Schaumburg, IL 60194	1995	1,026	Leased
Harlem Avenue Branch 3940 North Harlem Ave. Chicago, IL 60634	1995	343	Owned
		$ 2,988	

ITEM 3. LEGAL PROCEEDINGS

Neither the Company nor its subsidiaries are involved in any pending legal proceedings, other than routine legal proceedings occurring in the ordinary course of business. Such proceedings in the aggregate are believed by management to be immaterial to the Company's financial condition or results of operations.

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

None.

PART II

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

The Company's common stock is traded over-the-counter and quoted on the NASDAQ Stock Market under the symbol "FBCI". As of December 1, 1997, there were 2,811,707 shares of common stock outstanding and 595 stockholders of record, not including the number of persons or entities whose stock is held in nominee or "street" name through various brokerage firms or banks.

The table below sets forth the high and low sales prices during each period as reported on Nasdaq Stock Market and does not necessarily reflect retail markups, markdowns, or commissions:

	1997		1996	
	High	Low	High	Low
First Quarter	17 5/8	16 1/4	16	14
Second Quarter	21	16 7/8	16 1/4	14 1/2
Third Quarter	19 3/4	18 1/2	17	15
Fourth Quarter	25 3/8	18 1/2	17 1/8	15 1/2

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Such over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

As of September 30, 1997, the Company had repurchased 1,002,472 shares of its common stock since its initial public offering at a cost of $14.06 million or $14.03 per share. The Company believes such repurchases increase the long-term potential return to stockholders. The price, timing of purchases and actual number of shares repurchased in the future will be based on the impact to stockholder value.

The Board of Directors declared per share dividends aggregating $0.30 and $0.24 during fiscal 1997 and 1996, respectively. In addition, the Board of Directors declared a regular quarterly dividend of $0.08 per share, payable on November 14, 1997 to stockholders of record as of October 31, 1997.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The following table sets forth certain financial data at or for the periods indicated. This information should be read in conjunction with the Consolidated Financial Statements and the notes thereto.
<TABLE>
<CAPTION>

	At and For the Years Ended September 30,				
	1997	1996	1995	1994	1993
	(Dollars in thousands, except per share data)				
<S>	<C>	<C>	<C>	<C>	<C>
SELECTED OPERATING DATA:					
Interest income	$ 35,915	31,554	26,169	21,113	20,967
Interest expense	21,470	18,129	13,752	9,759	10,253
	------	------	------	------	------
Net interest income before provision for loan losses	14,445	13,425	12,417	11,354	10,714
Provision for loan losses	64	410	192	48	57
	------	------	------	------	------
Net interest income after provision for loan losses	14,381	13,015	12,225	11,306	10,657
Non-interest income:					
Gain on sale of investment securities available for sale	-	-	274	-	695
Gain (loss) on sale of					

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loans receivable	-	-	-	(17)	61
Fees and commissions	341	379	398	680	1,479
Insurance and annuity commissions	700	519	519	536	388
Other	62	59	38	42	93
Total non-interest income	1,103	957	1,229	1,241	2,716
Non-interest expense	12,266	10,595	8,337	8,164	7,129
Income before income taxes	3,218	3,377	5,117	4,383	6,244
Income tax expense	2,293	1,235	2,033	1,703	2,628
Net income	$ 925	2,142	3,084	2,680	3,616
SELECTED FINANCIAL CONDITION DATA:					
Total assets	$ 495,634	475,862	393,664	338,082	273,557
Loans receivable, net	388,262	354,255	266,735	216,657	203,990
Mortgage-backed securities held to maturity, net	16,875	21,673	26,484	29,565	-
Investment securities available for sale	70,297	78,104	84,579	70,963	12,287
Deposits	323,443	302,934	275,993	238,062	247,863
Borrowed funds	113,400	115,300	54,032	42,000	-
Stockholders' equity	49,617	48,828	53,792	53,477	21,100

</TABLE>

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September 30,	1997	1996	1995	1994	1993
SELECTED FINANCIAL RATIOS AND OTHER DATA:					
<S>	<C>	<C>	<C>	<C>	<C>
Return on average assets	0.19%	0.50%	0.85%	0.84%	1.31%
Return on average stockholders' equity	1.82	4.08	5.62	5.62	18.50
Average stockholders' equity to average assets	10.40	12.27	15.12	14.89	7.07
Stockholders' equity to total assets	10.01	10.26	13.66	15.82	7.71
Non interest expense to average assets	2.52	2.48	2.30	2.53	2.56
Interest rate spread during period	2.45	2.57	2.80	3.01	3.66
Net interest margin	3.03	3.23	3.52	3.63	3.98
ASSET QUALITY RATIOS:					
Non-performing loans to loans receivable, net	0.47	0.87	0.23	0.13	0.10
Non-performing assets to total assets	0.41	0.67	0.16	0.11	0.08
Net charge-offs to average loans	0.11	0.01	0.01	0.03	0.01
Allowance for loan losses to total loans	0.12	0.23	0.15	0.11	0.11
Allowance for loan losses to non-performing loans	25.44	26.25	65.32	80.85	112.02
REGULATORY CAPITAL RATIOS:					
Tangible	8.59	8.04	10.51	11.09	7.28
Core	8.59	8.04	10.51	11.09	7.28
Risk-based	18.37	16.89	20.71	19.61	15.95
OTHER DATA:					
Loan originations (dollars in thousands)	$ 97,774	139,589	77,880	64,543	80,504
Number of deposit accounts	24,984	24,553	20,488	20,095	20,779
Book value per share outstanding	$ 17.75	17.04	16.41	14.88	N/A
Earnings per share - fully diluted	$ 0.32	0.72	0.93	0.71	N/A

</TABLE>

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

MANAGEMENT STRATEGY

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The Company is pursuing a strategy that is designed to improve its performance by positioning the Bank as a locally managed full-service community bank in an increasingly competitive environment. Although mortgage lending is expected to continue as an important part of the Company's business, a key component of the Company's strategy is the provision of nonbanking financial services and products, such as annuity and insurance products and brokerage services through INVEST to retain and attract customers. In addition, the third party loan originator network enables the Company to be a competitive, low cost provider of single- and multi-family mortgage loans. The nonbanking financial services and products are also intended to generate additional fee income and thereby improve profitability. The Company also intends to diversify its asset base and at the same time develop further customer relationships through increased consumer lending activities, such as home equity lending. Finally, the Company will continue to pursue opportunities for growth and expansion in the Bank's existing marketplace, whether through acquisitions, such as the Bank's acquisition of deposits from the RTC in 1992, or through additional facilities, such as the Schaumburg and Harlem Avenue offices, opened in fiscal 1995. The Company may seek additional asset growth to further leverage its net worth. In the event that its traditional retail sources of funding and investment opportunities (i.e., deposits and direct lending) are insufficient for this

purpose, or appear to be inappropriately priced, the Bank may further utilize the wholesale markets, such as FHLB advances, for funding or mortgage-backed securities for investment opportunities.

YEAR 2000 COMPLIANCE

The Company utilizes and is dependent upon data processing systems and software to conduct its business. The data processing systems and software include those developed and maintained by the Company's third-party data processing vendor and purchased software which is run on in-house computer networks. In 1997 the Company initiated a review and assessment of all hardware and software to confirm that it will function properly in the year 2000. To date, those vendors which have been contacted have indicated that their hardware or software is or will be Year 2000 compliant in time frames that meet regulatory requirements. The costs associated with the compliance efforts are not expected to have a significant impact on the Company's ongoing results of operations.

ASSET/LIABILITY MANAGEMENT

The Company's overall asset/liability strategy is directed toward managing the Bank's exposure to interest rate risk in changing interest rate environments. Asset/liability management is a daily function of the Bank's management due to continual fluctuations in interest rates and financial markets.

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 special 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 maturing or repricing 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. A gap is considered 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 negative gap would tend to adversely affect net interest income while a positive gap would tend to result in an increase in 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 September 30, 1997, total interest-bearing liabilities maturing, repricing, or estimated to prepay within one year exceeded total interest-earning assets maturing, repricing, or estimated to mature or reprice, in the same period by $187.1 million, representing a cumulative one year negative gap of 37.6% of assets. Thus, during future periods of rising interest rates, the costs on interest-bearing liabilities may increase more quickly than the yields on interest-earning assets, which could adversely affect net interest income. Conversely, in a period of falling interest rates, the yields on its interest-earning assets may decrease at a slower pace than the cost of its interest-

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bearing liabilities. The Company closely monitors its interest rate risk as such risk relates to its operational strategies. Management's interest rate sensitivity strategy is designed to provide a relatively stable stream of net interest income in moderately varying interest rate environments.

The following table sets forth the scheduled repricing or maturity of the Company's assets and liabilities at September 30, 1997, based on certain assumptions used by the OTS with respect to passbook, NOW and checking account withdrawals. The Company's loan prepayment assumptions are based on national experience data. These assumptions may not be indicative of the actual prepayments and withdrawals experienced by the Company.

The effect of these assumptions is to quantify the dollar amount of items that are interest-sensitive and may be repriced within each of the periods specified. The table does not necessarily indicate the impact of general interest rate movements on the Company's net interest yield because the repricing of certain categories of assets and liabilities is subject to competitive and other pressures beyond the Company'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.

At September 30, 1997 (Dollars in thousands)

	3 mths or less	More than 3 mths to 6 mths	More than 6 mths to 1 yr	More than 1 yr to 3 yrs	More than 3 yrs to 5 yrs	More than 5 yrs to 10 yrs	More than 10 yrs to 20 yrs	More than 20 yrs	Total
INTEREST-EARNING ASSETS									
Mortgage loans (1)	$ 15,156	22,355	44,080	162,470	76,308	26,613	23,563	2,157	372,702
Consumer loans (1)	2,014	1,340	2,272	6,158	2,368	-	-	-	14,152
Mortgage-backed securities	567	549	1,045	3,588	8,507	1,823	796	-	16,875
Interest-earning deposits	2,314	-	-	-	-	-	-	-	2,314
Mutual funds, investment securities available for sale, federal funds sold and FHLB stock (2)	25,668	209	422	4,118	10,130	38,704	-	-	79,251
Total interest-earning assets	$ 45,719	24,453	47,819	176,334	97,313	67,140	24,359	2,157	485,294
INTEREST-BEARING LIABILITIES									
Passbook accounts	$ 4,473	4,473	8,152	25,975	16,932	21,492	14,866	4,225	100,588
NOW accounts	1,363	1,363	2,162	4,467	1,196	1,606	882	162	13,201
Money market accounts	2,148	2,148	3,052	5,523	1,524	1,986	1,061	192	17,634
Certificate accounts	66,004	47,116	49,244	21,894	2,996	-	-	-	187,254
Borrowed funds	30,400	49,000	34,000	-	-	-	-	-	113,400
Total interest-bearing liabilities	104,388	104,100	96,610	57,859	22,648	25,084	16,809	4,579	432,077
Interest sensitivity gap	$ (58,669)	(79,647)	(48,791)	118,475	74,665	42,056	7,550	(2,422)	53,217

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Cumulative interest sensitivity gap	$ (58,669)	(138,316)	(187,107)	(68,632)	6,033	48,189	55,639	53,217
	======	=======	=======	=======	======	======	======	======
Cumulative interest sensibility gap as a percentage of total assets	(11.8)%	(27.8)%	(37.6)%	(13.8)%	1.2%	9.7%	11.2%	10.7%
Cumulative net interest-earning assets as a percentage of interest-sensitive liabilities	43.8%	33.7%	38.7%	81.1%	101.6%	111.7%	113.0%	112.3%

</TABLE>

(1) For purposes of the gap analysis, mortgage and consumer loans are not reduced by non-performing loans or by the allowance for loan losses.

(2) Category includes $48.5 million in callable federal agency securities. These securities are shown as repricing at their respective maturity dates although there can be no assurance that the securities will not be called before maturity. The issues include $20 million 7.74% FNMA due 5/15/2007 callable 5/15/98, $10 million 7% FHLB 1/19/2006 callable 1/19/98, $10 million 6.37% FHLB due 3/13/2001 callable 12/13/97, and $8.5 million 7.4% due 7/9/2007 callable 7/9/98.

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 period 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 changes. 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.

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Years ended September 30	1997 Compared to 1996 Increase (Decrease) Due to			1996 Compared to 1995 Increase (Decrease) Due to		
	Volume	Rate	Total	Volume	Rate	Total
	(in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INTEREST-EARNING ASSETS:						
Loans receivable, net	$ 5,061	(500)	4,561	$ 4,915	(337)	4,578
Mortgage-backed securities	(322)	6	(316)	(544)	(55)	(599)
Interest-earning deposits	10	(10)	-	(5)	11	6
Investment securities, mutual funds, and federal funds sold	(68)	184	116	538	862	1,400
	------	----	-----	------	-----	-----
Total	$ 4,681	(320)	4,361	4,904	481	5,385
	======	====	======	======	=====	======
INTEREST-BEARING LIABILITIES:						
Savings accounts	438	484	922	(257)	78	(179)
Money market accounts	(55)	(13)	(68)	416	37	453
Certificate accounts	1,395	(261)	1,134	2,017	684	2,701
Borrowed funds	1,347	6	1,353	1,584	(182)	1,402
	------	----	-----	------	-----	-----
Total	$ 3,125	216	3,341	3,760	617	4,377
	------	====	======	------	=====	======
Net change in net interest income			$ 1,020			$ 1,008
			======			======

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AVERAGE BALANCE SHEETS

The following table sets forth certain information relating to the Company's average balance sheets and reflects the average yield on assets and average cost of liabilities for the periods indicated. Such yields and costs are derived by dividing income or expense by the average balance of assets or labilities, respectively, for the years shown. Average balances are derived from average daily balances. The yields and costs include fees, which are considered adjustments to yields.

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(dollars in thousands)

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

For years ended September 30,	1997			1996			1995		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
INTEREST-EARNING ASSETS:									
Loans receivable, net	$ 370,946	28,468	7.67%	305,115	23,907	7.84%	242,438	19,329	7.97%
Mortgage-backed securities	19,748	1,387	7.02%	24,331	1,703	7.00%	32,081	2,302	7.18%
Interest-earning deposits	1,233	60	4.87%	1,049	60	5.72%	1,156	54	4.67%
Mutual funds, investment securities available for sale, commercial paper and federal funds sold	84,299	6,000	7.12%	85,282	5,884	6.90%	76,672	4,484	5.85%
Total interest-earning assets	476,226	35,915	7.54%	415,777	31,554	7.59%	352,347	26,169	7.43%
Non-interest earning assets	11,195			12,188			10,805		
Total assets	$ 487,421			427,965			363,152		
INTEREST-BEARING LIABILITIES:									
Deposits:									
Savings accounts	108,314	3,706	3.42%	94,502	2,784	2.95%	102,758	2,963	2.88%
Money market accounts	18,496	773	4.18%	19,796	841	4.25%	9,934	388	3.91%
Certificate accounts	196,737	11,450	5.82%	172,863	10,316	5.97%	138,390	7,615	5.50%
Total deposits	323,547	15,929	4.92%	287,161	13,941	4.85%	251,082	10,966	4.37%
Borrowed funds	97,879	5,541	5.66%	74,078	4,188	5.65%	46,224	2,786	6.03%
Total interest-bearing liabilities	421,426	21,470	5.09%	361,239	18,129	5.02%	297,306	13,752	4.63%
Non-interest bearing deposits	4,705			5,162			3,442		
Other liabilities	10,605			9,066			7,489		
Total liabilities	436,736			375,467			308,237		
Stockholders' equity	50,685			52,498			54,915		

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Total liabilities and stockholders' equity	$ 487,421			427,965			363,152		
Net interest income/interest rate spread (1)		14,445	2.45%		13,425	2.57%		12,417	2.80%
Net earning assets/net interest margin (2)	$ 54,800		3.03%	54,538		3.23%	55,041		3.52%
Ratio of interest-earning assets to interest-bearing liabilities	1.13x			1.15x			1.19x		

</TABLE>

(1) Interest rate spread represents the difference between the average rate on interest-earning assets and the average cost of interest- bearing liabilities.

(2) Net interest margin represents net interest income divided by average interest-earning assets.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED SEPTEMBER 30, 1997 AND SEPTEMBER 30, 1996

GENERAL. The Company's net income decreased to $925,000, or $0.32 per fully-diluted share, from $2.1 million, or $0.72 per fully-diluted share, a 55.6% decrease in fully-diluted earnings per share over the previous year. The current year decrease was due to an "other than temporary impairment" write down of an investment security available for sale. The charge in fiscal 1997 amounted to $3.0 million, or $1.05 per fully-diluted share. See "INVESTMENT ACTIVITIES."

INTEREST INCOME. Interest income increased $4.4 million, to $35.9 million, a 13.8% increase over the prior year of $31.6 million. This increase was due primarily to increased volumes of loans receivable. The one-to four-family portfolio grew in excess of 10%, while the amount of multi-family residential loans increased 16.5%. The average yield on interest-earning assets decreased 5 basis points during 1997 to 7.54% compared to 7.59% in 1996. An overall increase of 14.5% in total average earning assets and a steady yield contributed to the increase in interest income.

INTEREST EXPENSE. The continued growth in both deposits and borrowed funds resulted in a $3.3 million, or 18.4%, increase in interest expense for fiscal 1997. Interest expense grew to $21.5 million from $18.1 million in 1996. An increase of 7 basis points in the average cost, contributed less than 10% of the increase in expense. The primary factor was the 16.7% increase in total interest-bearing liabilities. The Bank was able to maintain a steady average borrowing rate due to the utilization of FHLB Community Investment Program advances and other term advances.

NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES. The Bank's core earnings, net interest income, are the primary source of earnings for the Company. Net interest income consists of interest income on loans, mortgage-backed and investment securities, offset by interest expense on deposits and borrowed funds. Net interest income before provision for loan losses increased $1.0 million or 8.0%, to $14.4 million for the year ended September 30, 1997, from $13.4 million in 1996. The net interest margin declined to 3.03% for the year ended September 30, 1997, compared with 3.23% for 1996. The decrease in the net interest margin in 1997 was primarily due to a 5 basis point increase in the yield on average interest earning assets, offset by an increase in the average cost of funds of 7 basis points.

PROVISION FOR LOAN LOSSES. Management reviews the provision for loan losses quarterly to provide coverage for possible future losses. During the year ended September 30, 1997, the Company provided $64,000, compared to $410,000 in

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1996. The significant 1996 provision of $410,000 accommodated the increase in loans receivable, changes in the components of the loan portfolio and, more specifically, the $2.0 million of Bennett commercial leases. See "CLASSIFIED ASSETS". The Company evaluates its loan portfolio quarterly in conjunction with the current level of non-performing loans and general economic conditions. At September 30, 1997, non-performing assets, including $408,000 of commercial equipment leases purchased from Bennett Funding Group (see "CLASSIFIED ASSETS"), totalled $2.0 million or 0.41% of total assets, compared to $3.2 million or 0.67% of total assets at September 30, 1996.

NON-INTEREST INCOME. The commissions generated from annuity and insurance products sales contributed significantly to the $146,000 increase in non-interest income. Non-interest income amounted to $1.1 million in 1997 from $957,000 in 1996. The 34.9% increase in insurance and annuity commissions can be attributed to increased, intensified sales efforts, including seminars to

customers of investment opportunities, and a favorable investment environment.

NON-INTEREST EXPENSE. Non-interest expense increased in 1997 to $12.3 million from $10.6 million in 1996. Fiscal 1997 included a non-recurring loss on impairment of investment securities available for sale of $3.0 million. See "INVESTMENT ACTIVITIES." Prior year expense included a one-time SAIF special assessment of $1.6 million. Absent these two fourth quarter adjustments, non-interest expense increased 3.2%. The increase was primarily a result of increased compensation and related benefits. The 1997 market adjustment for Employee Stock Ownership Plan (ESOP) common shares committed to be released was $343,000. After considering the 1996 SAIF assessment, federal deposit insurance premium expense has decreased in excess of 50% during the current fiscal year.

INCOME TAX EXPENSE. For the year ended September 30, 1997, federal and state income tax expense totaled $2.3 million, or an effective rate of 71.2%, compared to $1.2 million or an effective rate of 36.6% for 1996. The effective rate is a result of no tax benefit being recognized for financial reporting purposes relative to the loss on impairment of investment securities available for sale. For tax purposes the loss will be treated as a capital loss, and full realization of the deferred tax asset is uncertain.

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

GENERAL. The Company's net income decreased to $2.1 million, or $0.72 per fully-diluted share, from $3.1 million, or $0.93 per fully-diluted share, a 30.5% decrease in fully-diluted earnings per share over the previous year. The current year decrease was a result of a one-time special assessment charge related to the Bank's deposit insurance premium. This one-time charge was the result of legislation passed on September 30, 1996, regarding the Savings Association Insurance Fund ("SAIF"). To cover the special assessment called for by the legislation, the Bank recorded a pre-tax charge of $1.6 million. Excluding the one-time charge related to the Bank's deposit insurance premium, net income was $3.2 million, or $1.06 per fully diluted share. This compares with $3.1 million, or $0.93 per fully diluted share for the prior year, a 14.0 percent increase in earnings per share.

INTEREST INCOME. Interest income increased 20.6% to $31.6 million from $26.2 million in 1995. The increase was due primarily to an increase in loans receivable, including a larger number of multi-family residential loans. The average yield on interest-earning assets improved slightly during 1996 to 7.59% compared to 7.43% in 1995. An increase of 18.0% in average earning assets combined with the slightly higher yield contributed to the significant increase in interest income. Average loans receivable increased by $62.7 million to $305.1 million in 1996 and the average investment portfolio increased $8.6 million.

INTEREST EXPENSE. Interest expense for the year was $18.1 million, compared with $13.8 million in 1995, the result of deposit growth and an increase in borrowed funds. The average interest cost of savings deposits increased 48 basis points to 4.85% in 1996, primarily due to increased rates on certificates of deposit. Average borrowings increased $27.9 million in 1996. The cost of borrowed funds in 1996 averaged 38 basis points lower than the previous year due in part to the Bank's ability to borrow utilizing FHLB Community Investment Program advances.

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NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES. Net interest income is the principal source of earnings for the Company, and consists of interest income on loans, mortgage-backed and investment securities, offset by interest expense on deposits and borrowed funds. Net interest income before provision for loan losses increased $1.0 million or 8.1%, to $13.4 million for the year ended September 30, 1996, from $12.4 million in 1995. The net interest margin declined to 3.23% for the year ended September 30, 1996, compared with 3.52% for 1995. The decrease in the net interest margin in 1996 was primarily due to a 16 basis point increase in average interest earning assets, offset by an increase in the average cost of funds of 38 basis points.

PROVISION FOR LOAN LOSSES. The provision for loan losses is recorded quarterly to provide coverage for possible future losses. The Company provided $410,000 in 1996 compared to $192,000 in 1995. The increased provision accommodated the increase in loans receivable, changes in the components of the loan portfolio and the Bennett commercial leases. See "CLASSIFIED ASSETS". The Company evaluates its loan portfolio quarterly in conjunction with the current level of non-performing loans and general economic conditions. At September 30, 1996, non-performing mortgages and consumer loans amounted to $1.1 million or 0.22% of total assets, compared to $617,000 or 0.16% of total assets at September 30, 1995. Total non-performing assets, including commercial leases, were $3.2 million or 0.67% of total assets at September 30, 1996.

NON-INTEREST INCOME. Non-interest income decreased to $957,000 from $1.2 million for 1996 compared to 1995. Excluding a non-recurring $274,000 gain on sale of investment securities available for sale in 1995, non-interest income remained stable at approximately $950,000.

NON-INTEREST EXPENSE. Non-interest expense for 1996 included a one-time SAIF special assessment of $1.6 million, thus increasing total non-interest expense to $10.6 million from $8.3 million during fiscal year 1995. Exclusive of this charge, non-interest expense increased $633,000. This increase was primarily the result of expanding the branch network in 1995 to include two new offices. Operating expenses, excluding the SAIF special assessment, as a percentage of average assets for the year ended September 30, 1996 were 2.1%, down from 2.3% in 1995. Slight increases were noted in all general and administrative expenses. Included in non-interest expense was a $10,000 recapture of an allowance for credit enhancement losses. The balance of the allowance was recaptured due to the pay-off of the related loan. See "CLASSIFIED ASSETS".

INCOME TAX EXPENSE. For the year ended September 30, 1996, federal and state income tax expense totaled $1.2 million, or an effective rate of 36.6%, compared to $2.0 million or an effective rate of 39.7% for 1995. Income taxes decreased in 1996 as a direct result of decreased earnings before income taxes.

REVIEW OF FINANCIAL CONDITION

Total assets at September 30, 1997 increased to $495.6 million from $475.9 million at September 30, 1996. The 4.2% growth in assets was primarily the result of loan originations, which totaled $97.8 million during fiscal 1997. The Bank's third party originator (TPO) network continued to generate significant loan origination volume. The TPO network gives the Company the ability to control overhead expenses without constraining the Bank's ability to grow loan volume. Lending in 1997 included $15.5 million of loans originated to applicants without income verification or less than perfect credit and higher debt to income ratios than secondary market conforming standards. These loans have risk premiums factored into the rate. Deposits also grew 6.8%, increasing to $323.4 million from $302.9 million at September 30, 1996.

Transaction accounts grew $12.9 million, or 10.4%, to $136.2 million at September 30, 1997, from $123.3 million. Certificates of deposit accounts increased 4.3% to $187.3 million.

Cash and due from banks, interest-earning deposits, federal funds sold and dollar-denominated mutual funds amounted to $6.0 million at September 30, 1997 as compared to $7.4 million a year earlier. The Bank used available cash generated by deposits and loan payments to fund increased loan origination volume.

Stock in the FHLB Chicago decreased $95,000, or 1.7%, due to the slight

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decrease in borrowings from the FHLB of Chicago.

Investment securities available for sale decreased $7.8 million to $70.3 million at September 30, 1997 compared to $78.1 million at September 30, 1996. The decrease resulted from a combination of a $3.0 million loss on impairment of an investment security and maturing investments, and principal repayments on the Company's portfolio of asset-backed securities which were greater than investment purchases.

Loans receivable increased $34.0 million to $388.3 million at September 30, 1997. The increase was due to loan production of $97.8 million which was greater than repayments of $64.3 million. The continued utilization of the Bank's TPO network brought in significant loan originations.

Real estate in foreclosure of $215,000 consisted of two properties at September 30, 1997. Both are one- to four- family properties where the current appraised value is greater than the outstanding loan amount. Management has considered these factors in its loan allowance valuation and does not anticipate any losses on the future sale of these properties. Real estate in foreclosure was $97,000 at September 30, 1996.

Deposits increased $20.5 million to $323.4 million at September 30, 1997. The increase was a result of expanding the Bank's customer base as well as the addition of new products.

FHLB advances remain a cost effective source of funding for increased loan activity. At September 30, 1997, the Bank had $113.4 million of FHLB advances as compared to $115.3 million a year earlier. Throughout the year the Bank continued to utilize advances to supply funds for loan origination and investment portfolio opportunities. The borrowings include $83 million in FHLB Community Investment Program advances at lower fixed rates than conventional FHLB advances.

Stockholders' equity increased to $49.6 million at September 30, 1997. The increase of $789,000 to $49.6 million during the year was a result of earnings of $925,000 and amortization of benefit plans offset by dividends of $837,000 paid to stockholders and the $1.4 million purchase of treasury shares through the Company's stock buy back programs.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity management for the Bank is both a daily and long-term function of management's strategy. The Company's primary sources of funds are deposits and borrowings, amortization and prepayment of loan principal and mortgage-backed securities, maturities of investment securities and operations. While maturing investments and scheduled loan repayments are relatively predictable, deposit flows and loan prepayments are greatly influenced by interest rates, floors and

caps on loan rates, general economic conditions and competition. The Bank generally manages the pricing of its deposits to be competitive and increase core deposit relationships, but has from time to time decided not to pay deposit rates that are as high as those of its competitors and, when necessary, to supplement deposits with FHLB advances.

Federal regulations require the Bank to maintain minimum levels of liquid assets. During the year ended September 30, 1997, OTS regulations required the Bank to maintain, for each calendar month, an average daily balance of liquid assets (including cash, certain time deposits, bankers acceptances, and specified United States Government, state or federal agency obligations) equal to at least 5% of the average daily balance of its liquidity base , defined as net withdrawable accounts plus short-term borrowings (i.e., those repayable in 12 months or less) during the preceding calendar month. During the year ended September 30, 1997, OTS regulations also required the Bank to maintain, for each calendar month, an average daily balance of short-term liquid assets (generally liquid assets having maturities of 12 months or less) equal to at least 1% of the average daily balance of its net withdrawable accounts plus short-term borrowings during the preceding calendar month. Penalties may be imposed for failure to meet liquidity ratio requirements. At September 30, 1997, the Bank was in compliance with OTS liquidity requirements, with an overall liquidity ratio of 6.63% and a short-term liquidity ratio of 1.18%.

The Company's cash flows are comprised of three classifications: cash flows from operating activities, cash flows from investing activities, and cash flows from financing activities. Cash flows provided by operating activities,

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consisting primarily of interest and dividends received less interest paid on deposits, were $4.2 million for the year ended September 30, 1997. During the year, the Bank used $22.3 million in investing activities, consisting primarily of loan originations, offset partially by principal collections on loans, mortgage-backed securities, and investment securities available for sale. Net cash provided by financing activities amounted to $16.7 million for the year ended September 30, 1997. Financing sources included an increase of $20.5 million in deposits.

At September 30, 1997, the Bank had outstanding loan commitments of $6.3 million. Management anticipates that it will have sufficient funds available to meet its current loan commitments. Certificates of deposit scheduled to mature in one year or less from September 30, 1997 totalled $161.3 million. Management believes that a significant portion of such deposits will remain with the Bank.

The Bank's Tangible and Core (leverage) Capital of $42.3 million at September 30, 1997 was 8.6% of Adjusted Tangible Assets. This exceeded the Tangible Capital and Core Capital requirements of 1.5% and 3% by $34.9 and $27.5 million respectively. The Bank's Risk-based Capital of $42.7 million was 18.4% of Total Risk-Weighted Assets at September 30, 1997 which exceeded the Risk-based Capital requirement of 8% by $24.1 million.

LENDING ACTIVITIES

LOANS AND MORTGAGE-BACKED SECURITIES PORTFOLIO COMPOSITIONS. The Bank's loan
portfolio consists primarily of conventional first mortgage loans secured by one- to four-family residences. At September 30, 1997, the Bank's gross loans receivable portfolio was $386.9 million, of which $305.0 million were one- to four-family residential mortgage loans. Of the one- to four-family residential mortgage loans outstanding at that date, 29.5% were fixed-rate and 70.5% were

adjustable-rate mortgage (ARM) loans. The Bank services a $3.7 million fixed-rate commercial loan for a golf course in a western Chicago suburb, having participated $1.89 million of the loan to another institution, resulting in a net loan of $1.85 million for the Bank. Through regular monthly payments, the Bank's outstanding portion at September 30, 1997 was $1.73 million. The remainder of the Bank's loan portfolio at September 30, 1997 consisted of $64.5 million of multi-family loans, $2.9 million in commercial property loans, and $14.2 million of consumer loans. Consumer loans consisted primarily of home equity and second mortgage loans.

During 1994 the Bank expanded its delivery system for mortgage loans to include third party originators (TPOs) which are mortgage brokers that have agreed to originate loans for the Bank's portfolio. Throughout 1997 and 1996, the loan department continued to seek and sign agreements with new TPOs. At September 30, 1997 the Bank had a network of 51 TPOs. The TPO program produced $82.7 million or 90.9% of the Bank's one- to four-family and multi-family mortgage loan originations in 1997.

In October 1996, the Bank began offering residential loans without income verification. Verification that the applicant is employed is noted in the file and the amount listed on the application is used to determine the debt to income ratio. The maximum loan to value ratio is 80% for this program. The Bank also offers a similar program for people who typically are self-employed. The income used to qualify the loan is the amount stated on the loan application. The maximum loan amount allowed under this program is 75% of the property value. The Bank, to a lessor extent, grants loans to applicants with less than perfect credit and higher debt to income ratios than secondary market conforming standards. In all other respects the loans are originated in the same manner as a conventional loan. All loans have risk premium factored into the rate and additional valuation allowances are established when the loan is funded. The Bank originated $15.5 million of these loans during fiscal 1997. At September 30, 1997, the Bank's portfolio included $15.0 million of these loans.

Loan origination standards of the Bank generally conform to the requirements for sale to the Federal Home Loan Mortgage Corporation (FHLMC). On occasion the Bank sells fixed-rate mortgage loans to the FHLMC. There were no sales during the year ended September 30, 1997 or 1996. At September 30, 1997, the unpaid balance of total mortgage loans sold to the FHLMC and serviced by the Bank was $10.1 million.

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During 1995 the Bank purchased four pools of full pay-out commercial equipment leases totalling $3.0 million from Bennett Funding Group (BFG). Normal lease payments received through March, 1996 reduced the aggregate outstanding balance to $2.0 million. During fiscal 1997, the Bank received post-bankruptcy lease receipts totaling $1.1 million. At September 30, 1997, the Bank has $408,000 of commercial leases. The BFG settlement also ended all outstanding litigation. See further discussion of these leases included in "CLASSIFIED ASSETS".

The Bank's investment policy permits the investment in mortgage-backed securities. The Bank purchases FHLMC Gold mortgage-backed securities to coincide with its ongoing asset/liability management objectives and to supplement its own loan origination program. The FHLMC mortgage-backed securities owned by the Bank are guaranteed by the FHLMC and are collateralized with generic pools of single family mortgages with security coupons ranging from 7.00% to 7.50%. With respect to prepayment risk, these securities are likely to exhibit substantially the same characteristics as the whole loans owned by the Bank. Prepayments are not expected to have a material effect on

the yield or the recoverability of the carrying amounts of these securities. At September 30, 1997, total mortgage-backed securities aggregated $16.9 million, or 3.4% of total assets. The fair value of these securities was approximately $17.1 million at September 30, 1997.

Currently all loans originated or purchased by the Bank and mortgage-backed securities are held for investment.

The following table sets forth the composition of the Bank's loan portfolio and mortgage-backed securities held to maturity, in dollar amounts and in percentages of the respective portfolios at the dates indicated.

<TABLE>
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	At September 30,					
	1997		1996		1995	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Mortgage loans:						
One- to four-family	$ 304,950	78.83%	277,086	78.34%	$ 203,974	76.40%
Multi-family	64,450	16.66	55,341	15.65	45,698	17.12
Commercial	2,894	0.75	5,656	1.60	2,478	0.93
Commercial leases	408	0.10	2,032	0.57	2,373	0.89
Total mortgage loans	372,702	96.34	340,115	96.16	254,523	95.34
Consumer loans	14,152	3.66	13,585	3.84	12,442	4.66
Gross loans receivable	386,854	100.00%	353,700	100.00%	266,965	100.00%
Less:						
Loans in process	-		3		77	
Unearned discounts and deferred loan fees (costs)	(1,868)		(1,368)		(250)	
Allowance for loan losses	460		810		403	
Loans receivable, net	$ 388,262		354,255		$ 266,735	
Mortgage-backed securities - FHLMC	$ 16,866	100.00%	21,647	100.00%	$ 26,435	100.00%
Net premiums	9		26		49	
Mortgage-backed securities, net	$ 16,875		21,673		$ 26,484	

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<TABLE>
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	At September 30,			
	1994		1993	
	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)			
<S>	<C>	<C>	<C>	<C>
Mortgage loans:				
One- to four-family	$ 163,845	75.41%	$ 152,504	74.31%
Multi-family	41,224	18.98	40,846	19.90
Construction	-	-	738	0.36
Total mortgage loans	205,069	94.39	194,088	94.57
Consumer loans	12,196	5.61	11,144	5.43
Gross loans receivable	217,265	100.00%	205,232	100.00%
Less:				
Loans in process	-		140	
Unearned discounts and deferred loan fees	380		869	
Allowance for loan losses	228		233	
Loans receivable, net	$ 216,657		$ 203,990	
Mortgage-backed securities - FHLMC	$ 29,485	100.00%	-	- %
Net premiums	80		-	
Mortgage-backed securities, net	$ 29,565		-	

</TABLE>

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The following table sets forth the Bank's loan originations, purchases of loans, commercial leases, and mortgage-backed securities held to maturity, sales and principal repayments for the periods indicated:
<TABLE>
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	Years Ended September 30,		
	1997	1996	1995
	(in thousands)		
<S>	<C>	<C>	<C>
Mortgage Loans (gross):			
At beginning of period	$ 340,115	254,523	205,069
Mortgage loans originated:			
One- to four- family	74,067	108,698	62,309
Multi-family	15,981	20,220	7,994
Commercial	913	4,129	2,500
Total mortgage loans originated	90,961	133,047	72,803
Commercial leases purchased	-	-	3,000
Transfer of mortgage loans to foreclosed real estate	(359)	(113)	(193)
Transfer of mortgage loans from foreclosed real estate	-	-	113
Sale of commercial loan participation	-	(1,890)	-
Principal repayments of loans receivable	(56,798)	(45,064)	(25,642)
Principal repayments of commercial leases	(1,217)	(341)	(627)
One- to four- family mortgage participations securitized	-	(47)	-
At end of period	$ 372,702	340,115	254,523
Consumer loans (gross):			
At beginning of period	$ 13,585	12,442	12,196
Consumer loans originated	6,813	6,615	5,077
Principal repayments	(6,246)	(5,472)	(4,831)
At end of period	14,152	13,585	12,442
Total loans (gross)	$ 386,854	353,700	266,965
Mortgage-backed securities held to maturity:			
At beginning of period	$ 21,647	26,435	29,485
One- to four- family mortgage participations securitized	-	47	-
Amortization and principal repayments	(4,781)	(4,835)	(3,050)
At end of period	$ 16,866	21,647	26,435

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LOANS AND MORTGAGE-BACKED SECURITIES MATURITY AND REPRICING. The following

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table shows the maturity or period to repricing of the Bank's loans and mortgage-backed securities held to maturity portfolios at September 30, 1997. The table does not include prepayments or scheduled principal amortization. Principal repayments and prepayments on loans and mortgage-backed securities held to maturity totalled $69.0 million, $55.7 million, and $34.1 million for the years ended September 30, 1997, 1996 and 1995, respectively.

</TABLE>
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<CAPTION>

At September 30, 1997

	Fixed Rate		Adjustable Rate		Other Loans			Totals		
	One-to-Four Family	Multi-Family	One-to-Four Family	Multi-Family	Commercial	Commercial Equipment Leases	Consumer	Total Loans Receivable	Mortgage-Backed Securities Held to Maturity	Total
	(in thousands)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
AMOUNTS DUE:										
Within one year	$ 9,438	727	54,379	16,828	15	204	5,626	87,217	2,161	89,378
After one year:										
One to three years	16,549	902	114,535	29,078	1,202	204	6,158	168,628	3,588	172,216
Three to five years	13,267	694	46,150	14,520	1,677	-	2,368	78,676	8,498	87,174
Five to 10 years	25,600	1,013	-	-	-	-	-	26,613	1,823	28,436
10 to 20 years	22,875	688	-	-	-	-	-	23,563	796	24,359
Over 20 years	2,157	-	-	-	-	-	-	2,157	-	2,157
Total due after one year	80,448	3,297	160,685	43,598	2,879	204	8,526	299,637	14,705	314,342
Total amounts due	$ 89,886	4,024	215,064	60,426	2,894	408	14,152	386,854	16,866	403,720
Less:										
Loans in process								-	-	-
Unearned discounts, premiums and deferred loan costs, net								(1,868)	(9)	(1,877)
Allowance for possible loan losses								460	-	460
Loan receivable and mortgage-backed securities held to maturity, net								$388,262	16,875	405,137

ONE- TO FOUR-FAMILY MORTGAGE LENDING. The Bank primarily originates first mortgage loans secured by one- to four-family residences located in its primary market area, including townhouse and condominium units. Typically, such residences are single or two-family homes that serve as the primary residence of the owner. To a lesser extent, the Bank also originates loans secured by non-owner occupied one- to four-family residential real estate. Loan originations are generally obtained from existing or past customers, members of the local communities, third party mortgage originators located in the Bank's market area, local real estate agent referrals, and builder/developer referrals within the Bank's market area.

The Bank offers fixed-rate and ARM loans, which are generally amortized over 30 years, with terms of up to 30 years. Loan rates are based on market conditions. The Bank originates zero-point loans, and loans with discount points and fees for related origination expenses, such as appraisals and other closing costs, on one- to four-family residential mortgage loans. Generally, all residential mortgage loans originated by the Bank are underwritten in conformity with FHLMC guidelines. The ARM loans generally reprice on a one, three, or five year basis. As a general matter, the Bank does not offer "teaser rates" on its ARM loans, nor does it offer loans with a negative amortization feature. At time of origination, the Bank determines whether to sell or retain fixed-rate, one- to four-family residential first mortgages

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loans, while generally retaining the servicing right for loans sold. ARM loans originated are normally held for investment.

The Bank generally makes first mortgage loans secured by one- to four-family, owner-occupied residential real estate in amounts up to 95% of the lower of the purchase price or the appraised value. The Bank also originates first mortgage loans secured by one- to four-family residential investment (i.e., other than owner occupied) properties in amounts up to 75% of the appraised value of the property. It is the Bank's general policy to require private mortgage insurance (PMI) on any conventional loan with a loan to value ratio greater than 80% for one- to four-family homes, townhouses, and condominium units. In addition, the Bank usually requires certain housing expense to income ratios and monthly debt payment to income ratios for all borrowers which vary depending on the loan to value ratio and other compensating factors. Mortgage loans originated by the Bank generally include due-on-transfer clauses which provide the Bank with the contractual rights to deem the loan immediately due and payable, in most instances, in the event that the borrower transfers ownership of the property without the Bank's consent. It is the Bank's policy to enforce due-on-transfer provisions.

Residential loans without income verification are offered in amounts up to a maximum value ratio of 80%. The Bank also offers a similar program for people who typically are self-employed. The income used to qualify the loan is the amount stated on the loan application. The maximum loan amount allowed under this program is 75% of the property value. The Bank, to a lessor extent, grants loans to applicants with less than perfect credit and higher debt to income ratios than secondary market conforming standards. In all other respects the loans are originated in the same manner as a conventional loan. All loans have risk premium factored into the rate and additional valuation allowance are established when the loan is funded.

MULTI-FAMILY AND COMMERCIAL REAL ESTATE LENDING. The Bank originates fixed and
adjustable rate multi-family loans secured by properties (five units or more) typically located in its primary market area. These loans generally have rate and payment adjustment periods of 3 to 5 years, with amortizations of up to 30 years. The Bank customarily charges origination fees of up to 3% of the loan amount for newly originated loans and lesser fees for renewals or modifications

of existing loans. The Bank's policies generally require personal guarantees from the borrowers, with joint and several liability. The Bank's underwriting decisions relating to these loans are primarily based upon the net operating income generated by the property in relation to the debt service ("debt coverage ratio"), the borrower's cash-at-risk position, financial resources and income level of the borrower, the borrower's experience in owning or managing similar property, the marketability of the property and the Bank's lending relationship with the borrower. The Bank originates multi-family loans in amounts up to 85% of the lower of the appraised value of the property or the purchase price. The Bank generally requires a minimum debt coverage ratio of 1.15x on multi-family properties, utilizing forecasted net operating income. As of September 30, 1997, $64.5 million, or 16.7%, of the Bank's loan portfolio consisted of multi-family loans. Multi-family mortgage loans typically involve substantially larger loan balances than single-family mortgage loans, and are dependent on successful property operation as well as on general and local economic conditions.

In connection with the Bank's policy of maintaining an interest-rate sensitive loan portfolio, the Bank has originated loans secured by commercial real estate, which generally carry a higher yield and are made for a shorter term than fixed-rate one- to four-family residential loans. Commercial real estate loans are generally granted in amounts up to 75% of the appraised value of the property, as determined by an independent appraiser previously approved by the Bank. The Bank's commercial real estate loans are secured by improved properties located in the Chicago metropolitan area. As of September 30, 1997, $2.9 million, or 0.7%, of the Bank's loan portfolio consisted of commercial loans.

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 or management of the properties, repayment of such loans may be subject to adverse conditions in the real estate market or the economy. The Bank seeks to minimize these risks by lending primarily on existing income-producing properties and generally restricting such loans to properties in the Chicago area. The Bank analyzes the financial

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condition of the borrower and the reliability and predictability of the net income generated by the security property in determining whether to extend credit. In addition, the Bank usually requires a net operating income to debt service ratio of at least 1.15 times.

CONSTRUCTION LENDING. The Bank does not actively solicit construction loans, although it will consider such loans on a case-by-case basis as presented. Construction lending generally is considered to involve a higher degree of risk than lending on improved, owner-occupied real estate. Construction loans are dependent largely upon the accuracy of the initial estimate of the property's value at completion of construction or development and the estimated cost (including interest) of construction. During the construction phase, a number of factors could result in delays and cost overruns.

COMMERCIAL LEASES. The Bank purchased 454 full-payout commercial equipment leases located in various parts of the country with original aggregate outstanding principal balances of $3.0 million during fiscal 1995. These leases were all originated by, serviced by, and financially guaranteed by Bennett Funding Group of Syracuse, New York. See further discussion in "CLASSIFIED ASSETS". As of September 30, 1997, $408,000 or 0.1% of the Bank's loan portfolio consisted of commercial leases.

CONSUMER, HOME EQUITY AND OTHER LENDING. The Bank offers a variety of consumer loans, although its current portfolio consists primarily of home equity and second mortgage loans. Also included in consumer loans are installment loans secured by automobiles, boats and recreational vehicles, and other secured and unsecured loans. As of September 30, 1997, $14.2 million or 3.7% of the Bank's loan portfolio consisted of consumer loans.

The Bank's home equity loans consist of fixed and adjustable rate mortgage loans generally secured by second mortgages on one- to four-family owner-occupied residential properties located in its primary market area. The second mortgage loan products are currently offered in both fixed and adjustable rate, fixed-term loans for up to 30 years.

LOAN APPROVAL PROCEDURES AND AUTHORITY. Certain officers have authority to approve loans up to specified dollar amounts. One- to four-family mortgage loans conforming to agency standards and all consumer loans may be approved by the Vice President - Personal Banking, Vice President - Loan Investments and designated underwriters up to the agency maximum loan limitations. Non-conforming loans up to $250,000 and otherwise conforming to the Loan Policy may be approved by the Vice President - Loan Investments. Loans of up to $500,000 may be approves by the Vice President - Loan Investments with the concurrence of a member if the Bank loan committee. Secured mortgage and unsecured consumer loans may be approved by designated personal banking managers. The Bank's policies generally provide that all other loans are to be approved by the Board or certain committees which include Board members. All multi-family loans over $750,000 and one- to four-family construction loans over $750,000 require the approval of a majority of the Board.

For all loans originated by the Bank, upon receipt of a completed loan application from a prospective borrower, a credit report is ordered, income and certain other information generally is verified and, if necessary, additional financial information is required. All borrowers of one- to four-family residential mortgage loans are qualified pursuant to applicable agency guidelines. The Bank's policies require appraisals on all real estate intended to secure a proposed loan, which currently are performed by independent appraisers designated and approved by the Bank. Further, under current OTS regulations, all loan transactions of $1.0 million or more, non-residential transactions of $250,000 or more, and complex residential transactions of $250,000 or more, the Bank requires appraisals conducted by state certified or licensed appraisers. The Board, at least annually, approves the independent appraisers used by the Bank and reviews the Bank's appraisal policy. It is the Bank's policy to obtain title insurance on all real estate first mortgage loans. Borrowers must also obtain hazard insurance prior to closing. Borrowers generally are required to advance funds on a monthly basis together with each payment of principal and interest to a mortgage escrow account from which the Bank makes disbursements for items such as real estate taxes and hazard insurance premiums.

DELINQUENCIES AND CLASSIFIED ASSETS.

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DELINQUENT LOANS. The Board of Directors performs a monthly review of all delinquent loans. The procedures taken by the Bank with respect to delinquencies vary depending on the nature of the loan and period of delinquency.

The Bank's policies generally provide that delinquent mortgage loans be reviewed and that a written late charge notice be mailed no later than the twentieth day of delinquency. The policies also require telephone contacts for

loans more than 20 days late to ascertain the reasons for the delinquency and the prospects of repayment. Face-to-face interviews and collection notices are generally required for loans more than 30 days delinquent and on a case-by-case basis for mortgage loans. After 60 days, the Bank will either set a date by which the loan must be brought current, enter into a written forbearance agreement, foreclose on any collateral or take other appropriate action. The Bank's policies regarding delinquent consumer loans are similar except that telephone contacts and correspondence will generally occur after a consumer loan is more than 15 days delinquent.

It is the Bank's general policy to discontinue the accrual of interest on all first mortgage loans 90 days past due. Consumer loans continue to accrue interest until a determination made by the Bank that the loan may result in a loss. Property acquired by the Bank as a result of a foreclosure on a mortgage loan is classified as real estate owned and is recorded at the lower of the unpaid principal balance or fair value at the date of acquisition and subsequently carried at the lower of cost or net realizable value.

Set forth below is certain information regarding delinquent loans at September 30, 1997, 1996 and 1995:

</TABLE>
<TABLE>
<CAPTION>

	At September 30, 1997				At September 30, 1996			
	60-89 Days		90 Days or More		60-89 Days		90 Days or More	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
	(Dollars in thousands)							
One- to four- family	5	$ 141	8	$ 1,166	6	$ 141	7	$ 671
Commercial	-	-	1	231	-	-	2	378
Commercial leases (1)	-	-	1	408	-	-	1	2,032
Total mortgage loans	5	141	10	1,805	6	141	10	3,081
Consumer	5	40	2	3	1	5	2	5
Total loans	10	$ 181	12	$ 1,808	7	$ 146	12	$ 3,086
Delinquent loans to total loans		0.05%		0.47%		0.04%		0.87%

</TABLE>

<TABLE>
<CAPTION>

	At September 30, 1995			
	60-89 Days		90 Days or More	
	Number of Loans	Principal Balance of Loans	Number of Loans	Principal Balance of Loans
	(Dollars in thousands)			
One- to four- family	4	$ 121	10	$ 604
Total mortgage loans	4	121	10	604

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Consumer	4	22	3	13
Total loans	8	$ 143	13	$ 617
Delinquent loans to total loans		0.09%		0.23%

</TABLE>

(1) Relates to leases purchased from Bennett Funding Group - see further discussion in "CLASSIFIED ASSETS". For purposes of this table, the portfolio of leases has been considered to be one loan due to the collectibility issues related to the leases.

NON-PERFORMING ASSETS. The following table sets forth information regarding non-accrual loans, loans which are 90 days or more past due, and real estate in foreclosure. Prior to September 30, 1995, the Bank ceased accruing interest on mortgage loans 60 days past due. Effective October 1, 1995, the Bank conformed with industry standards and ceased accruing interest on mortgage loans 90 days past due. The Bank continues accruing interest on all consumer loans until a loss determination is made. Upon determination that the loan will result in a loss, the Bank discontinues the accrual of interest and/or establishes a reserve in the amount of the anticipated loss. For the year ended September 30, 1997, interest income on non-accrual loans included in net income amounted to less than $1,000. If all non-accrual mortgage loans, as of September 30, 1997, had been currently performing in accordance with their original terms, the Bank would have recognized interest income from such loans of $119,000.

<TABLE>
<CAPTION>

	At September 30,				
	1997	1996	1995	1994	1993
	(Dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Non-accrual mortgage loans	$ 1,397	$ 1,049	$ 604	$ 279	$ 208
Non-accrual commercial leases	408	2,032	-	-	-
Non-accrual consumer loans	3	5	13	3	-
Total non-accrual loans	1,808	3,086	617	282	208
Consumer loans 90 days or more past due and still accruing	-	-	-	-	-
Total non-performing loans	1,808	3,086	617	282	208
Real estate in foreclosure	215	97	-	88	-
Total non-performing assets	$ 2,023	$ 3,183	$ 617	$ 370	$ 208
Total non-performing loans to total loans	0.47%	0.87%	0.23%	0.13%	0.10%
Total non-performing assets to total assets	0.41%	0.67%	0.16%	0.11%	0.08%

</TABLE>

CLASSIFIED ASSETS. Federal regulations require the Bank to classify loans and other assets such as debt and equity securities, considered by the OTS to be of lesser quality, as "substandard", "doubtful" or "loss" assets. The Bank's classification policies provide that assets will be classified according to OTS regulations. An asset is considered "substandard" if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. "Substandard" assets include those characterized by the "distinct possibility" that the insured institution will sustain "some loss" if the deficiencies are not corrected. Assets classified as "doubtful" have all of the weaknesses inherent in those classified "substandard," with the added characteristic that the weaknesses present make "collection or liquidation in full," on the basis of currently existing facts, conditions, and values, "highly questionable and improbable." Assets classified as "loss" are

those considered "uncollectible" and of such little value that their continuance as assets without the establishment of a specific loss reserve is

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not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are required to be designated "special mention" by management.

When the Bank determines that an asset should be classified, it generally does not establish a specific allowance for such asset unless it determines that such asset may result in a loss. The Bank may, however, increase its general valuation allowance in an amount deemed prudent. General valuation allowances represent loss allowances which have been established to recognize the inherent risk associated with lending activities, but which, unlike specific allowances, have not been allocated to particular problem assets. The Bank's policies provide for the establishment of a specific allowance equal to 100% of each asset classified as "loss" or to charge-off such amount. A savings institution's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the OTS which can order the establishment of additional general or specific loss allowances. The Bank reviews the problem loans in its portfolio on a monthly basis to determine whether any loans require classification in accordance with applicable regulations; and believes its classification policies are consistent with OTS policies.

As of September 30, 1997, the Bank had classified assets of $2.0 million. Classified loans of $1.4 million were categorized as substandard, consisting of 8 residential mortgage loans, 1 commercial loan, and 2 unsecured lines of credit. In addition to the mortgage and consumer portfolio, the Bank classified its investment in commercial leases as substandard. There were no assets classified as doubtful.

From October 1994 through January 1995, the Bank purchased 454 full-payout commercial equipment leases located in various parts of the country with original aggregate outstanding principal balances of $3.0 million. Since that time normal lease payments had reduced the aggregate outstanding balance to $2.0 million at February 29, 1996. These leases were all originated by, serviced by, and financially guaranteed by Bennett Funding Group of Syracuse, New York ("BFG"). On March 29, 1996 it was reported that BFG was the target of a civil complaint filed by the Securities and Exchange Commission. On that same date BFG filed a Chapter 11 bankruptcy petition in the Northern District of New York and halted payments on the lease agreements. The Bankruptcy Trustee is currently collecting the lease payments from the lessees and holding them in escrow pending the outcome of the litigation concerning BFG, its creditors, and related issues. This disruption of payment flows from the servicer, BFG, has caused the Company to classify all the leases as substandard, place them on non-accrual status and to categorize them as non-performing and impaired.

In August 1997, the Bank and the Bennett Bankruptcy Trustee reached a settlement agreement. Under the terms of this agreement, the Bank received post bankruptcy lease receipts totaling $1.1 million. Repayment of the balance of $408,000 in lease receivables at September 30, 1997 is expected from future lease payments. The settlement also ended all outstanding litigation. As a result of the settlement, the Company charged off $406,000 of leases in 1997, against the previously established allowance.

ALLOWANCE FOR LOAN LOSSES. The allowance for loan losses is established through a provision for loan and lease losses based on management's evaluation of the risk inherent in its loan portfolio and the general economy. Such

evaluation, which includes a review of all loans on which full collection may not be reasonably assured, considers among other matters the estimated net realizable value of the underlying collateral, economic conditions, historical loan loss experience and other factors that warrant recognition in providing for an adequate loan loss allowance. In recent years, in light of the general economic conditions, management has, from time to time, increased its provision to account for its evaluation of the potential effects of such conditions. The Bank will continue to monitor and modify its allowances for loan losses as conditions dictate. Although the Bank maintains its allowance at a level which it considers adequate to provide for potential losses, there can be no assurances that such losses will not exceed the estimated amounts.

The following table sets forth the Bank's allowance for loan losses at the dates indicated.
<TABLE>
<CAPTION>
At or for the Years Ended September 30,

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	1997	1996	1995	1994	1993
	(Dollars in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>
Balance at beginning of year	$ 810	$ 403	$ 228	$ 233	$ 189
Provision for loan losses	64	410	192	48	57
Charge offs:					
One-to four-family	-	(8)	(2)	-	-
Multi-family	-	-	(5)	(21)	-
Commercial leases	(406)	-	-	-	-
Consumer loans	(19)	(26)	(19)	(32)	(13)
Total Charge-offs	(425)	(34)	(26)	(53)	(13)
Recoveries - Consumer loans	11	31	9	-	-
Balance at end of year	$ 460	$ 810	$ 403	$ 228	$ 233
Ratio of charge-offs during the year to average loans outstanding during the year	0.11%	0.01%	0.01%	0.03%	0.01%
Ratio of allowance for loan losses to net loans receivable at end of year	0.12%	0.23%	0.15%	0.11%	0.11%
Ratio of allowance for loan losses to total non-performing loans at end of year	25.44%	26.25%	65.32%	80.85%	112.02%
Ratio of allowance for loan losses to non-performing assets at end of year	22.74%	25.48%	65.32%	61.62%	112.02%

</TABLE>

The Bank's allowance for loan losses has been established as an allowance for future losses on its entire portfolio. For internal purposes, the Bank does not allocate the allowance among loan classifications. In the following table, the allowance for loan losses has been allocated by category for purposes of complying with public disclosure requirements. The amount allocated on the following table to any category should not be interpreted as an indication of future charge-offs and the amounts allocated are not intended to reflect the amount that may be available for future losses on any category since the Bank's allowance is a general allowance.

The following table also sets forth the percent of loans in each category to total loans.

<TABLE>
<CAPTION>

	At September 30,					
	1997		1996		1995	
	Amount	% of Loans in Category of Total Outstanding Loans	Amount	% of Loans in Category of Total Outstanding Loans	Amount	% of Loans in Category of Total Outstanding Loans
	(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Mortgage loans:						
One- to four- family	$ 158	78.83%	$ 90	78.34%	$ 70	76.40%
Multi-family	84	16.66	57	15.65	46	17.12
Commercial	35	0.75	104	1.60	89	0.93
Commercial leases	21	0.10	406	0.57	24	0.89
Consumer loans	157	3.66	150	3.84	132	4.66
Unallocated	5	-	3	-	42	-
Total allowance for loan losses	$ 460	100.00%	810	100.00%	$ 403	100.00%

</TABLE>

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	At September 30,			
	1994		1993	
	Amount	% of Loans in Category of Total Outstanding Loans	Amount	% of Loans in Category of Total Outstanding Loans
	(Dollars in thousands)			
Mortgage loans:				
One- to four- family	$ 48	75.41%	$ 37	74.31%
Multi-family	42	18.98	41	19.90
Construction	-	-	37	0.36
Consumer loans	130	5.61	112	5.43
Unallocated	8	-	6	-
Total allowance for loan losses	$ 228	100.00%	$ 233	100.00%

</TABLE>

INVESTMENT ACTIVITIES

The investment policies of the Company and the Bank, established by the Board of Directors and implemented by the Asset/Liability Committee, attempt to provide and maintain liquidity, generate a favorable return on investments without incurring undue interest rate and credit risk, and complement the Bank's lending activities. Federally chartered savings institutions have the authority to invest in various types of liquid assets, including United States Treasury obligations, securities of various federal agencies, certain certificates of deposit of insured banks and savings institutions, certain bankers' acceptances, repurchase agreements and federal funds. Subject to various restrictions, federally chartered savings institutions may also invest their assets in commercial paper, investment grade corporate debt securities, asset-backed securities, and mutual funds whose assets conform to the investments that a federally chartered savings institution is otherwise authorized to make directly.

The Company is the holder of certain subordinated notes (the Notes) issued by Cole Taylor Financial Group, Inc. The Notes have a par value and cost basis of $3.0 million. The Notes were acquired by the Company in 1994, when Cole Taylor Financial Group, Inc. was the parent company for both a consumer finance company and a Chicago area bank. Earlier this year, Cole Taylor's bank subsidiary was "spun-off" to certain Cole Taylor shareholders in exchange for stock and certain assets. The Notes remained as obligations of the surviving company, which is now known as Reliance Acceptance Group, Inc. (RACC) and is the parent company for the consumer finance company.

On November 14, 1997, RACC filed a Form 10-Q with the SEC in which RACC reported, among other things, substantial additions to its loan loss reserves, increasing delinquencies and repossession losses, a severe decline in its net interest margin, continuing defaults under senior credit agreements, a lack of future funding sources, and the imposition of substantial restrictions by senior lenders. In addition, RACC reported that it is seeking a buyer and that bankruptcy may become necessary under certain circumstances. Duff & Phelps Credit Rating Co. thereafter downgraded its rating on RACC's subordinated notes to CCC (Triple C).

The Company has evaluated currently available information about RACC's present circumstances and future prospects in an effort to assess impairment and to place a value on the Notes in the context of a possible RACC liquidation, sale and/or bankruptcy. The Company concluded that the impairment is other than temporary, and that a complete write-down of the Notes was appropriate, because of RACC's worsening condition, the fact that the Notes are subordinate to the senior debt and are structurally subordinate to the other obligations of RACC's finance company subsidiary, and the substantial uncertainties that exist regarding ultimate realization of the asset.

Accordingly, the Company wrote the Notes down $3.0 million during the fourth quarter and fiscal year ended September 30, 1997. In accordance with generally accepted accounting principles (GAAP), the write-down was charged against fiscal year 1997 earnings because the notes were considered to be other than temporarily impaired.

The Company intends to closely monitor future developments concerning RACC, and

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to continue to explore alternatives for realizing a recovery on this investment.

The following table sets forth certain information regarding the amortized cost and fair value of the Company's investment securities portfolio at the dates indicated:

<TABLE>
<CAPTION>

	At September 30,					
	1997		1996		1995	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in thousands)					
Interest-earning deposits:						
FHLB daily investment	$ 722	722	-	-	897	897
Money market fund	1,592	1,592	225	225	369	369
Total interest-bearing deposits	$ 2,314	2,314	225	225	1,266	1,266
Federal funds sold	$ 100	100	200	200	200	200
Mutual funds - Federated Liquid Cash Trust	$ 3,154	3,154	3,146	3,146	227	227
FHLB-Chicago Stock	$ 5,700	5,700	5,795	5,795	3,000	3,000
Investment securities available for sale:						
U.S. Government and agencies	$ 64,497	64,687	66,000	64,972	47,000	47,206
Corporate asset-backed securities	2,616	2,613	7,331	7,267	14,532	14,275
Corporate debt securities	3,000	2,997	5,973	5,865	23,138	23,098
Total investment securities available for sale	$ 70,083	70,297	79,304	78,104	84,670	84,579

</TABLE>

The table below sets forth certain information regarding the carrying value, weighted average yields and maturities of the Company's investment securities available for sale at September 30, 1997.

<TABLE>
<CAPTION>

	At September 30, 1997											
	One Year or Less		One to Five Years		Five to 10 Years		More than 10 Years			Total		
	Amtzd Cost	Wtd Avg Yield	Amtzd Cost	Wtd Avg Yield	Amtzd Cost	Wtd Avg Yield	Amtzd Cost	Wtd Avg Yield	Avg remaining Years to Maturity	Amtzd Cost	Fair Value	Wtd Avg Yield
	(dollars in thousands)											
U.S. Government and agencies	$ 16,000	6.66%	10,000	6.37%	38,467	7.40%	-	-	8.2	64,467	64,687	7.17%
Corporate asset-backed securities	1,338	4.84	1,278	4.93	-	-	-	-	1.7	2,616		

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									2,613	4.84
Corporate debt securities	-	-	22	9.00	2,978	6.56	-	-	4.9	3,000
									2,997	7.61
	$ 17,338		11,300		41,445		-			70,083
									70,297	

</TABLE>

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SOURCES OF FUNDS

GENERAL. Deposits, loan repayments, and cash flows generated from operations are the primary sources of the Bank's funds for use in lending, investing and for other general purposes. The Bank also utilizes FHLB advances from time to time.

DEPOSITS. The Bank offers a variety of deposit accounts having a range of interest rates and terms. The Bank's deposits consist of passbook savings, NOW, Super NOW, money market and certificate accounts. The flow of deposits is influenced significantly by general economic conditions, changes in money market rates, prevailing interest rates and competition. The Bank's deposits are obtained primarily from the areas in which its home office is located. The Bank relies primarily on customer service and long-standing relationships with customers to attract and retain these deposits. Certificate accounts in excess of $100,000 are not solicited by the Bank nor does the Bank use brokers to obtain deposits. Management constantly monitors the Bank's deposit accounts and, based on historical experience, management believes it will retain a large portion of such accounts upon maturity.

The following table presents the deposit activity of the Bank for the years indicated.

<TABLE>
<CAPTION>

	Years Ended September 30,		
	1997	1996	1995
	(in thousands)		
Deposits	$ 156,089	234,407	180,925
Withdrawals	(144,310)	(214,502)	(149,135)
Net deposits in excess of withdrawals	11,779	19,905	31,790
Interest credited on deposits	8,730	7,036	6,141
Total increase in deposits	$ 20,509	26,941	37,931

</TABLE>

The following table sets forth maturities time deposits over $100,000 at September 30, 1997:

<TABLE>
<CAPTION>

Maturity Period	(in thousands)
Three months or less	$ 7,172
Over three through six months	4,201
Over six through 12 months	10,664
Over 12 months	3,362
	$ 25,399

/TABLE

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The following table sets forth the distribution of the Bank's deposit accounts

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at the dates indicated and the weighted average nominal interest rates on each category of deposits presented. Management does not believe that the use of fiscal year-end balances instead of average balances resulted in any material difference in the information presented.

<TABLE>
<CAPTION>

	At September 30,					
	1997			1996		
	Amount	Percent of Total Deposits	Weighted Average Nominal Rate	Amount	Percent of Total Deposits	Weighted Average Nominal Rate
	(dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Passbook Savings	$ 100,588	31.10%	3.83%	86,077	28.41%	3.35%
Transaction Accounts:						
NOW/non-interest bearing	4,766	1.47	_	4,596	1.52	-
NOW	13,201	4.08	2.18	13,471	4.45	2.17
Money market and management	17,634	5.45	4.21	19,192	6.34	4.16
	------	-----	----	------	----	----
Total transaction accounts	35,601	11.01	3.70	37,259	12.30	2.93
Certificate Accounts:						
3 month	3,820	1.18	5.23	572	0.19	4.80
6 month	15,631	4.83	5.52	12,287	4.06	5.00
7 month	4,615	1.43	5.35	39,411	13.01	5.83
8 month	12,221	3.78	5.65	5,191	1.71	5.15
10 month	30,926	9.56	5.99	5,277	1.74	5.34
12 month	43,244	13.37	5.94	11,789	3.89	5.35
13 month	18,159	5.61	6.04	19,760	6.52	5.93
15 month	15,081	4.66	5.85	31,806	10.50	5.91
24 month	11,506	3.56	5.72	22,515	7.43	6.38
36 month	7,904	2.44	6.10	7,924	2.62	5.64
36 month rising rate	14,161	4.38	6.55	12,467	4.12	5.94
60 month	9,681	2.99	5.82	10,399	3.43	5.78
Other	305	0.09	6.04	200	0.07	5.65
	------	-----	----	------	----	----
Total certificate accounts	187,254	57.89	5.79	179,598	59.29	5.79
	------	-----	----	------	----	----
Total Deposits	$ 323,443	100.00%	4.89%	302,934	100.00%	4.75%
	=======	======	====	=======		

====== ====

</TABLE>

<TABLE>
<CAPTION>

	At September 30,		
	1995		
	Amount	Percent of Total Deposits	Weighted Average Nominal Rate
	(dollars in thousands)		

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<S>	<C>	<C>	<C>
Passbook Savings	$ 81,979	29.70%	3.06%
Transaction Accounts:			
NOW/non-interest bearing	4,822	1.75	-
NOW	15,078	5.46	2.79
Money market and management	18,434	6.68	4.67
	------	-----	----
Total transaction accounts	38,334	13.89	3.34
Certificate Accounts:			
3 month	205	0.07	4.10
6 month	12,891	4.67	5.45
7 month	-	-	-
8 month	16,667	6.04	6.34
10 month	15,775	5.72	6.08
12 month	13,241	4.80	5.78
13 month	22,455	8.14	7.66
15 month	17,707	6.42	5.76
24 month	22,069	8.00	6.17
36 month	9,961	3.61	5.25
36 month rising rate	11,236	4.07	5.36
60 month	13,073	4.74	6.27
Other	400	0.14	5.76
	------	-----	----
Total certificate accounts	155,680	56.41	6.14
	------	-----	----
Total Deposits	$ 275,993	100.00%	4.84%
	=======	======	====

</TABLE>

34

The following table presents, by various rate categories, the amount of certificate accounts outstanding at September 30, 1997, 1996 and 1995 and the periods to maturity of the certificate accounts outstanding at September 30, 1997.

<TABLE>
<CAPTION>

	At September 30,			Period to maturity from September 30, 1997				
	1997	1996	1995	Within One Year	One to Two Years	Two to Three Years	There-after	Total
				(in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Certificate accounts:								
2.99% or less	$ 266	587	1,358	248	8	-	10	266
3.00% to 3.99%	76	-	214	76	-	-	-	76
4.00% to 4.99%	660	4,080	12,677	304	267	89	-	660
5.00% to 5.99%	104,941	107,182	58,669	82,597	17,339	2,658	2,347	

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104,941

6.00% to 6.99%	81,081	60,437	50,977	77,853	630	1,958	640	81,081
7.00% to 7.99%	230	7,312	31,096	230	-	-	-	230
8.00% to 8.99%	-	-	689	-	-	-	-	-
9.00% to 9.99%	-	-	-	-	-	-	-	-
10.00% to 10.99%	-	-	-	-	-	-	-	-
Total	$ 187,254	179,598	155,680	161,308	18,244	4,705	2,997	187,254

</TABLE>

BORROWINGS

Although deposits are the Bank's primary source of funds, the Bank's policy has been to utilize borrowings, such as advances from the FHLB-Chicago when they are a less costly source of funds or can be invested at a positive rate of return.

The Bank obtains advances from the FHLB-Chicago secured by its capital stock in the FHLB-Chicago and certain of its mortgage loans. Such advances are made pursuant to several different credit programs, each of which has its own interest rate and range of maturities. The maximum amount that the FHLB-Chicago will advance to member institutions, including the Bank, for purposes other than meeting withdrawals, fluctuates from time to time in accordance with the policies of the OTS and the FHLB-Chicago. The maximum amount of FHLB-Chicago advances to a member institution generally is reduced by borrowings from any other source. At September 30, 1997, the Bank's FHLB-Chicago advances totalled $113.4 million.

The following table sets forth certain information regarding borrowings at and for the date indicated:
<TABLE>
<CAPTION>

	At and for the Years Ended September 30,		
	1997	1996	1995
		(in thousands)	
<S>	<C>	<C>	<C>
FHLB-CHICAGO ADVANCES			
Average balance outstanding	$ 97,879	74,078	46,224
Maximum amount outstanding at any month-end during the year	113,400	115,300	56,733
Balance outstanding at year end	113,400	115,300	54,032
Weighted average interest rate during the year	5.66%	5.65%	6.03%
Weighted average interest rate at end of year	5.80%	6.00%	5.88%

</TABLE>

SUBSIDIARY ACTIVITY

Fidelity Corporation, incorporated in 1970, is a wholly-owned subsidiary of the Bank. Fidelity Corporation's business is safe deposit box rentals, and annuity and insurance sales primarily to customers of the Bank. In addition, in cooperation with INVEST, full service securities brokerage services are offered to customers and non-customers of the Bank.

Fidelity Corporation owns a 7.64% ownership interest as a limited partner and a .08% ownership interest as a general partner in an Illinois limited partnership formed in 1987 for the purpose of (i) developing, in the City of Evanston, Illinois, a public parking garage containing 602 parking spaces, which was sold in 1989 to the City of Evanston, and (ii) developing, managing and operating a 190 unit luxury rental apartment building adjacent thereto. Fidelity Corporation's investment in this limited partnership, represented by its capital contributions, totalled $650,000 at September 30, 1997. Losses to Fidelity Corporation other than any liability as a general partner are limited to its capital contributions. Profits to Fidelity Corporation, if any, are initially expected to be derived from partnership operations and, after pro-rata payment of "Preferred Distributions" to the partners (including Fidelity Corporation), are to be equal to Fidelity Corporation's pro-rata ownership interests in the partnership. The apartment complex, which was completed in August 1990, was 99% occupied as of September 30, 1997. The Bank is not aware of any present plans for the disposition of this project by the partnership, nor is it aware of any further funding needs of the partnership. Fidelity Corporation's portion of the operating losses for the year ended September 30,

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1997 was $30,000. Losses from the operations of the property are primarily due to the expensing of certain organizational and marketing costs and non-cash expenses such as amortization and depreciation. The losses from the partnership have reduced the Bank's income.

Real estate development and investment activities involve varying degrees of risk. In the case of rental property, decreases in occupancy rates, increases in operating expenses, declines in the underlying value of the project or in its general market area, adverse changes in local, regional and/or national economic conditions, or a combination of these or other factors can have a negative effect on the profitability and value of the project. The Bank currently does not intend to engage in further real estate development activities. At September 30, 1997, Fidelity Corporation had assets of $1.4 million.

Fidelity Loan Services, Inc., ("FLSI"), incorporated in 1989, is a wholly-owned subsidiary of the Bank that ceased operations in October 1994.

PERSONNEL

As of September 30, 1997, the Company had 92 full-time employees and 32 part-time employees. The employees are not represented by a collective bargaining unit and the Company considers its relationship with its employees to be excellent.

SUPERVISION AND REGULATION

GENERAL

Financial institutions and their holding companies are extensively regulated under federal and state law. As a result, the growth and earnings performance of the Company can be affected not only by management decisions and general economic conditions, but also by the requirements of applicable state and federal statutes and regulations and the policies of various governmental regulatory authorities including, but not limited to, the OTS, the FDIC, the Board of Governors of the Federal Reserve System (the Federal Reserve Board), the Internal Revenue Service and state taxing authorities and the Securities and Exchange Commission (the SEC). The effect of such statutes, regulations and policies can be significant, and cannot be predicted with a high degree of certainty.

Federal and state laws and regulations generally applicable to financial institutions, such as the Company and the Bank, regulate, among other things, the scope of business, investments, reserves against deposits, capital levels relative to operations, the nature and amount of collateral for loans, the establishment of branches, mergers, consolidations and dividends. The system of supervision and regulation applicable to the Company and the Bank establishes a comprehensive framework for their respective operations and is intended primarily for the protection of the FDIC s deposit insurance funds and the depositors, rather than the shareholders, of financial institutions.

The following references to material statutes and regulations affecting the Company and the Bank are brief summaries thereof and do not purport to be complete, and are qualified in their entirety by reference to such statutes and regulations. Any change in applicable law or regulations may have a material effect on the business of the Company and the Bank.

RECENT REGULATORY DEVELOPMENTS

PENDING LEGISLATION. Legislation is pending in the Congress that would eliminate the federal thrift charter by requiring each federal thrift to convert to a national bank or to a state bank or state thrift. Under the pending legislation, any federal thrift that failed to convert to a national or state bank within two years following enactment of the legislation would, by

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operation of law, become a national bank as of the second anniversary of enactment of the legislation. The bills would allow a converting federal thrift and its holding company to retain nonconforming investments and activities following conversion (subject to certain conditions, including, in the case of a holding company, certain restrictions on the ability of the holding company to acquire other depository institutions or to be acquired). The pending legislation would combine the OTS with the Office of the Comptroller of the Currency by the second anniversary of the enactment of the legislation, and would merge the Bank Insurance Fund (the BIF) and the Savings Bank Insurance Fund (the SAIF) as of the earlier of January 1, 2000 or the second anniversary of enactment of the legislation. The pending legislation would also allow bank holding companies to engage in a wider range of nonbanking activities, including greater authority to engage in securities and insurance activities.

At this time, the Company is unable to predict whether the pending legislation will be enacted and, therefore, is unable to predict the impact the pending legislation will have on the Company and the Bank.

THE COMPANY

GENERAL. The Company, as the sole shareholder of the Bank, is a savings and loan holding company. As a savings and loan holding company, the Company is registered with, and is subject to regulation by, the OTS under the Home Owners Loan Act, as amended (the HOLA). Under the HOLA, the Company is subject to periodic examination by the OTS and is required to file with the OTS periodic reports of its operations and such additional information as the OTS may require.

INVESTMENTS AND ACTIVITIES. The HOLA prohibits a savings and loan holding company, directly or indirectly, or through one or more subsidiaries from: (i) acquiring control of, or acquiring by merger or purchase of assets, another savings association or savings and loan holding company without the prior written approval of the OTS; (ii) subject to certain exceptions, acquiring more than 5% of the issued and outstanding shares of voting stock of a savings association or savings and loan holding company except as part of an acquisition of control approved by the OTS; or (iii) acquiring or retaining control of a financial institution that does not have SAIF or BIF insurance of accounts.

A savings and loan holding company may acquire savings associations located in more than one state in both supervisory transactions involving failing savings associations and nonsupervisory acquisitions of healthy institutions, subject to the requirement that in any nonsupervisory transaction, the law of the state in which the savings bank to be acquired is located must specifically authorize the proposed acquisition, by language to that effect and not merely by implication. State laws vary in the extent to which interstate acquisitions of savings associations are permitted. Illinois law presently permits savings and loan holding companies located in any state of the United States to acquire savings associations or savings and loan holding companies located in Illinois, subject to certain conditions, including the requirement that the laws of the state in which the acquiror is located permit savings and loan holding companies located in Illinois to acquire savings associations or savings and loan holding companies in the acquiror s state.

A savings and loan holding company that controls only one savings association subsidiary is generally not subject to any restrictions on the non-banking activities that the holding company may conduct either directly or through a non-banking subsidiary, so long as the holding company s savings association subsidiary constitutes a qualified thrift lender. If, however, the OTS determines that there is reasonable cause to believe that the continuation by a savings and loan holding company of a particular activity constitutes a serious risk to the financial safety, soundness or stability of its savings association subsidiary, the OTS may require the holding company to cease engaging in the activity (or divest any subsidiary which engages in the activity) or may impose such restrictions on the holding company and the subsidiary savings association as the OTS deems necessary to address the risk, including imposing limitations on (i) the payment of dividends by the savings association to the holding company, (ii) transactions between the savings association and its affiliates and (iii) any activities of the savings association that might create a serious risk that liabilities of the holding company and its affiliates may be imposed on the savings association.

Federal legislation also prohibits acquisition of control of a savings association or savings and loan holding company, such as the Company, without

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prior notice to the OTS. Control is defined in certain cases as acquisition of 10% of the outstanding shares of a savings association or savings and loan

holding company.

DIVIDENDS. The statutes and regulations administered by the OTS do not generally regulate the payment of dividends by savings and loan holding companies. The OTS, however, possesses enforcement powers over savings and loan holding companies to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by savings and loan holding companies. Further, federal law and OTS regulations do impose limits on the amount of dividends that a savings association may pay to its holding company (see The Bank Dividends) which can indirectly limit the payment of dividends by a savings and loan holding company if dividends from the holding company s savings association subsidiary represent a significant source of funds for dividends from the holding company to its stockholders.

In addition to the restrictions on dividends that may be imposed by the OTS, the Delaware General Corporation Law allows the Company to pay dividends only out of its surplus, or if the Company has no surplus, out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

FEDERAL SECURITIES REGULATION. The Company s common stock is registered with the SEC under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the Exchange Act). Consequently, the Company is subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the SEC under the Exchange Act.

THE BANK

GENERAL. The Bank is a federally chartered savings association, the deposits of which are insured by the SAIF of the FDIC. As a SAIF-insured, federally chartered savings association, the Bank is subject to the examination, supervision, reporting and enforcement requirements of the OTS, as the chartering authority for federal savings associations, and the FDIC, as administrator of the SAIF. The Bank is also a member of the Federal Home Loan Bank System, which provides a central credit facility primarily for member institutions.

DEPOSIT INSURANCE. As an FDIC-insured institution, the Bank is required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system under which all insured depository institutions are placed into one of nine categories and assessed insurance premiums based upon their respective levels of capital and results of supervisory evaluations. Institutions classified as well-capitalized (as defined by the FDIC) and considered healthy pay the lowest premium while institutions that are less than adequately capitalized (as defined by the FDIC) and considered of substantial supervisory concern pay the highest premium. Risk classification of all insured institutions is made by the FDIC for each semi-annual assessment period. During the period October 1, 1996 through December 31, 1996, SAIF assessments rates ranged from 0.18% of deposits to 0.27% of deposits. For the period January 1, 1997 through December 31, 1997, SAIF assessment rates ranged from 0% of deposits to 0.27% of deposits.

The FDIC may terminate the deposit insurance of any insured depository institution if the FDIC determines, after a hearing, that the institution has engaged or is engaging in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law,

regulation, order, or any condition imposed in writing by, or written agreement with, the FDIC. The FDIC may also suspend deposit insurance temporarily during the hearing process for a permanent termination of insurance if the institution has no tangible capital. Management of the Company is not aware of any activity or condition that could result in termination of the deposit insurance of the Bank.

FICO ASSESSMENTS. Since 1987, a portion of the deposit insurance assessments paid by SAIF members has been used to cover interest payments due on the outstanding obligations of the Financing Corporation (FICO), the entity created to finance the recapitalization of the Federal Savings and Loan Association Corporation, the SAIF s predecessor insurance fund. Pursuant to

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federal legislation enacted September 30, 1996, commencing January 1, 1997, both SAIF members and BIF members will be subject to assessments to cover the interest payment on outstanding FICO obligations. Such FICO assessments will be in addition to amounts assessed by the FDIC for deposit insurance. Until January 1, 2000, the FICO assessments made against BIF members may not exceed 20% of the amount of the FICO assessments made against SAIF members. Currently, SAIF members pay FICO assessments at a rate equal to approximately 0.063% of deposits while BIF members pay FICO assessments at a rate equal to approximately 0.013% of deposits. Between January 1, 2000 and the maturity of the outstanding FICO obligations in 2019, BIF members and SAIF members will share the cost of the interest on the FICO bonds on a pro rata basis. It is estimated that FICO assessments during this period will be less than 0.025% of deposits.

OTS ASSESSMENTS. Federal savings associations are required to pay supervisory fees to the OTS to fund the operations of the OTS. The amount of such supervisory fees is based upon each institution s total assets, including consolidated subsidiaries, as reported to the OTS. During the year ended September 30, 1997, the Bank paid supervisory fees to the OTS totaling $110,000.

CAPITAL REQUIREMENTS. The OTS has established the following minimum capital standards for savings associations, such as the Bank: a core capital requirement, consisting of a minimum ratio of core capital to total assets of 3%; a tangible capital requirement consisting of a minimum ratio of tangible capital to total assets of 1.5%; and a risk-based capital requirement, consisting of a minimum ratio of total capital to total risk-weighted assets of 8%, at least one-half of which must consist of core capital. For purposes of these capital standards, core capital consists primarily of permanent stockholders equity less intangible assets other than certain supervisory goodwill, certain mortgage servicing rights and certain purchased credit card relationships and less investments in subsidiaries engaged in activities not permitted for national banks; tangible capital is substantially the same as core capital except that all intangible assets other than certain mortgage servicing rights must be deducted; and total capital means core capital plus certain debt and equity instruments that do not qualify as core capital and a portion of the Bank s allowances for loan and leases losses.

The capital requirements described above are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual institutions. For example, the regulations of the OTS provide that additional capital may be required to take adequate account of interest rate risk or the risks posed by concentrations of credit or nontraditional activities. Additionally, the OTS has proposed to amend its capital regulations to provide that the minimum core capital requirement of 3% applies only to the most highly rated savings associations, and all other

savings associations must maintain a minimum ratio of core capital to total assets of 4%.

During the year ended September 30, 1997, the Bank was not required by the OTS to increase its capital to an amount in excess of the minimum regulatory requirement. As of September 30, 1997, the Bank exceeded its minimum regulatory capital requirements with core capital ratio of 8.59%, a tangible capital ratio of 8.59% and a risk-based capital ratio of 18.37%.

Federal law provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized institutions. The extent of the regulators powers depends on whether the institution in question is well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized or critically undercapitalized. Depending upon the capital category to which an institution is assigned, the regulators corrective powers include: requiring the submission of a capital restoration plan; placing limits on asset growth and restrictions on activities; requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; restricting transactions with affiliates; restricting the interest rate the institution may pay on deposits; ordering a new election of directors of the institution; requiring that senior executive officers or directors be dismissed; prohibiting the institution from accepting deposits from correspondent banks; requiring the institution to divest certain subsidiaries; prohibiting the payment of principal or interest on subordinated debt; and ultimately, appointing a receiver for the institution.

DIVIDENDS. OTS regulations impose limitations upon all capital distributions

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by savings associations, including cash dividends. The rule establishes three tiers of institutions. An institution that exceeds all fully phased-in capital requirements before and after the proposed capital distribution (a Tier 1 Institution) could, after prior notice to, but without the approval of, the OTS, make capital distributions during a calendar year of up to the higher of (i) 100% of its net income to date during the calendar year plus the amount that would reduce by one-half its surplus capital ratio (i.e., the excess capital over its fully phased-in capital requirements) at the beginning of the calendar year, or (ii) 75% of its net income over the most recent preceding four quarter period. Any additional capital distributions by a Tier 1 Institution would require prior regulatory approval. As of September 30, 1997, the Bank was a Tier 1 Institution.

The payment of dividends by any financial institution or its holding company is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. As described above, the Bank exceeded its minimum capital requirements under applicable guidelines as of September 30, 1997. Further, under applicable regulations of the OTS, the Bank may not pay dividends in an amount that would reduce its capital below the amount required for the liquidation account established in connection with the Bank s conversion from the mutual to the stock form of ownership in 1993. Notwithstanding the availability of funds for dividends, however, the OTS may prohibit the payment of any dividends by the Bank if the OTS determines such payment would constitute an unsafe or unsound practice.

INSIDER TRANSACTIONS. The Bank is subject to certain restrictions imposed by the Federal Reserve Act on extensions of credit to the Company and its

subsidiaries, on investments in the stock or other securities of the Company and its subsidiaries and the acceptance of the stock or other securities of the Company or its subsidiaries as collateral for loans. Certain limitations and reporting requirements are also placed on extensions of credit by the Bank to its directors and officers, to directors and officers of the Company and its subsidiaries, to principal stockholders of the Company, and to related interests of such directors, officers and principal stockholders. In addition, federal law and regulations may affect the terms upon which any person becoming a director or officer of the Company or one of its subsidiaries or a principal stockholder of the Company may obtain credit from banks with which the Bank maintains a correspondent relationship.

SAFETY AND SOUNDNESS STANDARDS. The OTS has adopted guidelines which establish operational and managerial standards to promote the safety and soundness of savings associations. The guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings. In general, the guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the OTS may require the institution to submit a plan for achieving and maintaining compliance. The preamble to the guidelines states that the OTS expects to require a compliance plan from an institution whose failure to meet one or more of the guidelines is of such severity that it could threaten the safety and soundness of the institution. Failure to submit an acceptable plan, or failure to comply with a plan that has been accepted by the OTS, would constitute grounds for further enforcement action.

BRANCHING AUTHORITY. Federally chartered savings associations which qualify as domestic building and loan associations, as defined in the Internal Revenue Code, or meet the QTL test (see -The Bank -- Qualified Thrift Lender Test) have the authority, subject to receipt of OTS approval, to establish branch offices anywhere in the United States, either de novo or through acquisitions of all or part of another financial institution. If a federal savings association fails to qualify as a domestic building and loan association, as defined in the Internal Revenue Code, or fails to meet the qualified thrift lender test, the association generally may establish a branch in a state other than the state of its home office only to the extent authorized by the law of the state in which the branch is to be located. As of September 30, 1997, the Bank qualified as a domestic building and loan association, as defined in the Internal Revenue Code, and met the QTL test.

QUALIFIED THRIFT LENDER TEST. Under the HOLA, the Bank will be deemed to satisfy the QTL test. The Bank will be deemed to satisfy the QTL test if

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either (i) at least 65% of its portfolio assets are invested in qualified thrift investments, as measured on a monthly average basis in nine out of every 12 months; or (ii) it qualifies as a domestic building and loan association under the Internal Revenue Code. Qualified thrift investments for purposes of the QTL test consist principally of residential mortgage loans, mortgage-backed securities and other housing and consumer-related investments. The term portfolio assets is statutorily defined to mean a savings association s total assets less goodwill and other intangible assets, the association s business property and a limited amount of its liquid assets. As of September 30, 1997, the Bank satisfied with the QTL test, with a ratio of qualified thrift investments to portfolio assets of 88.84% and qualified as a domestic building and loan association, as defined in the Internal Revenue

Code.

LIQUIDITY REQUIREMENTS. During the year ended September 30, 1997, OTS regulations required the Bank to maintain, for each calendar month, an average daily balance of liquid assets (including cash, certain time deposits, bankers acceptances, and specified United States Government, state or federal agency obligations) equal to at least 5% of the average daily balance of its liquidity base , defined as net withdrawable accounts plus short-term borrowings (i.e., those repayable in 12 months or less) during the preceding calendar month. During the year ended September 30, 1997, OTS regulations also required the Bank to maintain, for each calendar month, an average daily balance of short-term liquid assets (generally liquid assets having maturities of 12 months or less) equal to at least 1% of the average daily balance of its net withdrawable accounts plus short-term borrowings during the preceding calendar month. Penalties may be imposed for failure to meet liquidity ratio requirements. At September 30, 1997, the Bank was in compliance with OTS liquidity requirements, with an overall liquidity ratio of 6.63% and a short-term liquidity ratio of 1.18%.

Pursuant to amendments adopted by the OTS effective November 24, 1997, the minimum liquidity requirement has been reduced to 4% of the liquidity base, the short-term liquidity requirement has been eliminated, liquidity requirements will be determined quarterly, rather than monthly, and savings associations have the option of calculating their liquidity requirements either on the basis of (i) their liquidity base at the end of the preceding quarter or (ii) the average daily balance of their liquidity base during the preceding quarter. The amended regulations also provide, however, that savings associations must maintain liquidity in excess of the minimum requirement if necessary to insure safe and sound operations.

FEDERAL RESERVE SYSTEM. Federal Reserve Board regulations, as presently in effect, require depository institutions to maintain non-interest earning reserves against their transaction accounts (primarily NOW and regular checking accounts), as follows: for transaction accounts aggregating $49.3 million or less, the reserve requirement is 3% of total transaction accounts; and for transaction accounts aggregating in excess of $49.3 million, the reserve requirement is $1.479 million plus 10% of the aggregate amount of total transaction accounts in excess of $49.3 million. The first $4.4 million of otherwise reservable balances are exempted from the reserve requirements. These reserve requirements are subject to annual adjustment by the Federal Reserve Board. The Bank is in compliance with the foregoing requirements. The balances used to meet the reserve requirements imposed by the Federal Reserve Board may be used to satisfy liquidity requirements imposed by the OTS.

IMPACT OF INFLATION AND CHANGING PRICES

The Company's financial statements and notes thereto presented herein have been prepared in accordance with GAAP, which generally require the measurement of financial position and operating results in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of the Company's operations. Unlike industrial companies, nearly all of the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a greater impact on the Company's performance than do the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the price of goods and services.

IMPACT OF NEW ACCOUNTING STANDARDS

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In October 1995, the FASB issued SFAS No. 123 "Accounting for Stock-Based Compensation." SFAS No. 123 is effective for fiscal years beginning after December 15, 1995, the fiscal year beginning October 1, 1996 for the Company. SFAS No. 123 allows for alternative accounting treatment for stock-based compensation which the Company currently reports under Accounting Principles Board (APB) No. 25, "Accounting for Stock Issued to Employees." The Company did not to elect the fair value-based method of expense recognition for stock-based compensation as contemplated by SFAS No. 123, but rather adopted the pro forma disclosure alternative provided in SFAS No. 123, and continue to account for stock-based compensation under APB No. 25.

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

In December 1996, the FASB issued SFAS No. 127 "Deferral of the Effective Date of Certain Provisions of FASB Statement No. 125." This statement delays until 1998 the effective date of certain of the provisions of Statement 125 that deal with securities lending, repurchase dollar repurchase agreements, and for the recording of collateral. The other provisions of Statement 125 are effective for transfers occurring on or after July 1, 1997.

In February 1997, the FASB issued Statement 128, "Earnings Per Share." Statement 128 supersedes APB Opinion No. 15, "Earnings Per Share," and specifies the computation, presentation, and disclosure requirements for earnings per share (EPS) for entities with publicly held common stock or potential common stock. It replaces the presentations of primary EPS with the presentation of basic EPS, and replaces fully diluted EPS with diluted EPS. It also requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures, and requires a reconciliation of the numerator and dominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Statement 128 is effective for financial statements for both interim and annual periods ending after December 15, 1997. Earlier application is not permitted (although pro forma EPS disclosure in the footnotes for periods prior to required adoption is permitted). After adoption, all prior-period EPS data presented shall be restated to conform with Statement 128. The Company does not expect adoption of Statement 128 to have a significant impact on the consolidated financial statements.

In February 1997, the FASB issued Statement 129, "Disclosure of Information about Capital Structure." Statement 129 provides required disclosures for the capital structure of both public and nonpublic companies and is effective for financial statement periods ending after December 15, 1997. The required disclosures had been included in a number of separate statements and opinions. As such, the issuance of Statement 129 is not expected to require significant revision of prior disclosures.

In June 1997, the FASB issued Statement 130, "Reporting Comprehensive Income." Statement 130 establishes standards for reporting and presentation of comprehensive income and its components in a full set of general-purpose financial statements. Statement 130 is effective for both interim and annual periods beginning after December 15, 1997, and is not expected to have a material impact on the consolidated financial statements.

In June 1997, the FASB issued Statement 131. "Disclosures about Segments of an Enterprise and Related Information." Statement 131 establishes standards for the way public business enterprises are to report information about operating segments in annual financial statements and requires those enterprises to report selected information about operating segments in interim financial reports issued to shareholders. Statement 131 is effective for financial periods beginning after December 15, 1997, and is not expected to have a material impact on the Company.

No other new accounting policies were adopted and the application of existing

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policies was not changed during fiscal 1997.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

The OTS requires all regulated thrift institutions to calculate the estimated change in the Bank's net portfolio value (NPV) assuming instantaneous, parallel shifts in the Treasury yield curve of 100 to 400 basis point either up or down in 100 basis point increments. The NPV is defined as the present value of expected cash flows from existing assets less the present value of expected cash flows from existing liabilities plus the present value of net expected cash inflows from existing off-balance sheet contracts.

The OTS provides all institutions that file a schedule entitled the CONSOLIDATED MATURITY/RATE schedule (CMR) as a part of their quarterly Thrift Financial Report with an interest rate sensitivity report of NPV. The OTS simulation model uses a discounted cash flow analysis and an option-based pricing approach to measuring the interest rate sensitivity of NPV. The OTS model estimates the economics value of each type of asset, liability, and off-balance sheet contact under the assumption that the Treasury yield curve shifts instantaneous and parallel up and down 100 to 400 basis points in 100 basis point increments. The OTS allows thrifts under $500 million in total assets to use the results of their interest rate sensitivity model, which is based on information provided by the Bank, to estimate the sensitivity of NPV. Since the Bank had less than $500 million in total assets at September 30, 1997, the results discussed this section were provided by the OTS analysis.

The OTS model utilizes an option-based pricing approach to estimate the sensitivity of mortgage loans. The most significant embedded option in these types of assets is the prepayment option of the borrowers. The OTS model uses various price indications and prepayment assumptions to estimate sensitivity of mortgage loans.

In the OTS model the value of deposit accounts appears on the asset and liability side of the NPV analysis. In estimating the value of certificates of deposit account, the liability portion of the CD is represented by the implied value when comparing the difference between the CD face rate and available wholesale CD rates. On the asset side of the NPV calculation, the value of the "customer relationship" due to the rollover of retail CD deposits represents an intangible asset in the NPV calculation.

Other deposit accounts such as transaction accounts, money market deposit accounts, passbook accounts, and non-interest bearing accounts also are included on the asset and liability side of the NPV calculation in the OTS model. The accounts are valued at 100% of the respective account balances on the liability side. On the assets side of the analysis, the value of the "customer relationship" of the various types of deposit accounts is reflected as a deposit intangible.

The NPV sensitivity of borrowed funds is estimated by the OTS model based on a discounted cash flow approach. The cash flows are assumed to consist of monthly interest payments with principal paid at maturity.

The OTS model is based only on the Bank level balance sheet. The assets and liabilities at the parent company level are short-term in nature, primarily cash and equivalents, and were not considered in the analysis because they would not have a material effect on the analysis of NPV sensitivity. The following table sets forth the Company's interest rate sensitivity of NPV as of September 30, 1997.

<TABLE>
<CAPTION>

	Net Portfolio Value			Net Portfolio Value as a % of Present Value of Assets	
Changes in Rates	$ Amount	$ Change	% Change	NPV Ratio	Change
<C>	<C>	<C>	<C>	<C>	<C>
+ 400 bp	33,176	(32,852)	(50)%	7.07%	- 584 bp
+ 300 bp	43,035	(22,993)	(35)%	8.94%	- 397 bp
+ 200 bp	52,521	(13,506)	(20)%	10.65%	- 226 bp

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+ 100 bp	60,352	(5,676)	(9)%	11.99%	- 92 bp
0 bp	66,028			12.91%	
- 100 bp	68,773	2,745	4 %	13.31%	+ 40 bp
- 200 bp	72,783	6,755	10 %	13.90%	+ 99 bp
- 300 bp	78,026	11,998	18 %	14.68%	+ 177 bp
- 400 bp	84,966	18,938	29 %	15.69%	+ 278 bp

ITEM 8. FINANCIAL STATEMENTS and SUPPLEMENTARY DATA

CONSOLIDATED STATEMENTS of FINANCIAL CONDITION
(Dollars in thousands)
September 30, 1997 and 1996

</TABLE>
<TABLE>
<CAPTION>

ASSETS	1997	1996
<S>	<C>	<C>
Cash and due from banks	$ 436	3,848
Interest-earning deposits	2,314	225
Federal funds sold	100	200
Investment in dollar-denominated mutual funds, at fair value	3,154	3,146
FHLB of Chicago stock, at cost	5,700	5,795
Mortgage-backed securities held to maturity, at amortized cost (approximate fair value of $17,124 and $21,766 at September 30, 1997 and 1996)	16,875	21,673
Investment securities available for sale, at fair value	70,297	78,104
Loans receivable, net of allowance for loan losses of $460 and $810 at September 30, 1997 and 1996	388,262	354,255
Accrued interest receivable	3,445	3,199
Real estate in foreclosure	215	97
Premises and equipment	3,593	3,780
Deposit base intangible	107	158
Other assets	1,136	1,382
	--------	-------
	$ 495,634	475,862
	========	=======
LIABILITIES and STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits	323,443	302,934
Borrowed funds	113,400	115,300
Advance payments by borrowers for taxes and insurance	2,197	1,953
Other liabilities	6,977	6,847
	--------	-------
Total liabilities	446,017	427,034
STOCKHOLDERS' EQUITY		
Preferred stock, $.01 par value; authorized 2,500,000 shares; none outstanding	-	-
Common stock, $.01 par value; authorized 8,000,000 shares; issued 3,782,350 shares; 2,794,978 and 2,866,108 shares outstanding at September 30, 1997 and 1996, respectively	38	38
Additional paid-in capital	37,494	37,079
Retained earnings, substantially restricted	27,939	27,851
Treasury stock, at cost (987,372 and 916,242 shares at September 30, 1997 and 1996, respectively)	(13,855)	(12,619)
Common stock acquired by Employee Stock Ownership Plan	(1,662)	(2,078)
Common stock acquired by Bank Recognition and Retention Plans	(471)	(708)
Unrealized gain (loss) on investment securities available for sale, less applicable taxes	134	(735)

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Total stockholders' equity	49,617	48,828
Commitments and contingencies		
	$495,634	475,862

</TABLE>
See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS of EARNINGS
(Dollars in thousands, except per share data)
Years ended September 30, 1997, 1996, and 1995

<TABLE>
<CAPTION>

	1997	1996	1995
INTEREST INCOME:			
Loans receivable	$ 28,468	23,907	19,329
Investment securities	5,813	5,772	4,240
Mortgage-backed securities	1,387	1,703	2,302
Interest earning deposits	60	60	54
Federal funds sold	19	38	24
Investment in dollar-denominated mutual funds	168	74	220
	35,915	31,554	26,169
INTEREST EXPENSE:			
Deposits	15,929	13,941	10,966
Borrowed funds	5,541	4,188	2,786
	21,470	18,129	13,752
Net interest income before provision for loan losses	14,445	13,425	12,417
Provision for loan losses	64	410	192
Net interest income after provision for loan losses	14,381	13,015	12,225
NON-INTEREST INCOME:			
Gain on sale of investment securities available for sale	-	-	274
Fees and commissions	341	379	398
Insurance and annuity commissions	700	519	519
Other	62	59	38
	1,103	957	1,229
NON-INTEREST EXPENSE:			
General and administrative expenses:			
Salaries and employee benefits	5,366	4,878	4,570
Office occupancy and equipment	1,203	1,208	1,220
Data processing	482	449	407
Advertising and promotions	515	421	476
Federal deposit insurance premiums	325	2,294	564
Other	1,346	1,294	1,118
Total general and administrative expenses	9,237	10,544	8,355
Amortization of intangible	51	61	72
Loss on impairment of investment securities available for sale	2,978	-	-
Recapture of credit enhancement losses	-	(10)	(90)
	12,266	10,595	8,337
Income before income taxes	3,218	3,377	5,117
Income tax expense	2,293	1,235	2,033
NET INCOME	$ 925	2,142	3,084
Earnings per share - primary	$0.33	0.72	0.94
Earnings per share - fully diluted	$0.32	0.72	0.93

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</TABLE>
See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS of CHANGES IN STOCKHOLDERS' EQUITY
(Dollars in thousands)
Years ended September 30, 1997, 1996, and 1995
<TABLE>
<CAPTION>

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

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Common Stock Acquired By ESOP	Common Stock Acquired By BRRP's	Unrealized Gain (Loss) on Investment Securities Available For Sale	Total
Balance at September 30, 1994	$ 38	36,642	23,780	(2,045)	(2,909)	(1,219)	(810)	53,477
Net income	-	-	3,084	-	-	-	-	3,084
Purchase of treasury stock 316,339 shares)	-	-	-	(3,957)	-	-	-	(3,957)
Cash dividends ($.12 per share)	-	-	(415)	-	-	-	-	(415)
Amortization of award of BRRP stock	-	-	-	-	-	256	-	256
Cost of ESOP shares released					415			415
Exercise of stock options and reissuance of treasury shares (2,000 shares)	-	(4)	-	24	-	-	-	20
Tax benefit related to vested BRRP stock	-	26	-	-	-	-	-	26
Tax benefit related to stock options exercised	-	1	-	-	-	-	-	1
Market adjustment for committed ESOP shares	-	130	-	-	-	-	-	130
Change in unrealized loss on investment securities available for sale	-	-	-	-	-	-	755	755
	---	------	-------	------	------	------	-----	------
Balance at September 30, 1995	38	36,795	26,449	(5,978)	(2,494)	(963)	(55)	53,792
Net income	-	-	2,142	-	-	-	-	2,142
Purchase of treasury stock (414,986 shares)	-	-	-	(6,669)	-	-	-	(6,669)
Cash dividends ($.24 per share)	-	-	(740)	-	-	-	-	(740)
Amortization of award of BRRP stock	-	-	-	-	-	255	-	255
Cost of ESOP shares released	-	-	-	-	416	-	-	416
Exercise of stock options and reissuance of treasury shares (2,200 shares)	-	(6)	-	28	-	-	-	22
Tax benefit related to vested BRRP stock	-	51	-	-	-	-	-	51
Tax benefit related to stock options exercised	-	3	-	-	-	-	-	3
Market adjustment for committed ESOP shares	-	236	-	-	-	-	-	236
Change in unrealized loss on investment securities available for sale	-	-	-	-	-	-	(680)	(680)
	---	------	-------	------	------	------	-----	------
Balance at September 30, 1996	38	37,079	27,851	(12,619)	(2,078)	(708)	(735)	48,828
Net income	-	-	925	-	-	-	-	925
Purchase of treasury stock (82,030 shares)	-	-	-	(1,389)	-	-	-	(1,389)
Cash dividends ($.30 per share)	-	-	(837)	-	-	-	-	(837)
Amortization of award of BRRP stock	-	-	-	-	-	237	-	237
Cost of ESOP shares released	-	-	-	-	416	-	-	416
Exercise of stock options and reissuance of treasury shares (10,900 shares)	-	(44)	-	153	-	-	-	109
Tax benefit related to vested BRRP stock	-	78	-	-	-	-	-	78
Tax benefit related to stock								

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options exercised	-	38	-	-	-	-	-	38
Market adjustment for committed ESOP shares	-	343	-	-	-	-	-	343
Change in unrealized gain on investment securities available for sale	-	-	-	-	-	-	869	869
Balance at September 30, 1997	$38	37,494	27,939	(13,855)	(1,662)	(471)	134	49,617

</TABLE>

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS of CASH FLOWS
(Dollars in thousands)

<TABLE>
<CAPTION>

Years ended September 30,	1997	1996	1995
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income	$ 925	2,142	3,084
Adjustment to reconcile net income to net cash provided by operating activities:			
Depreciation	351	385	342
Deferred income taxes	925	(217)	281
Provision for loan losses	64	410	192
Recapture of credit enhancement provision for loss	-	(10)	(90)
Net amortization and accretion of premiums and discounts	(5)	210	698
Amortization of cost of stock benefit plans	237	255	256
Principal payment on ESOP loan	416	416	415
Market adjustment for committed ESOP shares	343	236	130
Deferred loan costs, net of amortization	(485)	(1,144)	(631)
Amortization of deposit base intangible	51	61	72
Federal Home Loan Bank of Chicago stock dividends	-	-	(40)
Loss on impairment of investment securities available for sale	2,978	-	-
Gain on sale of investment securities available for sale	-	-	(274)
Increase in accrued interest receivable	(246)	(289)	(549)
Increase in other assets, net	(175)	(41)	(34)
Increase (decrease)in other liabilities, net	(1,225)	2,609	740
NET CASH PROVIDED by OPERATING ACTIVITIES	4,154	5,023	4,592
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturities of investment securities available for sale	30,000	63,000	22,686
Proceeds from sale of investment securities available for sale	-	-	14,627
Proceeds from redemption of mutual funds	-	40	8,552
Proceeds from redemption of Federal Home Loan Bank of Chicago stock	935	179	-
Proceeds from loan participation sold	-	1,890	-
Proceeds from sale of real estate owned	245	-	161
Purchase of dollar-denominated mutual funds	(8)	(2,959)	(12)
Purchase of Federal Home Loan Bank of Chicago stock	(840)	(2,974)	(691)
Purchase of investment securities available for sale	(28,466)	(65,000)	(59,450)
Loans originated for investment	(97,774)	(139,589)	(77,880)
Purchase of loans receivable	-	-	(3,000)
Purchase of premises and equipment	(164)	(177)	(1,946)
Principal repayments collected on loans receivable	64,261	50,820	31,100
Principal repayments collected on investment securities available for sale	4,717	7,203	9,229
Principal repayments collected on mortgage-backed securities held to maturity	4,781	4,835	3,050
NET CASH USED IN INVESTING ACTIVITIES	(22,313)	(82,732)	(53,574)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in deposits	20,509	26,941	37,931
Net increase (decrease) in borrowed funds	(1,900)	61,268	12,032
Net increase (decrease) in advance payments by borrowers for taxes and insurance	244	(2,955)	3,931
Purchase of treasury stock	(1,389)	(6,669)	(3,957)
Payment of common stock dividends	(837)	(740)	(415)

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Proceeds from exercise of stock options	109	22	20
NET CASH PROVIDED BY FINANCING ACTIVITIES	16,736	77,867	49,542
Net change in cash and cash equivalents	(1,423)	158	560
Cash and cash equivalents at beginning of year	4,273	4,115	3,555
Cash and cash equivalents at end of year	$ 2,850	4,273	4,115
CASH PAID DURING THE YEAR FOR:			
Interest	$ 21,416	17,825	13,674
Income taxes	1,081	1,371	1,543
NON-CASH INVESTING ACTIVITIES - Loans transferred to real estate in foreclosure	359	113	193

</TABLE>

See accompanying notes to consolidated financial statements.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fidelity Bancorp, Inc. (the Company) is a Delaware corporation incorporated on September 7, 1993 for the purpose of becoming the savings and loan holding company for Fidelity Federal Savings Bank (the Bank). On December 15, 1993, the Bank converted from a mutual to a stock form of ownership, and the Company completed its initial public offering and with a portion of the net proceeds acquired all of the issued and outstanding capital stock of the Bank.

The accounting and reporting policies of the Company and its subsidiary conform to generally accepted accounting principles (GAAP) and to general practices within the thrift industry. In order to prepare the Bank's financial statements in conformity with GAAP, management is required to make certain estimates that affect the amounts reported in the financial statements and accompanying notes. These estimates may differ from actual results. The following describes the more significant accounting policies.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Fidelity Federal Savings Bank and the Bank's wholly owned operating subsidiary, Fidelity Corporation. All intercompany accounts and transactions have been eliminated in consolidation.

INVESTMENTS IN MUTUAL FUNDS

Investments in dollar-denominated mutual funds are designated as available for sale and are carried at fair value.

MORTGAGE-BACKED SECURITIES HELD TO MATURITY

Management determines the appropriate classification of securities at the time of purchase. The current mortgage-backed securities portfolio is designated as held to maturity, as management has the ability and positive intent to hold these securities to maturity. These securities are carried at cost, adjusted for premiums and discounts. Amortization of premiums and accretion of discounts is recognized into interest income by the interest method over the remaining contractual lives of the securities.

INVESTMENT SECURITIES

Investment securities which the entity has the positive intent and ability to hold to maturity are classified as "held to maturity" and measured at amortized cost. Investments purchased for the purpose of being sold are classified as trading securities and measured at fair value with any changes in fair value included in earnings. All other investments that are not classified as "held to maturity" or "trading" are classified as "available for sale." Investments available for sale are measured at fair value with any changes in fair value reflected as a separate component of stockholders' equity, net of related tax effects. The Company has does not have any investment securities designated as held to maturity or trading.

For individual securities classified as either available for sale or held-to-maturity, the Company determines whether a decline in fair value below the

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amortized cost basis is other than temporary in nature. If the decline in fair value is judged by management to be other than temporary, the cost basis of the

individual security is written down to fair value as the new cost basis and the amount of the write-down is included in earnings.

LOANS RECEIVABLE

Loans receivable are stated at unpaid principal balances plus deferred loan costs, less loans in process, unearned discounts, and allowances for loan losses.

Loan fees or costs are deferred, net of certain direct costs associated with loan originations. Net deferred fees or costs are amortized as yield adjustments over the contractual life of the loan using the interest method.

On October 1, 1995, the Company adopted Financial Accounting Standards Board Statement No. 114, "Accounting by Creditors for Impairment of a Loan," as amended by Statement No. 118, "Accounting by Creditors for Impairment of a Loan - Income Recognition and Disclosures." Statement No. 114 requires that impaired loans be measured at 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 at the fair value of the collateral if the loan is collateral dependent. Statement No. 118 eliminates the provisions for Statement No. 114 that describe how a creditor should report interest income on an impaired loan and allows a creditor to use existing methods to recognize, measure, and display interest income on an impaired loan.

The allowance for loan losses is increased by charges to operations and decreased by charge-offs, net of recoveries. The allowance for loan losses reflects management's estimate of the reserves needed to cover the risks inherent in the Bank's loan portfolio. In determining a proper level of loss reserves, management periodically evaluates the adequacy of the allowance based on general trends in the real estate market, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and current and prospective economic conditions. The Bank's recent historical trends have resulted in no significant losses on mortgage and consumer loans that are 90 days or greater delinquent and on loans which management believes are uncollectible. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for losses on loans receivable. Such agencies may require the Bank to recognize additions to the allowance for loan losses based on their judgements of information available to them at the time of their examination.

REAL ESTATE IN FORECLOSURE

Real estate acquired through foreclosure or deed in lieu of foreclosure is carried at the lower of fair value or the related loan balance at the date of foreclosure, less estimated costs to dispose. Valuations are periodically performed by management and an allowance for losses is established by a charge to operations if the carrying value of a property subsequently exceeds its estimated net realizable value.

PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of premises and equipment are computed using the straight-line method over the estimated useful life of the respective asset. Useful lives are 25 to 40 years for office buildings, and 3 to 10 years for furniture, fixtures, and equipment. Amortization of leasehold improvements is computed on the straight-line method over the lesser of the

term of the lease or the useful life of the property.

DEPOSIT BASE INTANGIBLE

The deposit base intangible arising from the Bank's branch purchase and assumption of the deposit liabilities is being amortized over 10 years, using the interest method. Accumulated amortization as of September 30, 1997 and 1996 was $405,000 and $354,000, respectively.

EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)

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Compensation expense under the ESOP is equal to the fair value of common shares released or committed to be released annually to participants in the ESOP. Common stock purchased by the ESOP and not committed to be released to participants is included in the consolidated statements of financial condition at cost as a reduction of stockholders' equity.

INCOME TAXES

Deferred income taxes arise from the recognition of certain items of income and expense for tax purposes in years different from those in which they are recognized in the consolidated financial statements. Income tax benefits attributable to vested Bank Recognition and Retention Plans (BRRP) stock and exercised non qualified stock options are credited to additional paid-in-capital.

Deferred income taxes are accounted for under the asset and liability method, whereby deferred income taxes are recognized for the tax consequences of "temporary differences" by applying the applicable tax rate to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date of any such tax law change. A valuation allowance is established on deferred tax assets when, in the opinion of management, the realization of the deferred tax asset does not meet the "more likely than not" criteria.

INSURANCE AND ANNUITY COMMISSIONS

Insurance and annuity commissions are recognized as income as of the date of inception of the related policy and contracts. Income is reduced for commissions applicable to return premiums when the credit is issued to the policyholder.

CASH AND CASH EQUIVALENTS

For purposes of reporting cash flows, cash and cash equivalents include cash and due from banks, interest-bearing deposits, and federal funds sold.

EARNINGS PER SHARE

Earnings per share of common stock for the year ended September 30, 1997 have been determined by dividing net income by 2,813,663 and 2,853,145, the weighted average number of primary and fully diluted shares of common stock and common stock equivalents outstanding, respectively. Earnings per share of common stock for the year ended September 30, 1996 have been determined by dividing net income by 2,984,863 and 2,993,069, the weighted average number of primary and fully diluted shares of common stock and common stock equivalents outstanding, respectively. Earnings per share of common stock for the year ended September 30, 1995 have been determined by dividing net income by

3,281,872 and 3,331,536, the weighted average number of primary and fully diluted shares of common stock and common stock equivalents outstanding, respectively. Stock options are regarded as common stock equivalents and are therefore considered in both the primary and fully diluted earnings per share calculations. Common stock equivalents are computed using the treasury stock method. ESOP shares are only considered outstanding for earnings per share calculations when they are committed to be released.

PENDING ACCOUNTING CHANGES

Statement 128, "Earnings Per Share," supersedes APB Opinion No. 15, "Earnings Per Share," and specifies the computation, presentation, and disclosure requirements for earnings per share (EPS) for entities with publicly held common stock or potential common stock. It replaces the presentations of primary EPS with the presentation of basic EPS, and replaces fully diluted EPS with diluted EPS. It also requires dual presentation of basic and diluted EPS on the face of the income statement for all entities with complex capital structures, and requires a reconciliation of the numerator and dominator of the basic EPS computation to the numerator and denominator of the diluted EPS computation. Statement 128 is effective for financial statements for both interim and annual periods ending after December 15, 1997. Earlier application is not permitted (although pro forma EPS disclosure in the footnotes for periods prior to required adoption is permitted). After adoption, all prior-period EPS data presented shall be restated to conform with Statement 128. The Company does not expect adoption of Statement 128 to have a significant impact

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on the consolidated financial statements.

Statement 129, "Disclosure of Information about Capital Structure," provides required disclosures for the capital structure of both public and nonpublic companies and is effective for financial statement periods ending after December 15, 1997. The required disclosures had been included in a number of separate statements and opinions. As such, the issuance of Statement 129 is not expected to require significant revision of prior disclosures.

Statement 130, "Reporting Comprehensive Income," established standards for reporting and presentation of comprehensive income and its components in a full set of general-purpose financial statement. Statement 130 is effective for both interim and annual periods beginning after December 15, 1997, and is not expected to have a material impact on the consolidated financial statements.

(2) MORTGAGE-BACKED SECURITIES HELD TO MATURITY

Mortgage-backed securities held to maturity are summarized as follows:

<TABLE>
<CAPTION>

	1997				1996			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealizef losses	Fair value
				(in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Federal Home Loan Mortgage Corporation	$ 16,875	249	-	17,124	21,673	93	-	21,766

</TABLE>

There were no sales of mortgage-backed securities held to maturity during the years ended September 30, 1997, 1996 and 1995.

(3) INVESTMENT SECURITIES AVAILABLE FOR SALE

Investment securities available for sale are summarized as follows:

<TABLE>
<CAPTION>

	1997				1996			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
				(in thousands)				
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Government and agency obligations due:								
Within one year	$ 16,000	9	-	16,009	-	-	-	-
After one year to five years	10,000	-	28	9,972	11,000	-	479	10,521
After 5 years to 10 years	38,467	282	43	38,706	55,000	-	549	54,451
	64,467	291	71	64,687	66,000	-	1,028	64,972
Corporate debt securities due:								
After one year to five years	22	-	-	22	3,000	-	30	2,970
After 5 years to 10 years	2,978	-	3	2,975	2,973	-	78	2,895
	3,000	-	3	2,997	5,973	-	108	5,865
Corporate asset-backed securities	2,616	11	14	2,613	7,331	4	68	7,267

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	--------	---	----	-------	-------	----	---	------
	$ 70,083	302	88	70,297	79,304	4	1,204	78,104
	========	===	=====	=======	=======	====	=====	=======

</TABLE>

Proceeds from the sale of investment securities available for sale during 1995 were $14.6 million. There were no sales of investment securities available for sale in 1997 and 1996. Gross realized gains of $409,000 and gross realized losses of $121,000 were recorded in 1995. The fair value of investment securities available for sale is based upon quoted market prices where available. Actual maturities may differ from contractual maturities shown in the table above because the borrowers may have the right to call or prepay obligations with or without prepayment penalties.

During the fourth quarter and year ended September 30, 1997, the Company wrote down a Corporate subordinated debt security in the amount of $2,978,000 by a charge to earnings to record an other than temporary impairment. The new cost basis of the security at September 30, 1997 was $22,000.

(4) LOANS RECEIVABLE

Loans receivable are summarized as follows at September 30:

<TABLE>
<CAPTION>

<S>	1997 <C>	1996 <C>
	(in thousands)	
One-to-four family mortgages	$ 304,950	277,086
Multifamily mortgages	64,450	55,341
Commercial	2,894	5,656
Commercial leases	408	2,032
Consumer loans	14,152	13,585
	---------	--------
Gross loans receivable	386,854	353,700
Less:		
Loans in process	-	(3)
Deferred loan costs	1,899	1,414
Allowance for losses on loans	(460)	(810)
Unearned discount on consumer loans	(31)	(46)
	---------	--------
	$ 388,262	354,255
	=========	========
Weighted average interest rate	7.79%	7.74%
	======	======

</TABLE>

Mortgage loans serviced for others are not included in the accompanying consolidated statements of financial condition. The unpaid principal balances of these loans at September 30, 1997, 1996, and 1995 were approximately $12,524,000, $14,857,000, and $16,528,000, respectively. Custodial balances maintained in connection with the mortgage loans serviced for others were included in deposits at September 30, 1997, 1996, and 1995, and were approximately $233,000, $246,000, and $601,000, respectively. Service fee income for the years ended September 30, 1997, 1996, and 1995 was $60,000, $59,000, and $60,000, respectively.

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

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years ended September 30:

	1997	1996	1995
		(in thousands)	
Balance at beginning of year	$ 810	403	228
Provision for loan losses	64	410	192
Charge-offs:			
Loans receivable	(19)	(34)	(26)
Commercial leases	(406)	-	-
Recoveries	11	31	9
Balance at end of year	$ 460	810	403

Non-accrual loans receivable were as follows:

	Number	Principal Balance in thousands)	Percent of total loans receivable
September 30, 1997:			
Loans receivable	11	$ 1,400	0.36%
Commercial leases, Bennett Funding Group	1	408	0.11%
	12	$ 1,808	0.47%
September 30, 1996:			
Loans receivable	11	1,054	0.30%
Commercial leases, Bennett Funding Group	1	2,032	0.57%
	12	3,086	0.87%
September 30, 1995 - Loans receivable	13	617	0.23%

On October 1, 1995, the Company adopted Statements No. 114 and 118. The Company's non performing loan policies, which address nonaccrual loans and any other loans where the Company may be unable to collect all amounts due according to the contractual terms of the loan, meet the definition set forth for impaired loans in Statement No. 114. At September 30, 1997 and 1996, the recorded investment in loans considered to be impaired under Statement No. 114 was $408,000 and $2.0 million, respectively, which consisted solely of certain commercial equipment leases as more fully discussed below. For statistical and discussion purposes, the leases are considered to be one loan.

From October 1994 through January 1995, the Bank purchased 454 full-payout commercial equipment leases located in various parts of the country with original aggregate outstanding principal balances of $3.0 million. These leases were all originated, serviced, and financially guaranteed by Bennett Funding Group (BFG) of Syracuse, New York. On March 29, 1996, it was reported that BFG was the target of a civil complaint filed by the Securities and Exchange Commission. On that same date, BFG filed a Chapter 11 bankruptcy petition in the Northern District of New York and halted payments on lease agreements.

The Bank thereafter classified all BFG leases as substandard, placed them on non-accrual status, and categorized them as non-performing and impaired. In addition, the Bank established a valuation allowance of $406,000 for these leases.

Normal lease payments had reduced the aggregate outstanding balance of the leases to $2.0 million prior to bankruptcy, leaving the Bank with a claim in that amount. In August 1997, the Bank and the Bennett Bankruptcy Trustee settled this claim. Under the terms of the settlement agreement, the Bank received post-bankruptcy lease receipts totaling $1.1 million, and is entitled to receive repayments on the remaining lease receivables. Repayment of the balance of $408,000 in lease receivables at September 30, 1997 is expected from

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future lease payments. The settlement also ended all outstanding litigation. As a result of the settlement, the Company charged off $406,000 of leases in 1997, against the previously established valuation allowance.

On September 30, 1997 and 1996, the Bank's $408,000 and $2.0 million, respectively, of commercial equipment leases originated by BFG met the criteria for impaired loans. The average recorded investment in impaired loans for the years ended September 30, 1997 and 1996 was $1.8 million and $1.2 million, respectively. The related allowance for impaired loans was $0 and $406,000 at September 30, 1997 and 1996, respectively. For the year ended September 30, 1996, the Company's income recognition for these loans was limited to actual cash received, prior to the BFG bankruptcy filing, which amounted to $88,000. There was no income recorded in 1997.

(5) ACCRUED INTEREST RECEIVABLE

Accrued interest receivable is summarized as follows at September 30:

	1997	1996
	(in thousands)	
Loans receivable	$ 2,071	1,831
Mortgage-backed securities	101	129
Investment securities available for sale	1,378	1,269
Investment in dollar-denominated mutual funds	14	13
Reserve for uncollected interest	(119)	(43)
	$ 3,445	3,199

(6) PREMISES AND EQUIPMENT

Premises and equipment are summarized as follows at September 30:

	1997	1996
	(in thousands)	
Land	$ 803	803
Buildings	3,630	3,513
Leasehold improvements	1,380	1,374
Furniture, fixtures, and equipment	3,034	2,993
	8,847	8,683
Less accumulated depreciation and amortization	5,254	4,903
	$ 3,593	3,780

Depreciation and amortization of premises and equipment for the years ended September 30, 1997, 1996, and 1995 was $351,000, $385,000, and $342,000, respectively.

The Bank is obligated under non-cancelable lease on one of its branches. The lease contains a renewal option and a rent escalation clause. Rent expense under these leases for the years ended September 30, 1997, 1996, and 1995 approximated $145,000, $148,000, and $130,000, respectively.

The projected minimum rentals under existing leases as of September 30, 1997 are as follows:

Year ended September 30,	Amount
1998	$ 92,000
1999	97,000

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2000	99,000
2001	99,000
2002	99,000
Thereafter	649,000
Total	$ 1,135,000

</TABLE>

(7) DEPOSITS

Deposits are summarized as follows at September 30:
<TABLE>
<CAPTION>

	1997			1996		
	Stated or Weighted Average Rate	Amount	Percent of total deposits	Stated or Weighted Average Rate	Amount	Percent of total deposits
	(Dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	
<C>						
Passbook accounts	3.83%	$100,588	31.0%	3.35	86,077	28.4%
NOW accounts	2.18	17,967	5.6	2.17	18,067	6.0
Money market and management accounts	4.21	17,634	5.5	4.16	19,192	6.3
		136,189	42.1		123,336	40.7
Certificate accounts:						
91-day certificates	5.23	3,820	1.2	4.80	572	0.2
6-month certificates	5.52	15,631	4.7	5.00	12,287	4.1
7-month certificates	5.35	4,615	1.4	5.83	39,411	13.0
8-month certificates	5.65	12,221	3.8	5.15	5,191	1.7
10-month certificates	5.99	30,926	9.6	5.34	5,277	1.7
12-month certificates	5.94	43,244	13.4	5.35	11,789	3.9
13-month certificates	6.04	18,159	5.6	5.93	19,760	6.5
15-month certificates	5.85	15,081	4.7	5.91	31,806	10.6
24-month certificates	5.72	11,506	3.6	6.38	22,515	7.4
36-month certificates	6.10	7,904	2.4	5.64	7,924	2.6
36-month rising rate certificates	6.55	14,161	4.4	5.94	12,467	4.1
60-month certificates	5.82	9,681	3.0	5.78	10,399	3.4
Other certificates	6.04	305	0.1	5.65	200	0.1
		187,254	57.9		179,598	59.3
	4.89%	$323,443	100.0%	4.75	302,934	100.0%

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

The contractual maturities of certificate accounts are as follows at September 30:
<TABLE>
<CAPTION>

	1997		1996	
	Amount (in thousands)	Percent	Amount (in thousands)	Percent
<S>	<C>	<C>	<C>	<C>
Under 12 months	$ 161,308	86.1%	134,661	75.0
12 to 36 months	22,949	12.3	40,962	22.8
Over 36 months	2,997	1.6	3,975	2.2

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	$ 187,254	100.0%	179,598	100.0
	=========	=====	=======	=====

</TABLE>

The aggregate amount of certificate accounts with a balance of $100,000 or greater at September 30, 1997 and 1996 was approximately $25,399,000 and $20,288,000, respectively.

Interest expense on deposit accounts is summarized as follows for the years ended September 30:

<TABLE>
<CAPTION>

	1997	1996	1995
	(in thousands)		
NOW accounts	$ 304	329	345
Money market and management accounts	773	841	388
Passbook accounts	3,402	2,673	2,618
Certificate accounts	11,450	10,098	7,615
	------	------	------
	$ 15,929	13,941	10,966
	======	======	======

</TABLE>

(8) BORROWED FUNDS

Borrowed funds are summarized as follows at September 30:

<TABLE>
<CAPTION>

	Interest rate 1997	Interest rate 1996	Amount 1997	Amount 1996
			(in thousands)	
Secured advances from the FHLB of Chicago:				
Fixed rate advances due:				
January 5, 1998	5.29%	5.29	$24,000	24,000
August 16, 1998	6.04	6.04	14,000	14,000
February 21, 2000, callable February 21, 1998	5.48	-	25,000	-
August 8, 2000, callable August 8, 1998	5.60	-	20,000	-
Open line advance, due on demand	variable		30,400	77,300
	----	-----	-------	-------
			$ 113,400	115,300
			=======	=======

Weighted average rate	5.80%	6.00
	======	=====

</TABLE>

The Bank has adopted a collateral pledge agreement whereby the Bank has agreed to keep on hand at all times, free of all other pledges, liens, and encumbrances, first mortgages with unpaid principal balances aggregating no less than 167% of the outstanding secured advances from the Federal Home Loan Bank of Chicago (the FHLB-Chicago). All stock in the FHLB-Chicago is pledged as additional collateral for these advances.

(9) REGULATORY MATTERS

The Bank is subject to regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary actions by regulators that, if undertaken, could have a material impact on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the entity's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting purposes. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

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Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets and of tangible capital to average assets. As of September 30, 1997, the Company and Bank met the capital adequacy requirements to which they are subject.

The most recent notification, May 1997, from the federal banking agencies categorized the Company and the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company and the Bank must maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that have changed the Company's or the Bank's category.

The Company's and the Banks actual capital amounts and ratios as September 30, 1997 are as follows:

<TABLE>
<CAPTION>

	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(dollars in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	
<C>						
As of September 30, 1997:						
Total capital (to risk weighted assets):						
Consolidated	$49,617	21.04%	n/a	n/a	n/a	n/a
Fidelity Federal Savings Bank	43,772	18.81	18,614	8.00	23,268	10.00
Tier 1 capital (to risk weighted assets):						
Consolidated	48,117	20.41	n/a	n/a	n/a	n/a
Fidelity Federal Savings Bank	42,272	18.17	n/a	n/a	13,961	6.00
Tier 1 capital (to adjusted assets):						
Consolidated	48,117	9.73	n/a	n/a	n/a	n/a
Fidelity Federal Savings Bank	42,272	8.95	14,755	3.00	24,591	5.00
Tangible capital						
Consolidated	48,117	9.73	n/a	n/a	n/a	n/a
Fidelity Federal Savings Bank	42,272	8.95	7,378	1.50	n/a	n/a

</TABLE>

(10) INCOME TAXES

Income tax expense is summarized as follows for the years ended September 30:

<TABLE>
<CAPTION>

	1997	1996	1995

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(in thousands)

<S>	<C>	<C>	<C>
Current:			
Federal	$ 1,282	1,425	1,515
State	86	27	237
Total current	1,368	1,452	1,752
Deferred:			
Federal	754	(177)	229
State	171	(40)	52
Total deferred	925	(217)	281
	$ 2,293	1,235	2,033

</TABLE>

The reasons for the difference between the effective tax rate and the corporate Federal income tax rate of 34% are detailed as shown below for the years ended September 30:

<TABLE>
<CAPTION>

<S>	1997 <C>	1996 <C>	1995 <C>
Federal income tax rate	34.0%	34.0	34.0
State income taxes, net of federal benefit	1.1	-	3.7
Decline in value of investment security	35.8	-	-
Other	0.3	2.6	2.0
Effective income tax rate	71.2%	36.6	39.7

</TABLE>

Retained earnings at September 30, 1997 includes $4.6 million of "base-year" tax bad debt reserves for which no provision for federal or state income taxes has been made. If in the future this amount, or a portion thereof, is used for certain purposes, then a federal and state tax liability will be imposed on the amount so used at the then current corporate income tax rates.

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below at September 30:

<TABLE>
<CAPTION>

<S>	1997 (in thousands) <C>	1996 <C>
Deferred tax assets:		
Deferred compensation	$ 12	8
Allowance for loan losses	178	315
Unrealized loss on investment securities available for sale	-	465
Accrual for SAIF special assessment	-	629
Decline in value of investment security	1,153	-
Retirement and pension plans	182	-
Other	-	109
	1,525	1,526
Less valuation allowance	(1,153)	-
Deferred tax assets	372	1,526
Deferred tax liabilities:		
Deferred loan fees and costs	(1,419)	(1,151)
FHLB stock, due to stock dividends	(101)	(149)
Property and equipment, due to depreciation	(106)	(89)

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Tax bad debt reserves	(852)	(808)
Tax basis in partnership less than book	(177)	(170)
Pension plan	-	(29)
Unrealized gain on investment securities available for sale	(79)	-
Other	(58)	(81)
Deferred tax liabilities	(2,792)	(2,477)
Net deferred tax liability	$(2,420)	(951)

</TABLE>

The valuation allowance for deferred tax assets was $1,153,000 as of September 30, 1997. The valuation allowance relates to the decline in value of an investment security that when incurred for tax purposes, will generate a capital loss. As capital losses can only be utilized to offset capital gains, there is uncertainty as to the realization of this deferred tax asset.

(11) PENSION PLAN

The Bank has a noncontributory defined benefit pension plan which covers substantially all full-time employees who are 21 years of age and older and have been employed for a minimum of one year. Pension costs are accrued and funded as computed by the consulting actuary, using the entry age normal actuarial cost method. Total pension expense for the years ended September 30, 1997, 1996, and 1995 was approximately $123,000, $111,000, and $93,000, respectively.

Accumulated benefit obligation, projected benefit obligation, accrued pension liability, and net periodic pension cost, as estimated by the consulting actuary, and plan net assets as of August 31, the date of the latest actuarial valuation, are as follows:

<TABLE>
<CAPTION>

<S>	<C> 1997	<C> 1996
	(in thousands)	
Actuarial present value of accumulated benefit obligation, including vested benefits of $768 and $744 in 1997 and 1996, respectively	$ 811	782
Actuarial present value of projected benefit obligation	$(1,486)	(1,378)
Plan assets at fair value	1,193	1,086
Plan assets less than projected benefit obligation	(293)	(292)
Unrecognized net gain (loss)from past experience different from that assumed, and effects of changes in assumptions	(62)	69
Unrecognized transition obligation, being recognized over 17 years	(61)	(68)
Net accrued pension cost	$ (416)	(291)

</TABLE>

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Net pension costs include the following components for the years ended September 30:

	1997	1996	1995
	(in thousands)		
Service cost - benefits earned during the period	$ 128	110	89
Interest cost on projected benefit obligation	98	87	77
Actuarial return on plan assets	(258)	(116)	(107)
Net gain on assets	165	-	-
Net amortization and deferral	(10)	30	34
Net periodic pension cost	$ 123	111	93

The discount rate used in determining the actuarial present value of the projected benefit obligation at the beginning of the year to determine the net periodic pension cost and at the end of the year for the present value of the benefit obligations during 1997, 1996, and 1995 was 7.25%. The expected long-term rate of return on assets was 8.00% during 1997, 1996, and 1995. The rate of increase in future compensation was 6.00% in 1997, 1996, and 1995.

The Bank sponsors the Fidelity Federal Savings Bank Supplemental Retirement Plan. The Supplemental Retirement Plan is intended to provide retirement benefits and preretirement death and disability benefits for certain officers of the Bank. The expense for the years ended September 30, 1997, 1996, and 1995 was approximately $67,000, $121,000, and $96,000, respectively.

(12) OFFICER, DIRECTOR, AND EMPLOYEE BENEFIT PLANS

EMPLOYEE STOCK OWNERSHIP PLAN (ESOP) In conjunction with the Bank's conversion, the Bank formed an ESOP. The ESOP covers substantially all full-time employees over the age of 21 and with more than one year of employment. The ESOP borrowed $2.9 million from the Company and purchased 290,950 common shares of the Company issued in the conversion. The Bank has committed to make discretionary contributions to the ESOP sufficient to service the requirements of the loan over a period not to exceed seven years. Expense related to the ESOP was $600,000, $651,000, and $545,000 for the years ended September 30, 1997, 1996, and 1995, respectively.

On October 1, 1994, the Company adopted the provisions of Statement of Position 93-6, (SOP 93-6), "Employers' Accounting for Employee Stock Ownership Plans," issued by the American Institute of Certified Public Accountants. SOP 93-6 requires the Company to consider outstanding only those shares of the ESOP that are committed to be released when calculating both primary and fully diluted earnings per share. SOP 93-6 also requires the Company to record the difference between the fair value of the shares committed to be released and the cost of those shares to the ESOP as a charge to additional paid-in-capital, with the corresponding increase or decrease to compensation expense. SOP 93-6 had the effect of increasing additional paid-in-capital and compensation expense by $343,000, $236,000, and $130,000 in 1997, 1996, and 1995, respectively.

STOCK OPTION PLANS In conjunction with the conversion, the Company and its stockholders adopted an incentive stock option plan for the benefit of employees of the Company and a directors' stock option plan for the benefit of

outside directors of the Company. The number of shares of common stock authorized under the employees' and directors' plans is 363,687, equal to 10% of the total number of shares issued in the Company's initial stock offering. The exercise price must be at least 100% of the fair market value of the common stock on the date of grant, and the option term cannot exceed 10 years.

Under the employees' plan, options granted become exercisable at a rate of 20% per year commencing one year from the date of the grant. There were 151,328 option grants exercisable at September 30, 1997 for the employees' plan. Options issued to outside directors of the Company are immediately exercisable.

As of September 30, 1997, the Company adopted the disclosure provisions of Financial Accounting Standards Board Statement No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). The per share weighted-average fair value

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of stock options granted during 1997 and 1996 was $11.71 and $4.10, respectively on the date of grant using the Black Scholes options pricing model with the following weighted-average assumptions as of September 30, 1997 and 1996: an expected dividend yield of 1.3% and 1.9%, respectively, expected volatility of 25.28% and 15.73%, respectively, risk-free interest rate of 6.00% and 6.50% and an expected life of 4.8 years in 1997 and 1996.

Under SFAS No. 123, the Company is required to disclose pro forma net income and earnings per share both for 1997 and 1996 as if compensation expense relative to the fair value of options granted had been included in earnings. Had the Company determined compensation cost based on the fair value at the grant date for its stock options under SFAS No. 123, the Company's net income would have been reduced to the pro forma amounts indicated below:

	1997	1996
Net Income:		
As reported	$ 925	2,142
Pro forma	906	2,134
Earnings per share:		
Primary:		
As reported	0.33	0.72
Pro forma	0.32	0.71
Fully diluted:		
As reported	0.32	0.72
Pro forma	0.32	0.71

A summary of the status of the Company's stock option transactions under the Plan for the years ended September 30, 1997, 1996 and 1995 is presented below:

	Employees' Plan		Directors' Plan	
	Amount	Exercise Price	Amount	Exercise
Options outstanding at September 30, 1994	258,212	10.01	66,410	10.00
Options granted	1,500	10.25	-	-
Options forfeited	(3,000)	10.00	(11,621)	10.00
Options exercised	-	-	(2,000)	10.00
Options outstanding at September 30, 1995	256,712	10.01	52,789	10.00
Options granted	3,000	15.31	-	-
Options exercised	-	-	(2,200)	10.00
Options outstanding at September 30, 1996	259,712	$ 10.07	50,589	$ 10.00
Options granted	1,500	17.00	-	-
Options forfeited	(10,620)	10.00	-	-
Options exercised	(5,400)	10.03	(5,500)	10.00
Options outstanding at September 30, 1997	245,192	$ 10.12	45,089	$ 10.00

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</TABLE>

BANK RECOGNITION AND RETENTION PLANS ("BRRPs") In conjunction with the Bank's conversion, the Bank formed two BRRPs, which were authorized to acquire 4.0%, or 145,475 shares, of the common stock issued in the conversion. The shares were purchased by the Bank from the authorized but unissued shares of common stock at a price of $10 per share. The $1.5 million contribution to the BRRPs is being amortized to compensation expense as the Bank's employees and directors become vested in those shares. At September 30, 1997, 16,431 plan shares had not yet been awarded. The aggregate purchase price of all shares owned by the BRRPs is reflected as a reduction of stockholders' equity and, to the extent shares have been awarded, is shown as amortized expense as the Bank's employees and directors become vested in their stock awards. For the years ended September 30, 1997, 1996, and 1995, 26,206, 25,304, and 25,104 shares, respectively, were vested and distributed to employees. For the years ended September 30, 1997, 1996, and 1995, $237,000, $255,000, and $256,000, respectively, was reflected as compensation expense.

(13) Commitments and Contingencies

The Bank is a party to financial instruments with off-balance sheet risk in the normal course of its business. These instruments include commitments to originate loans and letters of credit. The instruments involve credit and interest rate risk in excess of the amount recognized in the consolidated statements of financial condition. The Bank evaluates each customer's creditworthiness on a case-by-case basis.

Commitments to originate mortgage loans at September 30, 1997 and 1996 of $6.3 million and $7.4 million, respectively, represented amounts which the Bank plans to fund within the normal commitment period of 60 to 90 days. Of the commitments to originate loans at September 30, 1997, $185,000 represented commitments for fixed rate loans with interest rates ranging from 7.375% to 8.250%.

The estimated fair value of these commitments approximates the commitment amount. Because the creditworthiness of each customer is reviewed prior to the extension of the commitment, the Bank adequately controls the credit risk on these commitments, as it does for loans recorded on the consolidated statements of financial condition. The Bank conducts substantially all of its lending activities in the Chicagoland area in which it serves. Management believes the Bank has a diversified loan portfolio and the concentration of lending activities in these local communities does not result in an acute dependence upon the economic conditions of the lending region.

The Company is involved in various litigation arising in the normal course of business. In the opinion of management, based on the advice of legal counsel, liabilities arising from such claims, if any, would not have a material effect on the Company's financial statements.

(14) Fair Value Disclosures

Fair value disclosures are required under Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments." Such fair value disclosures are made at a specific point in time, based upon relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a portion of the Company's financial instruments, fair value estimates are based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

Fair value estimates are based on existing on- and off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. The tax ramifications related to the realization of the

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unrealized gains and losses have a significant effect on the fair value estimates and have not been considered in any estimates.

Reasonable comparability of fair values among financial institutions is not practical due to the variety of assumptions and valuation methods used in calculating the estimates.

CASH AND DUE FROM BANKS, INTEREST-EARNING DEPOSITS, FEDERAL FUNDS SOLD, AND
INVESTMENT IN DOLLAR-DENOMINATED MUTUAL FUNDS For these short-term instruments, the carrying value is a reasonable estimate of fair value.

INVESTMENT SECURITIES The fair value of investment securities, which includes investment securities, mortgage-backed securities, and FHLB of Chicago stock, is the quoted market price, if available, or the quoted market price for similar securities. FHLB of Chicago stock is recorded at redemption value, which is equal to cost.

LOANS RECEIVABLE Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type, such as one-to-four family, multi-family, commercial, and consumer. For variable rate loans that reprice frequently and for which there has been no significant change in credit risk, fair values equal carrying values. The fair values for fixed-rate loans were based on estimates using discounted cash flow analyses and current interest rates being offered for loans with similar terms to borrowers of similar credit quality.

ACCRUED INTEREST RECEIVABLE AND PAYABLE The carrying value of accrued interest receivable and payable approximates fair value due to the relatively short period of time between accrual and expected realization.

DEPOSITS The fair values for demand deposits with no stated maturity are equal to the amount payable on demand as of September 30, 1997 and 1996, respectively. The fair value for fixed-rate certificate accounts is based on the discounted value of contractual cash flows using the interest rates currently being offered for certificates of similar maturities as of September 30, 1997 and 1996, respectively.

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

The estimated fair value of the Company's financial instruments at September 30, 1997 and 1996 are as follows:

<TABLE>
<CAPTION>

	1997		1996	
	Net carrying amount	Estimated fair value	Net carrying amount	Estimated fair value
		(in thousands)		
<S>	<C>	<C>	<C>	<C>
FINANCIAL ASSETS:				
Cash and due from banks	$ 436	436	3,848	3,848
Interest-earning deposits	2,314	2,314	225	225
Federal funds sold	100	100	200	200
Investment in dollar-denominated mutual funds	3,154	3,154	3,146	3,146
Investment securities	92,658	93,121	106,772	105,665
Loans receivable	388,722	391,217	355,082	355,122
Accrued interest receivable	3,445	3,445	3,199	3,199
	-------	-------	-------	-------
Total financial assets	$ 490,829	493,787	472,472	471,405
=======	=======	=======	=======	
FINANCIAL LIABILITIES:				
Noninterest-bearing deposits	4,766	4,766	4,596	4,596
NOW, money market and management, and passbook accounts	131,423	131,423	118,740	118,740
Certificate accounts	187,254	187,371	179,598	179,598
Borrowed funds	113,400	113,400	115,300	115,300
Accrued interest payable	229	229	752	752

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Total financial liabilities	$ 437,072	437,189	418,986	418,986

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/TABLE

(15) SHAREHOLDERS' RIGHTS PLAN

On February 18, 1997, the Company's Board of Directors adopted a shareholders' rights plan (the "Rights Plan"). Under the terms of the Rights Plan, the Board of Directors declared a dividend of one preferred share purchase right for each outstanding share of common stock. Upon becoming exercisable, each right entitles the registered holder thereof, under certain limited circumstances, to purchase one one-thousandth of a share of Series A Junior Participating Preferred Stock at an exercise price of $60.00. Rights do not become exercisable until eleven business days after any person or group has acquired, commenced, or announced its intention to commence a tender or exchange offer to acquire 15% or more of the Company's common stock, or in the event a person or group owning 10% or more of the Company's common stock is deemed to be "adverse" to the Company. If the rights become exercisable, holders of each right, other than the acquiror, upon payment of the exercise price, will have the right to purchase the Company's common stock (in lieu of preferred shares) having a value equal to two times the exercise price. If the Company is acquired in a merger, share exchange or other business combination of 50% or more of its consolidated assets or earning power are sold, rights holders, other than the acquiring or adverse person or group, will be entitled to purchase the acquiror's shares at a similar discount. If the rights become exercisable, the Company may also exchange rights, other than those held by the acquiring or adverse person or group, in whole or in part, at an exchange ratio of one share of the Company's common stock per right held. Rights are redeemable by the Company at any time until they are exercisable at the exchange rate of $.01 per right. Issuance of the rights has no immediate dilutive effect, does not currently affect reported earnings per share, is not taxable to the Company or its shareholders, and will not change the way in which the Company's shares are traded. The rights expire in ten years.

(16) CONDENSED PARENT COMPANY ONLY FINANCIAL INFORMATION

The following condensed statements of financial condition, as of September 30, 1996 and 1995 and condensed statements of earnings and cash flows for the years ended September 30, 1996 and 1995 and the period from December 15, 1993 (date of commencement of operations) to September 30, 1994 for Fidelity Bancorp, Inc. should be read in conjunction with the consolidated financial statements and

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the notes thereto.
<TABLE>
<CAPTION>

STATEMENT OF FINANCIAL CONDITION

<S>	September 30, 1997 <C>	1996 (in thousands) <C>
ASSETS		
Cash and cash equivalents	$ 3,350	1,708
Investment in dollar-denominated mutual funds	154	146
Investment securities available for sale	1,104	5,642
Equity investment in the Bank	45,765	42,917
Other assets	1,654	2,242
	$ 52,027	52,655
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Accrued taxes and other liabilities	417	346
STOCKHOLDERS' EQUITY:		
Common stock	38	38
Additional paid-in capital	37,494	37,079
Retained earnings	27,939	27,851
Treasury stock	(13,855)	(12,619)
Unrealized loss on investment securities available for sale	(6)	(40)
Total Stockholders' equity	51,610	52,309
	$ 52,027	52,655

</TABLE>
<TABLE>
<CAPTION>

STATEMENTS OF EARNINGS

<S>	Year ended September 30, 1997 <C>	1996 (in thousands) <C>	1995 <C>
Equity in earnings of the Bank	$ 3,818	1,992	2,807
Interest income	530	651	843
Loss on impairment of investment securities	(2,978)	-	-
Non-interest expense	(344)	(387)	(420)
Income before income taxes	1,026	2,256	3,230
Income tax expense	101	114	146
Net income	$ 925	2,142	3,084

</TABLE>

<TABLE>
<CAPTION>

STATEMENTS OF CASH FLOWS

<S>	Year ended September 30, 1997 <C>	1996 (in thousands) <C>	1995 <C>
OPERATING ACTIVITIES:			
Net income	$ 925	2,142	3,084
Equity in undistributed earnings of the Bank	(3,818)	(1,992)	(2,807)
Dividends received from the Bank	1,391	4,282	-
Net amortization and accretion of premiums and discounts	-	1	1
Loss on impairment of investment securities	2,978	-	-
Decrease (increase) in other assets	589	46	(1)
Increase (decrease) in accrued taxes and other liabilities	(330)	60	30
Net cash provided by operating activities	1,735	4,539	307

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INVESTING ACTIVITIES:			
Principal repayments collected on investment securities	1,616	2,703	3,899
Purchase of mutual funds	(8)	(9)	(12)
Redemption of mutual funds	-	40	1,000
Principal payment received on ESOP loan	416	416	415
Net cash provided by investing activities	2,024	3,150	5,302
FINANCING ACTIVITIES:			
Purchase of treasury stock	(1,389)	(6,669)	(3,957)
Payment of common stock dividends	(837)	(740)	(415)
Proceeds from exercise of stock options	109	22	20
Net cash used in financing activities	(2,117)	(7,387)	(4,352)
Net increase in cash and cash equivalents	1,642	302	1,257
Cash and cash equivalents at beginning of year	1,708	1,406	149
Cash and cash equivalents at end of year	$ 3,350	1,708	1,406

/TABLE

(17) QUARTERLY RESULTS OF OPERATIONS (unaudited)

The following table sets forth certain unaudited income and expense and per share data on a quarterly basis for the three-month period indicated:

<TABLE>
<CAPTION>

	Year ended September 30, 1997				Year ended September 30, 1996			
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr
	(in thousands, except per share data)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest income	$ 8,902	8,944	8,984	9,085	7,407	7,493	8,053	8,601
Interest expense	5,346	5,229	5,386	5,509	4,228	4,197	4,649	5,055
Net interest income before provision for loan losses	3,556	3,715	3,598	3,576	3,179	3,296	3,404	3,546
Provision for loan losses	39	-	15	10	-	80	10	320
Net interest income after provision for loan losses	3,517	3,715	3,583	3,566	3,179	3,216	3,394	3,226
Other income	225	295	294	289	237	276	210	234
Non-interest expense (1)	2,390	2,395	2,299	5,182 (2)	2,219	2,211	2,239	3,926
Income before income tax expense (benefit)	1,352	1,615	1,578	(1,327)	1,197	1,281	1,365	(466)
Income tax expense (benefit)	518	618	546	611	465	497	530	(257)
Net income (loss)	$ 834	997	1,032	(1,938)	732	784	835	(209)
Earnings (loss) per share	$ 0.30	0.36	0.37	(0.70)	0.23	0.26	0.28	(0.07)
Cash dividends declared per share	$ 0.06	0.08	0.08	0.08	0.06	0.06	0.06	0.06

</TABLE>

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(1) Fourth quarter 1996 non-interest expense includes a one-time special assessment charge resulting from legislation passed on September 30, 1996, regarding the Savings Association Insurance Fund (SAIF). To cover the special assessment called for by the legislation, the Bank recorded a pre tax charge of $1.6 million.

(2) Fourth quarter 1997 non-interest expense includes the effect of an other than temporary impairment loss on investment securities in the amount of $2,978,000. No tax benefit was provided for this loss.

Independent Auditor's Report

The Board of Directors
Fidelity Bancorp, Inc.
Chicago, Illinois:

We have audited the accompanying consolidated statements of financial condition of Fidelity Bancorp, Inc. (the Company) and subsidiary as of September 30, 1997 and 1996, and the related consolidated statements of earnings, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended September 30, 1997. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the 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 Fidelity Bancorp, Inc. and subsidiary as of September 30, 1997 and 1996, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 1997, in conformity with generally accepted accounting principles.

KPMG PEAT MARWICK LLP

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Chicago, Illinois
December 4, 1997

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

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information relating to Directors and Executive Officers will appear in the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on January 28, 1998 and is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information relating to executive compensation will appear in the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held on January 28, 1998 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information relating to security ownership of certain beneficial owners and management is will appear in the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held of on January 28, 1998 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information relating to certain relationships and related transactions will appear on pages 10, 11, and 12 of the Registrant's Proxy Statement for the Annual Meeting of Stockholders to be held of on January 28, 1998 and is incorporated herein by reference.

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PART IV

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

The following documents are filed as part of this report:

(a) EXHIBITS (required by the SEC Regulation SK-8)

Exhibit No.

- 3.1 Restated Certificate of Incorporation of Fidelity Bancorp, Inc.*
- 3.2 Bylaws of Fidelity Bancorp, Inc.
- 4.0 Stock Certificate of Fidelity Bancorp, Inc.*
- 10.1 Employment Agreements between the Bank and Executive and Employee Agreement between the Company and Executive *
- 10.2 Special Termination Agreement between the Bank and Executive and Special Termination Agreement between the Company and Executive *
- 10.6 Employee Stock Ownership Plan and Trust ***
- 10.8 Recognition and Retention Plan and Trust *
- 10.9 Incentive Stock Option Plan **
- 10.10 Stock Option Plan for Outside Directors **
- 21.0 Subsidiary information is incorporated herein by reference to "Part II - Subsidiaries"
- 99.1 Proxy Statement and form of proxy for the 1998 Annual Meeting of Stockholders (except such portions incorporated by reference into this Form 10-K, the proxy materials shall not be deemed to be "filed" with the Commission).

(b) REPORTS on FORM 8-K

None.

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* Incorporated herein by reference into this document from the exhibits to Form S-1, Registration Statement as amended, originally filed on October 28, 1993, Registration No. 33-68670.

** Incorporated herein by reference into this document from the exhibits to Form S-8, Registration Statement, filed on April 20, 1994, Registration No. 33-78000.

*** Incorporated herein by reference into this document from the exhibits to Form 10-K, filed on December 9, 1994.

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, thereunto duly authorized.

FIDELITY BANCORP, INC.

By: /s/ Raymond S. Stolarczyk

Raymond S. Stolarczyk
Chairman of the Board and
Chief Executive Officer

Date: December 11, 1997

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

Name	Title	Date
/s/ Raymond S. Stolarczyk ------------------------- Raymond S. Stolarczyk	Chairman and Chief Executive Officer	December 11, 1997

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Signature	Title	Date
/s/ Thomas E. Bentel ------------------------- Thomas E. Bentel	President and Chief Operating Officer	December 11, 1997
s/ James R. Kinney ------------------------- James R. Kinney	Senior Vice President and Chief Financial Officer	December 11, 1997
/s/ Judith K. Leaf ------------------------- Judith K. Leaf	Corporate Secretary	December 11, 1997
/s/ Paul J. Bielat ------------------------- Paul J. Bielat	Director	December 11, 1997
/s/ Patrick J. Flynn ------------------------- Patrick J. Flynn	Director	December 11, 1997
/s/ Raymond J. Horvat ------------------------- Raymond J. Horvat	Director	December 11, 1997
/s/ Bonnie J. Stolarczyk ------------------------- Bonnie J. Stolarczyk	Director	December 11, 1997

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