

SECURITIES AND EXCHANGE COMMISSION

FORM S-1/A

General form of registration statement for all companies including face-amount certificate companies [amend]

Filing Date: **1998-01-05**
SEC Accession No. **0001047469-98-000116**

([HTML Version](#) on secdatabase.com)

FILER

EFC BANCORP INC

CIK: **1047947** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **S-1/A** | Act: **33** | File No.: **333-38637** | Film No.: **98501101**
SIC: **6036** Savings institutions, not federally chartered

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ELGIN IL 60123
8477413900

please check the following box. / /

CALCULATION OF REGISTRATION FEE

<TABLE>
<CAPTION>

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (2)	AMOUNT OF REGISTRATION FEE
<S> Common Stock \$.01 par value(1)	<C> 7,491,434 Shares	<C> \$10.00	<C> \$74,914,340	<C> \$720(3)
Participation Interests	-- (4)	--	\$ 1,962,093	(5)

</TABLE>

(1) Includes shares of Common Stock to be issued to the Elgin Financial Foundation, a private foundation.

(2) Estimated solely for the purpose of calculating the registration fee.

(3) Registration fee of \$21,380 previously paid with Form S-1 filed on October 24, 1997.

(4) In addition, pursuant to Rule 416(c) under the Securities Act, this Registration Statement also covers an indeterminate amount of interests to be offered or sold pursuant to the employee benefit plan described herein.

(5) The securities of EFC Bancorp, Inc. to be purchased by Elgin Financial Center, S.B. 401(k) Savings Plan are included in the amount shown for Common Stock. Accordingly, no separate fee is required for the participation interests. In accordance with Rule 457(h) of the Securities Act, as amended, the registration fee has been calculated on the basis of the number of shares of Common Stock that may be purchased with the current assets of such Plan.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SECTION 8(A), MAY DETERMINE.

[To be used in connection with sales to Participants in the Elgin Financial Center S.B. 401(k) Employee Benefit Plan]

PROSPECTUS SUPPLEMENT

EFC BANCORP, INC.

ELGIN FINANCIAL CENTER, S.B.
Participation Interests
ELGIN FINANCIAL CENTER, S.B.
401(k) EMPLOYEE BENEFIT PLAN

This Prospectus Supplement relates to the offer and sale to participants (the "Participants") in the Elgin Financial Center, S.B. 401(k) Employee Benefit Plan (the "Plan") of participation interests and shares of common stock, par value \$.01 per share of EFC Bancorp, Inc. (the "Common Stock"), as set forth herein.

In connection with the proposed conversion of Elgin Financial Center, S.B. (the "Bank") from a mutual savings bank to a stock savings bank (the "Conversion"), the Plan has been amended and restated to permit the investment of Plan assets in Common Stock of EFC Bancorp, Inc. (the "Holding Company"). The amended and restated Plan permits Participants to direct the trustee of the Plan (the "Trustee") to invest in Common Stock with amounts in the Plan attributable to such Participants. Such investments in Common Stock would be made by means of the EFC Bancorp, Inc. Stock Fund (the "Employer

Stock Fund"). Based upon the value of the Plan assets at July 31, 1997, 196,209 shares of Common Stock could be purchased with Plan assets (assuming a purchase price of \$10.00 per share). This Prospectus Supplement relates to the initial election of Participants to direct that all or a portion of their accounts be invested in the Employer Stock Fund in connection with the Conversion and also to elections by Participants to direct that all or a portion of their accounts be invested in the Employer Stock Fund after the Conversion.

The prospectus dated _____, 1998 of the Holding Company (the "Prospectus"), which is attached to this Prospectus Supplement, includes detailed information with respect to the Conversion, the Common Stock and the financial condition, results of operations and business of the Bank. This Prospectus Supplement, which provides detailed information with respect to the Plan, should be read only in conjunction with the Prospectus and should be retained for future reference.

For a discussion of certain factors that should be considered by each Participant, see "Risk Factors" section of the Prospectus.

The date of this Prospectus Supplement is _____, 1998.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, THE COMMISSIONER OF BANKS AND REAL ESTATE OF THE STATE OF ILLINOIS ("COMMISSIONER"), THE FEDERAL DEPOSIT INSURANCE CORPORATION, OR ANY OTHER STATE OR FEDERAL AGENCY OR ANY STATE SECURITIES COMMISSION, NOR HAS SUCH COMMISSION OR OTHER AGENCY OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE SHARES OF COMMON STOCK OFFERED HEREBY ARE NOT SAVINGS ACCOUNTS OR DEPOSITS AND ARE NOT FEDERALLY INSURED OR GUARANTEED, NOR ARE THE SHARES OF COMMON STOCK GUARANTEED BY THE COMPANY OR THE BANK. THE ENTIRE AMOUNT OF A PURCHASER'S PRINCIPAL IS SUBJECT TO LOSS.

No person has been authorized to give any information or to make any representations other than those contained in the Prospectus or this Prospectus Supplement, and, if given or made, such information or representations must not be relied upon as having been authorized by the Bank or the Plan. This Prospectus Supplement does not constitute an offer to sell or solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this Prospectus Supplement and the Prospectus nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Bank or the Plan since the date hereof, or that the information herein contained or incorporated by reference is correct as of any time subsequent to the date hereof.

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Investment Form

THE OFFERING

Securities Offered

The securities offered hereby are participation interests in the Plan. Up to 196,209 shares (assuming the actual purchase price is \$10.00 per share) of Common Stock may be acquired by the Plan to be held in the Employer Stock Fund. The Holding Company is the issuer of the Common Stock. The Common Stock to be issued hereby is conditioned on the consummation of the Conversion. A Participant's investment in units in the Employer Stock Fund in the Conversion is subject to the priority set forth in the Plan of Conversion.

Information with regard to the Plan is contained in this Prospectus Supplement and information with regard to the Conversion and the financial condition, results of operations and business of the Bank is contained in the attached Prospectus. The address of the principal executive office of the Bank is 1695 Larkin Avenue, Elgin Illinois 60123. The Bank's telephone number is (847) 741-3900.

Election to Purchase Common Stock in the Conversion

In connection with the Bank's Conversion, the Plan has been amended and restated to permit each Participant to direct that all or part of the funds which represent his or her beneficial interest in the assets of the Plan may be transferred to the Employer Stock Fund, an investment fund in the plan that will invest in Common Stock. If there is not enough Common Stock in the Conversion to fill all subscriptions, the Common Stock would be apportioned and the Plan may not be able to purchase all of the Common Stock requested by the Participants. In such case, the Trustee will purchase shares in the open market after the Conversion to fulfill Participants' requests. Such purchases may be at prices higher than the purchase price in the Conversion. The ability of each Participant to invest in the Employer Stock Fund in the Conversion pursuant to directions to transfer all or a portion of their beneficial assets in the Plan will be based on such Participant's status as an Eligible Account Holder or Supplemental Eligible Account Holder pursuant to the Plan of Conversion, the subscription priorities set forth in the Plan of Conversion and the availability of Common Stock. The Trustee of the Plan will follow the Participants' directions. Funds not transferred to the Employer Stock Fund will remain in the other investment funds of the Plan as directed by the Participant.

Value of Participation Interests

The market value of the assets of the Plan, as of July 31, 1997, was \$1,962,093 and each Participant was informed of the value of his or her beneficial interest in the Plan. This value represented the past contributions to the Plan by the Employers and the Participants and any earnings or losses thereon, less previous withdrawals.

Method of Directing Transfer

The last page of this Prospectus Supplement is a form to direct a transfer to the Employer Stock Fund (the "Investment Form"). If a Participant wishes to transfer all or part (in multiples of not less than 1%) of his or her beneficial interest in the assets of the Plan to the Employer Stock Fund being established in connection with the Conversion, he or she should indicate that decision in part 2 of the Investment Form. If a Participant does not wish to make such an election, he or she does not need to take any action.

Time for Directing Transfer

The deadline for submitting a direction to transfer amounts to the Employer Stock Fund which will purchase Common Stock issued in connection

with the Conversion is _____, 1998. The Investment Form should be returned to the Bank's Human Resources Department by ___:___ p.m. on such date.

Irrevocability of Transfer Direction

A Participant's direction to transfer amounts credited to such Participant's account in the Plan to the Employer Stock Fund in connection with the Conversion shall be irrevocable. Participants, however, will be able to direct the investment of their accounts ("Accounts") after the Conversion under the Plan as explained below.

Direction to Purchase Common Stock after the Conversion

After the Conversion, a Participant shall be able to direct that a certain percentage (in multiples of not less than 1%) of the net value of such Participant's interests in the trust fund established for the Plan (the "Trust Fund") be transferred to the Employer Stock Fund and invested in Common Stock, or to the other investment funds available under the Plan. Alternatively, a Participant may direct that a certain percentage of such Participant's interest in the Employer Stock Fund be transferred to the Trust Fund to be invested in accordance with the terms of the Plan. Participants will be permitted to direct that future contributions made to the Plan by or on their behalf will be invested in Common Stock. Following the initial election, the allocation of a Participant's interest in the Employer Stock Fund may be changed once each calendar quarter in any plan year by filing a written notice with the plan administrator at least ten days before the effective date of the change. Special restrictions apply to transfers directed by those Participants who are officers, directors and principal shareholders of the Bank who are subject to the provisions of Section 16(b) of the Securities Exchange Act of 1934, as amended (the "1934 Act").

Purchase Price of Common Stock

The funds transferred to the Employer Stock Fund for the purchase of Common Stock in connection with the Conversion will be used by the Trustee to purchase

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shares of Common Stock. The price to be paid by the Trust Fund for such shares of Common Stock will be the same price as is paid by all persons who purchase shares of Common Stock in the Conversion.

Common Stock purchased by the Trustee after the Conversion will be acquired in open market transactions. The prices paid by the Trustee for shares of Common Stock will not exceed "adequate consideration" as defined in Section 3(18) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Nature of a Participant's Interest in the Common Stock

The Common Stock will be held in the name of the Trustee for the Plan, as trustee. Each Participant has an allocable interest in the investment funds of the Plan but not in any particular assets of the Plan. Accordingly, a specific number of shares of Common Stock will not be directly attributable to the account of any Participant. Earnings, e.g., gains and losses, are allocated to the Account of a Participant based on units in the Employer Stock Fund held by the Participants. Therefore, earnings with respect to a Participant's Account should not be affected by the investment designations (including investments in Common Stock) of other Participants.

Voting and Tender Rights of Common Stock

The Trustee generally will exercise voting and tender rights attributable to all Common Stock held by the Trust Fund as directed by Participants with interests in the Employer Stock Fund. With respect to each matter as to which holders of Common Stock have a right to vote, each Participant will be allocated a number of voting instruction rights reflecting such Participant's proportionate interest in the Employer Stock Fund. The number of shares of Common Stock held in the Employer Stock Fund that are voted in the affirmative and negative on each matter shall be proportionate to the number of voting instruction rights exercised in the affirmative and negative, respectively. In the event of a tender offer for Common Stock, the Plan provides that each Participant will be allotted a number of tender instruction rights reflecting such Participant's proportionate interest in the Employer Stock Fund. The percentage of shares of Common Stock held in the Employer Stock Fund that will be tendered will be the same as the percentage

of the total number of tender instruction rights that are exercised in favor of tendering. The remaining shares of Common Stock held in the Employer Stock Fund will not be tendered. The Plan makes provision for Participants to exercise their voting instruction rights and tender instruction rights on a confidential basis.

DESCRIPTION OF THE PLAN

I. Introduction

The Plan was established effective November 1, 1986 as the Elgin Federal Financial Center 401(k) Employee Benefit Plan (the "Plan"). In connection with the Conversion, the Plan has been amended to provide for additional investment alternatives, including, but not limited to, an Employer Stock Fund. The Plan is a cash or deferred

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arrangement established in accordance with the requirements under Section 401(a) and Section 401(k) of the Internal Revenue Code of 1986 (the "Code"). The Plan will be submitted to the Internal Revenue Service (the "IRS") in a timely manner for a determination that the Plan, as amended and restated, is qualified under Section 401(a) of the Code, and that its related trust(s) are qualified under Section 501(a) of the Code.

The Bank intends that the Plan, in operation, will comply with the requirements under Section 401(a) and Section 401(k) of the Code. The Bank will adopt any amendments to the Plan that may be necessary to ensure the qualified status of the Plan under the Code and applicable Treasury Regulations.

Employee Retirement Income Security Act. The Plan is an "individual account plan" other than a "money purchase pension plan" within the meaning of ERISA. As such, the Plan is subject to all of the provisions of Title I (Protection of Employee Benefit Rights) and Title II (Amendments to the Internal Revenue Code Relating to Retirement Plans) of ERISA, except the funding requirements contained in Part 3 of Title I of ERISA which by their terms do not apply to an individual account plan (other than a money purchase pension plan). The Plan is not subject to Title IV (Plan Termination Insurance) of ERISA. Neither the funding requirements contained in Part 3 of Title I of ERISA nor the plan termination insurance provisions contained in Title IV of ERISA will be extended to Participants (as defined below) or beneficiaries under the Plan.

APPLICABLE FEDERAL LAW REQUIRES THE PLAN TO IMPOSE SUBSTANTIAL RESTRICTIONS ON THE RIGHT OF A PLAN PARTICIPANT TO WITHDRAW AMOUNTS HELD FOR HIS BENEFIT UNDER THE PLAN PRIOR TO THE PARTICIPANT'S TERMINATION OF EMPLOYMENT WITH THE BANK. A SUBSTANTIAL FEDERAL TAX PENALTY MAY ALSO BE IMPOSED ON WITHDRAWALS MADE PRIOR TO THE PARTICIPANT'S ATTAINMENT OF AGE 59-1/2, REGARDLESS OF WHETHER SUCH A WITHDRAWAL OCCURS DURING HIS EMPLOYMENT WITH THE BANK OR AFTER TERMINATION OF EMPLOYMENT.

Reference to Full Text of Plan. The following statements are summaries of certain provisions of the Plan. They are not complete and are qualified in their entirety by the full text of the Plan. Copies of the Plan are available to all employees by filing a request with the Plan Administrator, at Elgin Financial Center, S.B., 1695 Larkin Avenue, Elgin, Illinois 60123. The Plan Administrator's telephone number is (847) 741-3900. Each employee is urged to read carefully the full text of the Plan.

II. Eligibility and Participation

Any salaried employee of the Employer is eligible to participate in the Plan as soon as the employee reaches age 20 1/2 and completes six months of service with

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the Employer. Employees covered by a collective bargaining agreement which does not expressly provide for their coverage under the Plan and leased employees are not eligible to participate in the Plan.

As of July 31, 1997, there were approximately ___ employees eligible to participate in the Plan, and ___ employees had elected to participate in the Plan.

III. Contributions Under the Plan

401(k) Plan Contributions. Subject to certain limitations on contributions, each Participant in the Plan is permitted to elect to reduce such Participant's Compensation (as defined below) pursuant to an "Elective Deferral Agreement" by an amount not less than 2% and not more than 10% and have that amount contributed to the Plan on such Participant's behalf. Such amounts are credited to the Participant's "Elective Deferral Account." See "Section IV Limitations on Contributions" below. For purposes of the Plan, "Compensation" means the total salary, pay or earned income from the Employer, as reflected on Form W-2. Compensation includes salary, Elective Deferrals, wages, overtime and wage continuation payments to an employee who is absent due to an illness or disability of a short-term nature. "Compensation" does not include commissions, expense allowances, severance pay, fees, bonuses, incentive payments, contributions other than Elective Deferrals made to the Plan and contributions made by the Employer to any other pension, insurance welfare or other employee benefit plan. As of January 1, 1998, the annual compensation of each Participant taken into account under the Plan is limited to \$160,000 (adjusted for increases in the cost of living as permitted by the Code). Generally, a Participant may elect to modify the amount contributed to the Plan under such Participant's Elective Deferral Agreement not more often than once in any calendar quarter by providing notice to the Plan Administrator at least 10 days before commencement of the first day of the payroll period for which the modification is to become effective. However, special restrictions apply to persons subject to Section 16 of the 1934 Act. Elective Deferrals are transferred by the Employer to the Trustee of the Plan. The Employer may reduce or terminate a Participant's Elective Deferrals for qualified plan purposes.

Notwithstanding the preceding, a Participant who receives a hardship distribution under the terms of the Plan may not be eligible to make additional contributions under an Elective Deferral Agreement or have matching contributions made on his behalf for a period of twelve (12) months after the receipt of the hardship distribution.

Employer Contributions. The Employer, at its discretion, may make a Matching Contribution to each Participant based on his or her Elective Deferrals in a percentage set by the Employer prior to the end of the Plan Year. After the Conversion, at the discretion of the Bank, the Employer contributions may be credited to the Participant's Account in Elgin Financial Center, S.B. Employee Stock Ownership Plan. At its discretion, the Employer may make an additional contribution to the Plan as of the end of the Plan Year in an amount determined by the Employer.

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IV. Limitations on Contributions

Limitations on Annual Additions and Benefits. Pursuant to the requirements of the Code, the Plan provides that the amount of contributions allocated to each Participant's Elective Deferral Account and Matching Contribution Account during any Plan Year may not exceed the lesser of 25% of the Participant's Section 415 Compensation for the Plan Year or \$30,000 (adjusted for increases in the cost of living as permitted by the Code). A Participant's Section 415 Compensation is a Participant's Compensation, excluding any Employer contribution to the Plan or to any other plan of deferred compensation or any distributions from a plan of deferred compensation. In addition, annual additions shall be limited to the extent necessary to prevent the limitations set forth in the Code for all of the qualified defined benefit plans and defined contribution plans maintained by the Bank from being exceeded. To the extent that these limitations would be exceeded by reason of excess annual additions with respect to a Participant, such excess will be disposed of as follows:

(i) Any excess amount in the Participant's Account will be used to reduce the Employer's contributions for such Participant in the next Limitation Year, and each succeeding Limitation Year if necessary;

(ii) If, an excess amount still exists, and the Participant is not covered by the Plan at the end of the Limitation Year, the excess amount will be held unallocated in a suspense account which will then be applied to reduce future Employer contributions for all remaining Participants in the next Limitation Year, and each succeeding Limitation Year if necessary;

(iii) If a suspense account is in existence at any time during the Limitation Year, it will not participate in the allocation of investment gains and losses.

Limitation on 401(k) Plan Contributions. The annual amount of deferred Compensation under an Elective Deferral Agreement of a Participant (when

aggregated with any elective deferrals of the Participant under a simplified employee pension plan or a tax-deferred annuity) may not exceed \$7,000 adjusted for increases in the cost of living as permitted by the Code (the limitation for 1998 is \$10,000). Contributions in excess of this limitation ("excess deferrals") will be included in the Participant's gross income for federal income tax purposes in the year they are made. In addition, any such excess deferral will again be subject to federal income tax when distributed by the Plan to the Participant, unless the excess deferral (together with any income allocable thereto) is distributed to the Participant not later than the first April 15th following the close of the taxable year in which the excess deferral is made. Any income on the excess deferral that is distributed not later than such date shall be treated, for federal income tax purposes, as earned and received by the Participant in the taxable year in which the excess deferral is made.

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Limitation on Plan Contributions for Highly Compensated Employees. Sections 401(k) and 401(m) of the Code limit the amount of Deferred Compensation that may be made to the Plan in any Plan Year on behalf of Highly Compensated Employees (defined below) in relation to the amount of Deferred Compensation made by or on behalf of all other employees eligible to participate in the Plan. Specifically, the actual deferral percentage (i.e., the average of the ratios, calculated separately for each eligible employee in each group, by dividing the amount of Deferred Compensation credited to the Elective Deferral Account of such eligible employee by such eligible employee's compensation for the Plan Year) of the Highly Compensated Employees may not exceed the greater of (i) 125% of the actual deferral percentage of all other eligible employees, or (ii) the lesser of (x) 200% of the actual deferral percentage of all other eligible employees, or (y) the actual deferral percentage of all other eligible employees plus two percentage points. In addition, the actual contribution percentage for such Plan Years (i.e., the average of the ratios calculated separately for each eligible employee in each group, by dividing the amount of voluntary employee and employer matching contributions credited to the Matching Contribution Account of such eligible employee by such eligible employee's compensation for the Plan Year) of the Highly Compensated Employees may not exceed the greater of (i) 125% of the actual contribution percentage of all other eligible employees, or (ii) the lesser of (x) 200% of the actual contribution percentage of all other eligible employees, or (y) the actual contribution percentage of all other eligible employees plus two percentage points.

In general, a Highly Compensated Employee includes any employee who, (1) was a five percent owner of the Employer at any time during the year or preceding year; or (2) had compensation for the preceding year in excess of \$80,000 and, if the Employer so elects, was in the top 20% of employees by compensation for such year. The dollar amounts in the foregoing sentence are for 1998. Such amounts are adjusted annually to reflect increases in the cost of living.

In addition, the compensation of an employee who is a family member of a 5% owner, or one of the ten most highly compensated employees during the relevant period is aggregated with that of the Highly Compensated Employee. All such family members are treated as a single employee with respect to the application of the limitations on Highly Compensated Employees.

In order to prevent the disqualification of the Plan, any amount contributed by Highly Compensated Employees that exceed the average deferral limitation in any Plan Year ("excess contributions"), together with any income allocable thereto, must be distributed to such Highly Compensated Employees before the close of the following Plan Year. However, the Employer will be subject to a 10% excise tax on any excess contributions unless such excess contributions, together with any income allocable thereto, either are recharacterized or are distributed before the close of the first 2 1/2 months following the Plan Year to which such excess contributions relate.

Top-Heavy Plan Requirements. If for any Plan Year the Plan is a Top-Heavy Plan (as defined below), then (i) the Bank may be required to make certain minimum contributions to the Plan on behalf of non-key employees (as defined

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below), and (ii) certain additional restrictions would apply with respect to the combination of annual additions to the Plan and projected annual benefits under any defined benefit plan maintained by the Bank.

In general, the Plan will be regarded as a "Top-Heavy Plan" for any Plan

Year if, as of the last day of the preceding Plan Year, the aggregate balance of the Accounts of Participants who are Key Employees exceeds 60% of the aggregate balance of the Accounts of all Participants. Key Employees generally include any employee who, at any time during the Plan Year or any of the four preceding Plan Years, is (1) an officer of the Bank having annual compensation in excess of \$60,000 who is in an administrative or policy-making capacity, (2) one of the ten employees having annual compensation in excess of \$30,000 and owning, directly or indirectly, the largest interests in the Bank, (3) a 5% owner of the Bank, (i.e., owns directly or indirectly more than 5% of the stock of the Bank, or stock possessing more than 5% of the total combined voting power of all stock of the Bank) or (4) a 1% owner of the Bank having annual compensation in excess of \$150,000. The dollar amounts in the foregoing sentence are for 1997.

V. Investment of Contributions

All amounts credited to Participants' Accounts under the Plan are held in the Plan Trust (the "Trust") which is administered by the Trustee appointed by the Bank's Board of Directors.

Prior to the effective date of the Conversion, the Accounts of a Participant held in the Trust have been invested by the Trustee at the direction of the Participant in the following funds:

Fidelity Advisor Growth Opportunities Fund: This fund seeks to provide capital growth by investing primarily in common stocks and securities convertible into common stocks.

Putnam Voyager--A Fund: This fund seeks capital appreciation through common stocks of companies with above average growth potential.

Fidelity Advisor Equity Income Fund: This fund seeks a yield from dividend and interest income which exceeds the composite dividend yield on securities comprising the S & P 500 Index.

Fidelity Spartan U.S. Equity Index Fund: This fund seeks to provide investment results that correspond to the total return performance of common stocks publicly traded in the United States.

FDL Fixed Income Fund: This fund seeks to secure principle and credit guaranteed annual rate of interest.

Putnam Asset Allocation Fund: This fund seeks to preserve principal and have some equity exposure to keep pace with inflation.

Participants in the Plan may direct the Trustee to invest all or a portion of his Elective Deferral Account, Matching Contribution Account, Rollover Account and Discretionary Contribution Account in the Employer Stock Fund.

Once in any calendar quarter a Participant may elect (in increments of 1%), to have both past and future contributions and additions to the Participant's Accounts invested in the funds listed above. Participants Matching Contribution Accounts may be invested in Employer Stock under the proposed terms of the Elgin Financial Center, S.B. Employee Stock Ownership Plan being implemented by the Bank. These elections will be effective on the effective date of the Participant's written notice to the plan administrator, provided such notice is filed with the administrator at least 10 days before it is to become effective. Any amounts credited to a Participant's

Account for which investment directions are not given will be invested in FDL Fixed Income Fund in accordance with the terms of the Plan.

A Participant who receives a loan from the Plan has a separate account established under the Plan. The minimum loan is \$1,000 and cannot be in excess of 50% of the Participant's Elective Deferrals and vested Matching Contribution. The balance of a Participant's loan account represents the unpaid principal and interest (if any) of such participant's loan from the Plan. Repayments of principal and payments of interest on loans are invested by the Trustee in the same manner as if the repayment were a contribution.

The Participants interest in the Employer Stock Fund consists of units whose value is related to a pro rata portion of the net asset value ("NAV") of the Employer Stock Fund. The NAV is determined daily and all realized and unrealized gains, dividends, and expenses are used to calculate the NAV. For purposes of such valuation, all assets of the Trust are valued at their fair market value.

A. Previous Funds.

Prior to the effective date of the Conversion, contributions under the Plan were invested in the following funds. The annual percentage return on this fund for the prior three years was:

1996	1995	1994
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Fidelity Advisor Growth Opportunities Fund
 Putnam Voyager--A Fund
 Fidelity Advisor Equity Income Fund
 Fidelity Spartan U.S. Equity Index Fund
 FDL Fixed Income Fund
 Putnam Asset Allocation Fund

B. The Employer Stock Fund.

The Employer Stock Fund will consist of investments in Common Stock made on and after the effective date of the Conversion. Each Participant's proportionate undivided beneficial interest in the Employer Stock Fund is measured by units. Each day a unit value will be calculated by determining the market value of the Common Stock actually held and adding to that any cash held by the Trustee. This total will be divided by the number of units outstanding to determine the unit value of the Employer Stock Fund.

On the occasion of the payment of a cash dividend, the unit value will be determined before the dividend is distributed. The Trustee may use the dividend to purchase additional shares of Common Stock, thereby increasing the total value of the Employer Stock Fund, and the value of each unit. The Board of Directors of the Holding Company may consider a policy of paying cash dividends on the Common Stock in the future; however, no decision as to the amount or timing of cash dividends, if any, has been made. The Trustee will, to the extent practicable, use all amounts held by it in the Employer Stock Fund to purchase

shares of Common Stock of the Bank. It is expected that all purchases will be made at prevailing market prices. Under certain circumstances, the Trustee may be required to limit the daily volume of shares purchased. Pending investment in Common Stock, assets held in the Employer Stock Fund will be placed in bank deposits and other short-term investments.

Any brokerage commissions, transfer fees and other expenses incurred in the sale and purchase of Common Stock for the Employer Stock Fund will be paid out of a cash account managed by the trustee. Therefore, although Participants' accounts will not be directly adjusted for such fees, the market value of their accounts will be reduced.

As of the date of this Prospectus Supplement, none of the shares of Common Stock have been issued or are outstanding and there is no established market for the Common Stock. Accordingly, there is no record of the historical performance of the Employer Stock Fund. Performance will be dependent upon a number of factors, including the financial condition and profitability of the Holding Company and the Bank and market conditions for the Common Stock generally. See "Market for the Common Stock" in the Prospectus.

Investments in the Employer Stock Fund may involve certain special risks in investments in Common Stock of the Company. For a discussion of these risk factors, see "Risk Factors" in the Prospectus.

VI. Benefits Under the Plan

Vesting. A Participant, at all times, has a fully vested, nonforfeitable interest in his Basic Contribution Account and the earnings thereon under the Plan. A Participant vests in his Matching Contribution Account under the Plan according to the following schedule:

Period of Service	Vested Percentage
-----	-----
less than 2 years	0%
2 years	20%
3 years	40%
4 years	60%
5 years	80%
6 years	100%

VII. Withdrawals and Distributions From the Plan

Withdrawals Prior to Termination of Employment. Subject to the hardship distribution rules under the Plan, a Participant may withdraw all or a portion of his (i) Elective Deferral Account, (ii) Rollover Transfer Account and (iii) the vested interest in his Matching Contribution Account. The hardship distribution requirements ensure that Participants have a true financial need before a withdrawal may be made.

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A Participant may make a withdrawal from his Elective Deferral Account, Rollover Transfer Account, and Matching Contribution Account after he turns 59 1/2. A Participant after attaining age 59 1/2 may withdraw contributions to his Elective Deferral Account, contributions to his Rollover Transfer Account or the vested portion of his Matching Contribution Account at any time.

Distribution Upon Retirement, Disability or Termination of Employment. Payment of benefits to a Participant who retires, incurs a disability, or otherwise terminates employment generally shall be made in a lump sum cash payment as soon as administratively feasible after such termination of employment if the vested value of the Participant's Account is \$3,500 or less. If the vested portion of the Participant's Account balance is greater than \$3,500, the Participant may request a distribution (subject to the minimum distribution rules) in a lump sum payment: (a) as soon as administratively possible after termination, (b) as of any Valuation Date up to 13 months after termination or (c) as of the date the Participant attains normal retirement age. At the request of the Participant, the distribution may include an in kind distribution of Common Stock of the Holding Company equal to the number of shares that can be purchased with the Participant's balance in the Employer Stock Fund. Benefit payments ordinarily shall be made not later than 60 days following the end of the Plan Year in which occurs the latest of the Participant's: (i) termination of employment; (ii) the attainment of age 65 or (iii) 10th anniversary of commencement of participation in the Plan; but in no event later than the April 1 following the calendar year in which the Participant attains age 70 1/2. However, if the vested portion of the Participant's Account balances exceeds \$3,500, no distribution shall be made from the Plan prior to the Participant's attaining age 65 unless the Participant elects to receive an earlier distribution.

Distribution upon Death. A Participant who dies prior to the benefit commencement date for retirement, disability or termination of employment, and who has a surviving spouse shall have his benefits paid to the surviving spouse in a lump sum as soon as administratively possible following the date of his death, unless the Participant elected prior to his death or the beneficiary so elects within 90 days of the Participant's death, to receive such distribution in a lump sum payment as of any Valuation Date which occurs within one year of the Participant's death. With respect to an unmarried Participant, and in the case of a married Participant with spousal consent to the designation of another beneficiary, payment of benefits to the beneficiary of a deceased Participant shall be made in the form of a lump-sum payment in cash or in Common Stock in the same manner described above as to a Participant with a surviving spouse.

Nonalienation of Benefits. Except with respect to federal income tax withholding and as provided with respect to a qualified domestic relations order (as defined in the Code), benefits payable under the Plan shall not be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, charge, garnishment, execution, or levy of any kind, either voluntary or involuntary, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge or otherwise dispose of any rights to benefits payable under the Plan shall be void.

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Administration of the Plan

The Trustee with respect to the Plan is the named fiduciary of the Plan for purposes of Section 402 of ERISA.

Trustees. The Trustee is appointed by the Board of Directors of the Bank to

serve at its pleasure. The current Trustees of the Plan are Edward J. Weidner, John J. Brittain and Barrett J. O'Connor. However, an additional Trustee may be appointed to hold funds invested in the Employer Stock Fund.

The Trustee receives, holds and invests the contributions to the Plan in trust and distributes them to Participants and beneficiaries in accordance with the terms of the Plan and the directions of the Plan Administrator. The Trustee is responsible for investment of the assets of the Trust.

Reports to Plan Participants

The Administrator (as defined below) will furnish to each Participant a statement at least quarterly showing (i) the balance in the Participant's Account as of the end of that period, (ii) the amount of contributions allocated to such participant's Account for that period, and (iii) the adjustments to such participant's Account to reflect earnings or losses (if any).

Plan Administrator

Pursuant to the terms of the Plan, the Plan is administered by one or more persons who are appointed by and who serve at the pleasure of the Bank (the "Administrator"). Currently, the Trustees of the Plan serve as Plan Administrator. The address and telephone number of the Administrator is c/o 1695 Larkin Avenue, Elgin, Illinois 60123; (847) 741-3900. The Administrator is responsible for the administration of the Plan, interpretation of the provisions of the Plan, prescribing procedures for filing applications for benefits, preparation and distribution of information explaining the Plan, maintenance of Plan records, books of account and all other data necessary for the proper administration of the Plan, and preparation and filing of all returns and reports relating to the Plan which are required to be filed with the U.S. Department of Labor and the IRS, and for all disclosures required to be made to Participants, Beneficiaries and others under Sections 104 and 105 of ERISA.

Amendment and Termination

It is the intention of the Bank to continue the Plan indefinitely. Nevertheless, the Bank may terminate the Plan at any time. If the Plan is terminated in whole or in part, then regardless of other provisions in the Plan, each employee affected by such termination shall have a fully vested interest in his Accounts. The Bank reserves the right to make, from time to time, any amendment or amendments to the Plan which do not cause any part of the Trust to be used for, or diverted to, any purpose other than the exclusive benefit of

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Participants or their beneficiaries; provided, however, that the Bank may make any amendment it determines necessary or desirable, with or without retroactive effect, to comply with ERISA.

Merger, Consolidation or Transfer

In the event of the merger or consolidation of the Plan with another plan, or the transfer of the Trust assets to another plan, the Plan requires that each Participant would (if either the Plan or the other plan then terminated) receive a benefit immediately after the merger, consolidation or transfer which is equal to or greater than the benefit he would have been entitled to receive immediately before the merger, consolidation or transfer (if the Plan had then terminated).

Federal Income Tax Consequences

The following is only a brief summary of certain federal income tax aspects of the Plan which are of general application under the Code and is not intended to be a complete or definitive description of the federal income tax consequences of participating in or receiving distributions from the Plan. The summary is necessarily general in nature and does not purport to be complete. Moreover, statutory provisions are subject to change, as are their interpretations, and their application may vary in individual circumstances. Finally, the consequences under applicable state and local income tax laws may not be the same as under the federal income tax laws. Participants are urged to consult their tax advisors with respect to any distribution from the Plan and transactions involving the Plan.

The Plan will be submitted to the IRS in a timely manner for a determination that it is qualified under Section 401(a) and 401(k) of the Code, and that the related Trust is exempt from tax under Section 501(a) of the Code. A plan that is "qualified" under these sections of the Code is afforded special tax treatment which include the following: (1) The sponsoring employer is allowed an immediate tax deduction for the amount contributed to the Plan each year; (2) Participants pay no current income tax on amounts contributed by the employer on their behalf; and (3) earnings of the plan are tax-deferred thereby permitting

the tax-free accumulation of income and gains on investments. The Plan will be administered to comply in operation with the requirements of the Code as of the applicable effective date of any change in the law. The Bank expects to timely adopt any amendments to the Plan that may be necessary to maintain the qualified status of the Plan under the Code. Following such an amendment, the Bank will submit the Plan to the IRS for a determination that the Plan, as amended, continues to qualify under Sections 401(a) and 501(a) of the Code and that it continues to satisfy the requirements for a qualified cash or deferred arrangement under Section 401(k) of the Code. Should the Plan receive from the IRS an adverse determination letter regarding its tax exempt status, all participants would generally recognize income equal to their vested interest in the Plan, the participants would not be permitted to transfer amounts distributed from the Plan to an IRA or to another qualified retirement plan, and the Bank may be denied certain deductions taken with respect to the Plan.

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Lump Sum Distribution. A distribution from the Plan to a Participant or the beneficiary of a Participant will qualify as a Lump Sum Distribution if it is made: (i) within one taxable year of the Participant or beneficiary; (ii) on account of the Participant's death, disability or separation from service, or after the Participant attains age 59 1/2; and (iii) consists of the balance to the credit of the Participant under this Plan and all other profit sharing plans, if any, maintained by the Bank. The portion of any Lump Sum Distribution that is required to be included in the Participant's or beneficiary's taxable income for federal income tax purposes (the "total taxable amount") consists of the entire amount of such Lump Sum Distribution less the amount of after-tax contributions, if any, made by the Participant to any other profit sharing plans maintained by the Bank which is included in such distribution.

Averaging Rules. The portion of the total taxable amount of a Lump Sum Distribution that is attributable to participation after 1973 in this Plan or in any other profit-sharing plan maintained by the Bank (the "ordinary income portion") will be taxable generally as ordinary income for federal income tax purposes. However, a Participant who has completed at least five years of participation in this Plan before the taxable year in which the distribution is made, or a beneficiary who receives a Lump Sum Distribution on account of the Participant's death (regardless of the period of the Participant's participation in this Plan or any other profit-sharing plan maintained by the Employers), may elect to have the ordinary income portion of such Lump Sum Distribution taxed according to a special averaging rule ("five-year averaging"). The election of the special averaging rules may apply only to one Lump Sum Distribution received by the Participant or beneficiary, provided such amount is received on or after the Participant turns 59-1/2 and the recipient elects to have any other Lump Sum Distribution from a qualified plan received in the same taxable year taxed under the special averaging rule. Under a special grandfather rule, individuals who turned 50 by 1986 may elect to have their Lump Sum Distribution taxed under either the five-year averaging rule or under the prior law ten-year averaging rule. Such individuals also may elect to have that portion of the Lump Sum Distribution attributable to the participant's pre-1974 participation in the Plan taxed at a flat 20% rate as gain from the sale of a capital asset.

Common Stock Included in Lump Sum Distribution. If a Lump Sum Distribution includes Common Stock, the distribution generally will be taxed in the manner described above, except that the total taxable amount will be reduced by the amount of any net unrealized appreciation with respect to such Common Stock, i.e., the excess of the value of such Common Stock at the time of the distribution over its cost or other basis of the securities to the Trust. The tax basis of such Common Stock to the Participant or beneficiary for purposes of computing gain or loss on its subsequent sale will be the value of the Common Stock at the time of distribution less the amount of net unrealized appreciation. Any gain on a subsequent sale or other taxable disposition of such Common Stock, to the extent of the amount of net unrealized appreciation at the time of distribution, will be considered long-term capital gain regardless of the holding period of such Common Stock. Any gain on a subsequent sale or other taxable disposition of the Common Stock in excess of the amount of net unrealized appreciation at the time of distribution will be considered either short-term capital gain, medium-term capital gain or long-term capital gain depending upon the length of the holding period of the Common Stock. The recipient of a distribution may

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elect to include the amount of any net unrealized appreciation in the total taxable amount of such distribution to the extent allowed by the regulations to

be issued by the IRS.

Distributions: Rollovers and Direct Transfers to Another Qualified Plan or to an IRA. Pursuant to a change in the law, effective January 1, 1993, virtually all distributions from the Plan may be rolled over to another qualified Plan or to an IRA without regard to whether the distribution is a Lump Sum Distribution or a Partial Distribution. Effective January 1, 1993, Participants have the right to elect to have the Trustee transfer all or any portion of an "eligible rollover distribution" directly to another plan qualified under Section 401(a) of the Code or to an IRA. If the Participant does not elect to have an "eligible rollover distribution" transferred directly to another qualified plan or to an IRA, the distribution will be subject to an mandatory federal withholding tax equal to 20% of the taxable distribution. An "eligible rollover distribution" means any amount distributed from the Plan except: (1) a distribution that is (a) one of a series of substantially equal periodic payments (not less frequently than annually) made for the life (or life expectancy) of the Participant or the joint lives of the Participant and his or her designated beneficiary, or (b) for a specified period of ten years or more; (2) any amount that is required to be distributed under the minimum distribution rules; and (3) any other distributions excepted under applicable federal law. The tax law change described above did not modify the special tax treatment of Lump Sum Distributions, that are not rolled over or transferred i.e., forward averaging, capital gains tax treatment and the nonrecognition of net unrealized appreciation, discussed earlier.

ERISA and Other Qualification

As noted above, the Plan is subject to certain provisions of the Employee Retirement Income Security Act of 1974, as amended, and will be submitted to the IRS for a determination that it is qualified under Section 401(a) of the Code.

The foregoing is only a brief summary of certain federal income tax aspects of the Plan which are of general application under the Code and is not intended to be a complete or definitive description of the federal income tax consequences of participating in or receiving distributions from the Plan. Accordingly, each Participant is urged to consult a tax advisor concerning the federal, state and local tax consequences of participating in and receiving distributions from the Plan.

Restrictions on Resale

Any person receiving a distribution of shares of Common Stock under the Plan who is an "affiliate" of the Bank as the term "affiliate" is used in Rules 144 and 405 under the Securities Act of 1933, as amended (the "Securities Act") (e.g., directors, officers and substantial shareholders of the Bank) may reoffer or resell such shares only pursuant to a registration statement filed under the Securities Act assuming the availability thereof, pursuant to Rule 144 or some other exemption of the registration requirements of the Securities Act Any person who may be an "affiliate" of the Bank may wish to consult with counsel

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before transferring any Common Stock owned by him. In addition, Participants are advised to consult with counsel as to the applicability of Section 16 of the 1934 Act which may restrict the sale of Common Stock where acquired under the Plan, or other sales of Common Stock.

Persons who are not deemed to be "affiliates" of the Bank at the time of resale will be free to resell any shares of Common Stock to them under the Plan, either publicly or privately, without regard to the Registration and Prospectus delivery requirements of the Securities Act or compliance with the restrictions and conditions contained in the exemptive rules thereunder. An "affiliate" of the Bank is someone who directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control, with the Bank. Normally, a director, principal officer or major shareholder of a corporation may be deemed to be an "affiliate" of that corporation. A person who may be deemed an "affiliate" of the Bank at the time of a proposed resale will be permitted to make public resales of the Bank's Common Stock only pursuant to a "reoffer" Prospectus or in accordance with the restrictions and conditions contained in Rule 144 under the Securities Act or some other exemption from registration, and will not be permitted to use this Prospectus in connection with any such resale. In general, the amount of the Bank's Common Stock which any such affiliate may publicly resell pursuant to Rule 144 in any three-month period may not exceed the greater of one percent of the Bank's Common Stock then outstanding or the average weekly trading volume reported on the National Association of Securities Dealers Automated Quotation System during the four calendar weeks prior to the sale. Such sales may be made only through brokers without solicitation and only at a time when the Bank is current in filing the reports required of it under the 1934 Act.

Section 16 of the 1934 Act imposes reporting and liability requirements on officers, directors and persons beneficially owning more than ten percent of public companies such as the Holding Company. Section 16(a) of the 1934 Act requires the filing of reports of beneficial ownership. Within ten days of becoming a person subject to the reporting requirements of Section 16(a), a Form 3 reporting initial beneficial ownership must be filed with the Securities and Exchange Commission. Certain changes in beneficial ownership, such as purchases, sales, gifts and participation in savings and retirement plans must be reported periodically, either on a Form 4 within ten days after the end of the month in which a change occurs, or annually on a Form 5 within 45 days after the close of the Bank's fiscal year. Participation in the Employer Stock Fund of the Plan by officers, directors and persons beneficially owning more than ten percent of Common Stock of the Holding Company must be reported to the SEC annually on a Form 5 by such individuals.

In addition to the reporting requirements described above, Section 16(b) of the 1934 Act provides for the recovery by the Holding Company of profits realized by any officer, director or any person beneficially owning more than ten percent of the Holding Company's Common Stock ("Section 16(b) Persons") resulting from the purchase and sale or sale and purchase of the Holding Company's Common Stock within any six-month period.

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The SEC has adopted rules that provide exemption from the profit recovery provisions of Section 16(b) for participant-directed employer security transactions within an employee benefit plan, such as the Plan, provided certain requirements are met. These requirements generally involve restrictions upon the timing of elections to acquire or dispose of employer securities for the accounts of Section 16(b) Persons.

Except for distributions of Common Stock due to death, disability, retirement, termination of employment or under a qualified domestic relations order, Section 16(b) Persons are required to hold shares of Common Stock distributed from the Plan for six months following such distribution.

LEGAL OPINIONS

The validity of the issuance of the Common Stock will be passed upon by Muldoon, Murphy & Faucette, Washington, D.C., which firm acted as special counsel for the Bank in connection with the Bank's Conversion from a mutual savings bank to a stock based organization.

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Elgin Financial Center, S.B.
401(k) Employee Benefit Plan
Investment Form

Name of Plan Participant: _____

Social Security Number: _____

1. Instructions. In connection with the proposed Conversion of Elgin Financial Center, S.B. from a mutual savings bank to a stock based organization (the "Conversion"), Elgin Financial Center, S.B. 401(k) Employee Benefit Plan ("Plan") permits participants to direct their current account balances for their Basic Contribution Account, Company Contribution Account and Rollover Account into a new fund: the Employer Stock Fund. The percentage of a participant's account transferred at the direction of the participant into the Employer Stock Fund will be used to purchase shares of common stock of EFC Bancorp, Inc. (the "Common Stock").

SYNDICATED PROSPECTUS SUPPLEMENT

EFC Bancorp, Inc.
(Proposed Holding Company for Elgin Financial Center, S.B.)

_____ Shares of Common Stock

EFC Bancorp, Inc. (the "Company"), a Delaware corporation, is offering for sale in a syndicated community offering (the "Syndicated Community Offering") _____ shares, at a per share price of \$ _____, of its common stock, \$0.01 par value (the "Common Stock"), to be issued upon the conversion of Elgin Financial Center, S.B., Elgin, Illinois (the "Bank") from an Illinois chartered mutual savings bank to an Illinois chartered stock savings bank and the issuance of the Bank's outstanding capital stock to the Company pursuant to a plan of conversion (the "Plan of Conversion"). The remaining _____ shares of the Common Stock have been subscribed for in subscription and community offerings (the "Subscription and Community Offerings") by the Bank's holders of deposit accounts with the Bank with a balance of \$100 or more as of July 31, 1996, by the Elgin Financial Center, S.B. Employee Stock Ownership Plan, a tax-qualified employee benefit plan, and related trust (the "ESOP"), by holders of deposit accounts with a balance of \$100 or more as of September 30, 1997, and then by certain members of the general public. See "The Conversion -General." Contained herein is the Prospectus in the form used in the Subscription and Community Offerings. The purchase price for all shares purchased in the Syndicated Community Offering will be the same as the price paid by subscribers in the Subscription and Community Offerings (the "Purchase Price"). The Purchase Price of \$10.00 per share is the amount to be paid for each share at the time a purchase order is submitted. See the cover page of the Prospectus and the table below for information as to the method by which the range within which the number of shares offered may vary and the method of subscribing for shares of the Common Stock. For a discussion of certain factors that should be considered by each prospective investor, see "Risk Factors" on pages ____ through ____.

Funds submitted to the Bank with purchase orders will earn interest at the Bank's passbook rate of interest from the date of receipt until completion or termination of the Conversion. The Syndicated Community Offering will expire no later than _____, 1998, unless extended by the Bank and the Company with the approval of the Commissioner of Banks and Real Estate of the State of Illinois and the Federal Deposit Insurance Corporation, if necessary. Such extensions may not go beyond _____, 1999. If an extension of time has been granted, all subscribers will be notified of such extension, and of their rights to confirm their subscriptions, or to modify or rescind their subscriptions and have their funds returned promptly with interest, and of the time period within which the subscriber must notify the Bank of his intention to confirm, modify or rescind his subscription. If an affirmative response to any resolicitation is not received by the Bank and the Company from subscribers, such orders will be rescinded and all funds will be returned promptly with interest. The minimum number of shares which may be purchased is 25 shares. Except for the ESOP, which may purchase up to 8% of the total number of shares of

Common Stock issued in the Conversion, no person, together with associates of and persons acting in concert with such person, may purchase in the Community Offering and the Syndicated Community Offering more than \$200,000 of the aggregate value of Common Stock offered in the Conversion. See "Plan of Conversion-- Limitations on Common Stock Purchases." The Company reserves the right, in its absolute discretion, to accept or reject, in whole or in part, any or all subscriptions in the Syndicated Community Offering.

The Company and the Bank have engaged Charles Webb & Company ("Webb"), a Division of Keefe, Bruyette & Woods, Inc. ("KBW") to assist them in the sale of the Common Stock in the Syndicated Community Offering. It is anticipated that Webb will use the services of other registered broker-dealers ("Selected Dealers") and that fees to Webb and such Selected Dealers will be an amount not to exceed 5.5% of the aggregate Purchase Price of the shares sold in the Syndicated Community Offering. Neither Webb nor any Selected Dealer shall have any obligation to take or purchase any shares of Common Stock in the Syndicated Community Offering.

[The Company has received conditional approval to have its Common Stock listed on the American Stock Exchange ("AMEX") under the symbol "EFC" upon completion of the Conversion.] Prior to this Offering, there has not been a public market for the Common Stock, and there can be no assurance that an active and liquid trading market for the Common Stock will develop. The absence or discontinuance of a market may have an adverse impact on both the price and liquidity of the stock.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES

AND EXCHANGE COMMISSION, THE OFFICE OF THE COMMISSIONER OF BANKS AND REAL ESTATE OF THE STATE OF ILLINOIS, THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY STATE SECURITIES COMMISSION, OR ANY OTHER AGENCY, NOR HAS SUCH COMMISSION, BOARD, DEPARTMENT, CORPORATION OR ANY STATE SECURITIES COMMISSION OR OTHER AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE SHARES OF COMMON STOCK OFFERED HEREBY ARE NOT DEPOSIT ACCOUNTS AND ARE NOT INSURED OR GUARANTEED BY THE BANK INSURANCE FUND OR THE SAVINGS ASSOCIATION INSURANCE FUND OF THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY AND ARE NOT GUARANTEED BY THE COMPANY OR THE BANK. THE COMMON STOCK IS SUBJECT TO INVESTMENT RISK, INCLUDING THE POSSIBLE LOSS OF THE PRINCIPAL INVESTED.

<TABLE>
<CAPTION>

	SYNDICATED COMMUNITY OFFERING PRICE	ESTIMATED UNDERWRITING COMMISSIONS AND OTHER FEES AND EXPENSES (1)	ESTIMATED NET PROCEEDS OF SYNDICATED COMMUNITY OFFERING	ESTIMATED NET PROCEEDS OF SUBSCRIP- TION, COMMUNITY AND SYNDICATED COMMUNITY OFFERINGS (2) (3)
<S>	<C>	<C>	<C>	<C>
Minimum Per Share.....	\$ 10.00	\$	\$	\$
Midpoint Per Share.....	\$ 10.00	\$	\$	\$
Maximum Per Share.....	\$ 10.00	\$	\$	\$
Total Minimum(4).....	\$	\$	\$	\$
Total Midpoint.....	\$	\$	\$	\$
Total Maximum(5).....	\$	\$	\$	\$
Total Maximum, As Adjusted(6).....	\$	\$	\$	\$

</TABLE>

-
- (1) Consists of a pro rata allocation of estimated expenses of the Bank and the Company in connection with the Conversion (other than estimated fees to be paid to Webb for services in connection with the Subscription and Community Offerings) and estimated compensation of Webb and Selected Dealers in connection with the sale of the remaining shares in the Syndicated Community Offering which fees are estimated to be \$_____ and \$_____ at the minimum and the maximum of the estimated price range and may be deemed to be underwriting fees. The information under "Pro Forma Data" in the Prospectus was based on the assumptions stated therein, which may differ from the estimates used for this table. See "The Conversion--Marketing and Underwriting Arrangements" for a more detailed discussion of fee arrangements.
 - (2) The Company applied to retain up to 50% of the net proceeds. The balance of the net proceeds will be transferred to the Bank in exchange for all of the capital stock of the Bank to be issued in connection with the Conversion.
 - (3) The net proceeds of the Subscription and Community Offerings (based upon the sale of the _____ shares subscribed for at a price of \$10.00 per share and after allocation of a pro rata portion of the estimated expenses relating to the Conversion) are estimated to be \$_____.
 - (4) Based on an estimated price range of \$_____ to \$_____ at \$10.00 per share (the "Estimated Price Range"). The Total Minimum reflects the sale of _____ shares at a per share price of \$10.00, leaving a total of _____ shares to be sold in the Syndicated Community Offering.
 - (5) Gives effect to an increase in the number of shares which could occur due to an increase in the Estimated Price Range of up to 15% to reflect changes in market and financial conditions following commencement of the offerings. See "The Conversion--Stock Pricing." For a discussion of the distribution and allocation of the additional shares, see "The Conversion--Subscription Rights and Limitations on Common Stock Purchases."

Charles Webb & Company
a Division of Keefe Bruyette & Woods, Inc.

The date of this Prospectus Supplement is _____, 1997.

PROSPECTUS

EFC BANCORP, INC.
 (Proposed Holding Company for Elgin Financial Center, S.B.)
 Up to 6,936,513 Shares of Common Stock
 (See Footnote 4 to the table below)

EFC Bancorp, Inc. (the "Company" or "EFC Bancorp"), a Delaware corporation, is offering up to 6,031,750 shares of its common stock, par value \$.01 per share (the "Common Stock"), in connection with the conversion of Elgin Financial Center, S.B. (the "Bank" or "Elgin") from an Illinois state-chartered mutual savings bank to an Illinois state-chartered stock savings bank and the issuance of the Bank capital stock to the Company pursuant to the Bank's plan of conversion, as amended (the "Plan" or "Plan of Conversion"). The simultaneous conversion of the Bank to stock form, the issuance of the Bank's stock to the Company and the offer and sale of the Common Stock by the Company are herein referred to as the "Conversion." In certain circumstances, the Company may increase the amount of Common Stock offered hereby up to 6,936,513 shares. See Footnote 4 to the table below.

(continued on following page)

FOR ADDITIONAL INFORMATION ON HOW TO SUBSCRIBE FOR COMMON STOCK, PLEASE CALL THE CONVERSION CENTER AT (847)

FOR A DISCUSSION OF CERTAIN FACTORS THAT SHOULD BE CONSIDERED BY EACH PROSPECTIVE INVESTOR, SEE "RISK FACTORS" ON PAGES THROUGH

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, THE ILLINOIS COMMISSIONER OF BANKS AND REAL ESTATE, THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY STATE SECURITIES COMMISSION, OR ANY OTHER AGENCY, NOR HAS SUCH COMMISSION, OFFICE, CORPORATION OR ANY STATE SECURITIES COMMISSION OR OTHER AGENCY PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE SHARES OF COMMON STOCK OFFERED HEREBY ARE NOT SAVINGS ACCOUNTS OR DEPOSITS AND ARE NOT INSURED OR GUARANTEED BY THE BANK INSURANCE FUND OR THE SAVINGS ASSOCIATION INSURANCE FUND OF THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENT AGENCY AND ARE NOT GUARANTEED BY THE COMPANY OR BANK. THE COMMON STOCK IS SUBJECT TO INVESTMENT RISK, INCLUDING THE POSSIBLE LOSS OF THE PRINCIPAL INVESTED.

<TABLE>
 <CAPTION>

	SUBSCRIPTION PRICE (1)	ESTIMATED UNDERWRITING COMMISSIONS AND OTHER FEES AND EXPENSES (2)		ESTIMATED NET PROCEEDS (3)
<S>	<C>	<C>		<C>
Minimum Per Share.....	\$ 10.00	\$	0.29	\$ 9.71
Midpoint Per Share.....	\$ 10.00	\$	0.26	\$ 9.74
Maximum Per Share.....	\$ 10.00	\$	0.25	\$ 9.75
Total Minimum(1).....	\$ 44,582,500	\$	1,299,000	\$43,283,500
Total Midpoint(1).....	\$ 52,450,000	\$	1,389,000	\$51,061,000
Total Maximum (1).....	\$ 60,317,500	\$	1,479,000	\$58,838,500
Total Maximum, as adjusted(4).....	\$ 69,365,130	\$	1,582,000	\$67,783,130

(1) Determined in accordance with an independent appraisal prepared by FinPro, Inc. ("FinPro") dated October 20, 1997, and updated as of December 23, 1997, which states that the estimated pro forma market value of the Common Stock being offered for sale in the Conversion ranged from \$44.6 million to \$60.3 million with a midpoint of \$52.5 million taking into account the contribution to the Elgin Financial Foundation of an amount of Common Stock equal to 8% of the Common Stock sold in the Conversion (the "Valuation Range"). The independent appraisal of FinPro is based upon estimates and projections that are subject to change and the valuation must not be construed as a recommendation as to the advisability of purchasing the Common Stock nor an assurance that a purchaser of Common Stock will thereafter be able to sell the Common Stock at prices within the Valuation Range. Based on the Valuation Range, the Board of Directors of the Company and the Board of Directors of the Bank established an estimated price range of the Common Stock being offered for sale in the Conversion within the Valuation Range of \$44.6 million to \$60.3 million (the "Estimated Price Range") or between 4,458,250 and 6,031,750 shares of Common Stock issued at

the \$10.00 per share price (the "Purchase Price") to be paid for each share of Common Stock subscribed for or purchased in the Offering. See "The Conversion--Stock Pricing."

- (2) Consists of the estimated costs to the Bank and the Company arising from the Conversion, including estimated fixed expenses of approximately \$841,000, and marketing fees to be paid to Charles Webb & Company ("Webb"), a Division of Keefe, Bruyette & Woods, Inc. ("KBW"), estimated to be between \$458,000 and \$638,000 at the minimum and maximum of the Estimated Price Range, respectively. See "The Conversion--Marketing and Underwriting Arrangements." The actual fees and expenses may vary from the estimates. See "Pro Forma Data" for the assumptions used to arrive at these estimates.
- (3) Actual net proceeds may vary substantially from estimated amounts depending upon the number of shares sold in the Offerings and other factors. Includes the purchase of shares of Common Stock by the Elgin Financial Center, S.B. Employee Stock Ownership Plan and related trust (the "ESOP") which is intended to be funded by a loan to the ESOP from the Company or from a third party, which will be deducted from the Company's stockholders' equity. See "Use of Proceeds" and "Pro Forma Data."
- (4) As adjusted to reflect the sale of up to an additional 15% of the Common Stock which may be offered at the Purchase Price, without resolicitation of subscribers or any right of cancellation, due to regulatory considerations, changes in market or general financial and economic conditions. See "Pro Forma Data" and "The Conversion--Stock Pricing." For a discussion of the distribution and allocation of the additional shares, if any, see "The Conversion--Subscription Offering and Subscription Rights," "--Community Offering" and "--Limitations on Common Stock Purchases."

CHARLES WEBB & COMPANY
A DIVISION OF KEEFE BRUYETTE & WOODS, INC.

The date of this Prospectus is _____, 1998.

(continued from previous page)

NON-TRANSFERABLE RIGHTS TO SUBSCRIBE FOR THE COMMON STOCK IN A SUBSCRIPTION OFFERING (THE "SUBSCRIPTION OFFERING") HAVE BEEN GRANTED IN THE FOLLOWING ORDER OF PRIORITY TO: (1) THE BANK'S ELIGIBLE ACCOUNT HOLDERS (DEFINED AS HOLDERS OF DEPOSIT ACCOUNTS TOTTALLING \$100 OR MORE AS OF JULY 31, 1996); (2) THE COMPANY'S AND BANK'S TAX-QUALIFIED EMPLOYEE BENEFIT PLANS (COLLECTIVELY, THE "EMPLOYEE PLANS"), INCLUDING THE ESOP WHICH INTENDS TO SUBSCRIBE FOR UP TO 8% OF THE COMMON STOCK ISSUED IN CONNECTION WITH THE CONVERSION (INCLUDING SHARES ISSUED TO THE ELGIN FINANCIAL FOUNDATION (THE "FOUNDATION")); (3) THE BANK'S SUPPLEMENTAL ELIGIBLE ACCOUNT HOLDERS (DEFINED AS HOLDERS OF DEPOSIT ACCOUNTS TOTTALLING \$100 OR MORE AS OF DECEMBER 31, 1997); AND (4) OTHER VOTING MEMBERS OF THE BANK (DEFINED AS DEPOSITORS OF THE BANK AS OF _____, 1998 (THE "VOTING RECORD DATE")). SUBSCRIPTION RIGHTS ARE NON-TRANSFERABLE. PERSONS FOUND TO BE TRANSFERRING SUBSCRIPTION RIGHTS WILL BE SUBJECT TO FORFEITURE OF SUCH RIGHTS AND POSSIBLE FURTHER SANCTIONS AND PENALTIES. Concurrently, and subject to the prior rights of holders of subscription rights, the Company is offering the shares of Common Stock not subscribed for in the Subscription Offering for sale in a community offering to certain members of the general public (the "Community Offering") with a preference given to natural persons residing in Kane, Cook and McHenry Counties, Illinois (the Bank's "Local Community") (such natural persons herein referred to as "Preferred Subscribers"). Shares not subscribed for in the Subscription and Community Offerings will be offered to certain members of the general public in a syndicated community offering (the "Syndicated Community Offering") (the Subscription Offering, Community Offering and the Syndicated Community Offering are referred to collectively as the "Offerings").

Except for the ESOP, no Eligible Account Holder or Supplemental Eligible Account Holder may, in their respective capacities as such, purchase in the Subscription Offering more than \$200,000 of Common Stock; no person, together with associates and persons acting in concert with such person, may purchase in the Community Offering and Syndicated Community Offering more than \$200,000 of Common Stock; and no person, together with associates of and persons acting in concert with such person, may purchase in the aggregate more than the overall maximum purchase limitation of 1.0% of the total number of shares of Common Stock offered in the Conversion exclusive of any shares issued pursuant to an increase in the Estimated Price Range of up to 15%; provided, however, such purchase limitations may be increased and the amount that may be subscribed for may be increased or decreased at the sole discretion of the Bank and Company without further approval of subscribers or the Bank's members. The minimum purchase is 25 shares. See "The Conversion--Subscription Offering and Subscription Rights," "--Community Offering" and "--Limitations on Common Stock

Purchases."

Pursuant to the Plan, the Company intends to establish a charitable foundation in connection with the Conversion. The Plan provides that the Bank and the Company will create the Elgin Financial Foundation and fund the Foundation with shares of Common Stock contributed by the Company from authorized but unissued shares, in an amount equal to 8% of the number of shares of Common Stock sold in the Conversion. The Foundation will be dedicated to charitable purposes within the Bank's local community. For a discussion of the Foundation and its effects on the Conversion, see "Risk Factors--Establishment of the Charitable Foundation," "Pro Forma Data," and "The Conversion--Establishment of Charitable Foundation."

The Bank has engaged Webb to consult with and advise the Company and the Bank in the Offerings and Webb has agreed to use its best efforts to assist the Company with the solicitation of subscriptions and purchase orders for shares of Common Stock in the Offerings. Webb is not obligated to take or purchase any shares of Common Stock in the Offerings. The Bank and the Company will pay a fee to Webb which will be based on the aggregate Purchase Price of the Common Stock sold in the Offerings. The Company and the Bank have agreed to indemnify Webb against certain liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"). See "The Conversion -Marketing and Underwriting Arrangements."

THE SUBSCRIPTION AND COMMUNITY OFFERINGS WILL TERMINATE AT 12:00 NOON, CENTRAL TIME, ON _____, 1998 (THE "EXPIRATION DATE") UNLESS EXTENDED BY THE BANK AND THE COMPANY, WITH THE APPROVAL OF THE COMMISSIONER OF BANKS AND REAL ESTATE OF THE STATE OF ILLINOIS (THE "COMMISSIONER") AND THE FEDERAL DEPOSIT INSURANCE CORPORATION (THE "FDIC"), IF NECESSARY. Orders submitted are irrevocable until the completion of the Conversion; provided, that if the Conversion is not completed within 45 days after the close of the Subscription and Community Offerings, unless such period has been extended with the consent of the Commissioner and FDIC, if necessary, all subscribers will have their funds returned promptly with interest, and all withdrawal authorizations will be cancelled. Such extensions may not go beyond _____, 2000. See "The Conversion--Procedure for Purchasing Shares in Subscription and Community Offerings."

The Company has received conditional approval to have its Common Stock listed on the American Stock Exchange ("AMEX") under the symbol "EFC" upon completion of the Conversion. Prior to this offering there has not been a public market for the Common Stock, and there can be no assurance that an active and liquid trading market for the Common Stock will develop, or that the Common Stock will trade at or above the Purchase Price. To the extent an active and liquid trading market does not develop, the liquidity and market value of the Common Stock may be adversely affected. See "Risk Factors--Absence of Market for Common Stock" and "Market for the Common Stock."

[MAP GOES HERE]

SUMMARY OF THE CONVERSION AND THE OFFERINGS

THE FOLLOWING SUMMARY OF THE CONVERSION AND THE OFFERINGS IS QUALIFIED IN ITS ENTIRETY BY THE MORE DETAILED INFORMATION APPEARING ELSEWHERE IN THIS PROSPECTUS.

<TABLE>

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Risk Factors.....	A purchase of the Common Stock involves a substantial degree of risk. Eligible Account Holders, Supplemental Eligible Account Holders, Other Voting Members and other prospective investors should carefully consider the matters set forth under "Risk Factors." THE SHARES OF COMMON STOCK OFFERED HEREBY ARE NOT INSURED OR GUARANTEED BY THE FDIC OR ANY OTHER GOVERNMENT AGENCY AND ARE NOT GUARANTEED BY THE COMPANY OR BANK.
EFC BANCORP, INC.....	EFC Bancorp is a Delaware corporation organized at the direction of Elgin Financial Center, S.B. to become a savings and loan holding Company and own all of the Bank's capital stock to be issued upon its conversion from mutual form to stock form. To date, the company has not engaged in any business. Its executive office is located at 1695 Larkin Avenue, Elgin, Illinois 60123 and its telephone number is (847) 741-3900.
ELGIN FINANCIAL CENTER, S.B.....	The Bank is an Illinois state-chartered mutual savings bank. At September 30, 1997, the Bank had total assets of \$324.1 million, total deposits of \$263.6 million and

retained earnings of \$31.7 million. The Bank is located at 1695 Larkin Avenue, Elgin, Illinois 60123 and its telephone number is (847) 741-3900.

THE CONVERSION AND REASONS FOR
CONVERSION.....

The Board of Directors of the Bank has adopted the plan of Conversion pursuant to which the Bank intends to convert to an Illinois state-chartered stock savings bank and issue all of its stock to the Company. The Company is offering shares of its Common Stock in the Offerings in connection with the Bank's Conversion. Management believes the Conversion offers a number of advantages, including: (i) providing a larger capital base on which to operate; (ii) providing enhanced future access to capital markets; (iii) providing enhanced ability to diversify into other financial services related activities; and (iv) providing enhanced ability to increase its presence in the communities it serves through the acquisition or establishment of branch offices or the acquisition of other financial institutions. The Conversion and the Offerings are subject to approval by the Commissioner and non-objection by the FDIC, and approval of members of the Bank eligible to vote at a special meeting to be held on _____, 1998 (the "Special Meeting"). The Commissioner issued an approval letter on _____, 1998 and the FDIC issued a notice of intent not to object to the Conversion on _____, 1998. See "The Conversion--General."

Elgin Financial Foundation.....

The Bank's Plan of Conversion provides for the establishment of a charitable foundation in connection with the Conversion. The Foundation, which will be incorporated under Delaware law as a non-stock corporation, will be funded with a contribution by the Company equal to 8% of the Common Stock sold in the Conversion. The authority for the affairs of the Foundation will be vested in the Board of Directors of the Foundation, all of whom are existing Directors of the Company or the Bank or officers of the Company or the Bank. See "The Conversion-- Establishment of the Charitable Foundation."

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Terms of the Offering.....

The shares of Common Stock to be sold in connection with the Conversion are being offered at a fixed price of \$10.00 per share in the Subscription Offering pursuant to subscription rights in the following order of priority to: (i) Eligible Account Holders; (ii) the Employee Plans, including the ESOP; (iii) Supplemental Eligible Account Holders; and (iv) Other Voting Members. Concurrently, and subject to the prior rights of holders of subscription rights, any shares of Common Stock not subscribed for in the Subscription Offering are being offered in the Community Offering at \$10.00 per share to certain members of the general public with a preference given to Preferred Subscribers. Subscription rights will expire if not exercised by 12:00 Noon, Central time, on _____, 1998, unless extended by the Bank and the Company, with the approval of the Commissioner and the FDIC, if necessary. See "The Conversion -Subscription Offering and Subscription Rights" and "-- Community Offering." All shares of Common Stock not sold in the Subscription and Community Offerings, if any, will be offered for sale to the general public in a Syndicated Community Offering through a syndicate of registered broker-dealers to be formed and managed by Webb acting as agent of the Company to assist the Company and the Bank in the sale of the Common Stock. See "The Conversion--Syndicated Community Offering." The Company and the Bank reserve the absolute right to reject orders, in whole or in part, in their sole discretion, in the Community and Syndicated Community Offerings.

Procedure for Ordering Shares and
Prospectus Delivery.....

Forms to order Common Stock offered in the Subscription Offering and the Community Offering will be preceded or accompanied by a Prospectus. Any person receiving a stock order and certification form who desires to subscribe for shares must do so prior to the Expiration Date by delivering to the Bank a properly executed stock

order and certification form together with full payment. ONCE TENDERED, SUBSCRIPTION ORDERS CANNOT BE REVOKED OR MODIFIED WITHOUT THE CONSENT OF THE BANK. To ensure that each purchaser receives a prospectus at least 48 hours prior to the Expiration Date in accordance with Rule 15c2-8 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), no prospectus will be mailed any later than five days prior to the Expiration Date or hand delivered any later than two days prior to such date. The Bank is not obligated to accept subscriptions not submitted on an original stock order form. See "The Conversion -- Procedure for Purchasing Shares in Subscription and Community Offerings." In order to ensure that Eligible Account Holders, Supplemental Eligible Account Holders, and Other Voting Members are properly identified as to their stock purchase priority, depositors as of the close of business on the Eligibility Record Date (July 31, 1996), or the Supplemental Eligibility Record Date (December 31, 1997) and depositors as of the close of business on the Voting Record Date (, 1998) must list all accounts on the stock order form giving all names, account numbers and social security/tax identification numbers relating to each account. Failure to list all such names, account numbers and social security/tax identification numbers relating to each account may result in a reduction in the number of shares allocated to a subscribing member.

Form of Payment for Shares..... Payment for subscriptions may be made: (i) in cash (if delivered in person and only at the Conversion Center); (ii) by check or money order; or (iii) by authorization of withdrawal from deposit accounts maintained at the Bank. No wire transfers will be accepted. See "Conversion -- Procedure for Purchasing Shares in Subscription and Community Offerings."

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<S> Nontransferability of Subscription Rights..... <C> The subscription rights of Eligible Account Holders, Supplemental Eligible Account Holders, Other Voting Members and the Employee Plans, including the ESOP, are nontransferable. See "The Conversion -- Restrictions on Transfer of Subscription Rights and Shares."

Purchase Limitations..... No Eligible Account Holder, Supplemental Eligible Account Holder or Other Voting Member may purchase in the Subscription Offering more than \$200,000 of Common Stock. No person, together with associates and persons acting in concert with such person, may purchase in the Community Offering and the Syndicated Community Offering more than \$200,000 of Common Stock. No person, together with associates or persons acting in concert with such person, may purchase in the aggregate more than 1% of the Common Stock offered, exclusive of any shares issued pursuant to an increase in the Estimated Price Range of up to 15%. At the maximum of the Estimated Price Range and at 15% above the maximum of the Estimated Price Range, the maximum that any person together with associates or persons acting in concert with such person may purchase in the aggregate is 60,317 shares. However, the Employee Plans, including the ESOP, may purchase up to 10% of the Common Stock issued, including shares issued to the Foundation. Pursuant to the Plan of Conversion, it is the intent of the ESOP to purchase 8% of the Common Stock issued, including shares issued to the Foundation. The minimum purchase is 25 shares of Common Stock. At any time during the Conversion and without approval of the Bank's depositors or a resolicitation of subscribers, the Bank and the Company may, in their sole discretion, decrease the maximum purchase limitation below \$200,000 of Common Stock; however, such amount may not be reduced to less than 0.10% of the Common Stock offered, exclusive of any shares issued pursuant to an increase in the Estimated Price Range of up to 15%. Additionally, at any time during the Conversion, the Bank and the Company may, in their sole discretion, increase the maximum purchase limitation in the Subscription and Community Offerings to an amount in excess of \$200,000 up to a maximum of 5% of the shares to be issued in the Conversion. Similarly, the 1.0% overall maximum purchase limitation may be increased up to 5% of the total shares of Common Stock

offered in the Conversion, exclusive of any shares issued pursuant to an increase in the Estimated Price Range of up to 15%.

Securities Offered and Purchase Price..... The Company is offering between 4,458,250 and 6,031,750 shares of Common Stock at a Purchase Price of \$10.00 per share. The maximum of the Estimated Price Range may be increased by up to 15% and the maximum number of shares of Common Stock to be issued may be increased up to 6,936,513 shares due to regulatory considerations and changes in market or general financial or economic conditions. See "The Conversion -- Stock Pricing" and "-- Number of Shares to be Issued."

Appraisal..... The Purchase Price per share has been fixed at \$10.00. The total number of shares to be issued in the Conversion is based upon an independent appraisal prepared by FinPro, dated as of October 20, 1997 and updated as of December 23, 1997, which states that the estimated pro forma market value of the Common Stock ranged from \$44.6 million to \$60.3 million. The final aggregate value will be determined at the time of closing of the Offerings and is subject to change due to changing market conditions and other factors. See "The Conversion--Stock Pricing."

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Use of Proceeds..... The Company will use 50% of the net proceeds of the Offerings to purchase all of the outstanding common stock of the Bank to be issued in the Conversion. A portion of net proceeds retained by the Company will be used for general business activity, including a loan by the Company directly to the ESOP to enable the ESOP to purchase up to 8% of the stock issued in connection with the Conversion, including shares issued to the Foundation. The Company intends to initially invest the remaining net proceeds in mortgage-backed and mortgage related securities and other investment-grade marketable securities. The Bank intends to utilize net proceeds for general business purposes. See "Use of Proceeds."

Dividend Policy..... Upon Conversion, the Board of Directors of the Company will have the authority to declare dividends on the Common Stock, subject to statutory and regulatory requirements. In the future, the Board of Directors of the Company may consider a policy of paying cash dividends on the Common Stock. However, no decision has been made with respect to such dividends, if any. See "Dividend Policy."

Benefits of the Conversion to Management..... Among the benefits to the Bank and the Company anticipated from the Conversion is the ability to attract and retain personnel through the use of stock options and other stock related benefit programs. Subsequent to the Conversion, the Company intends to adopt a Stock Program (as defined herein) and Stock Option Plan (as defined herein) for the benefit of directors, officers and employees. If such benefit plans are adopted within one year after the Conversion, such plans will be subject to stockholders' approval at a meeting of stockholders which may not be held earlier than six months after the Conversion. The Company intends to adopt a stock benefit plan which would provide for the granting of Common Stock to officers, directors and employees of the Bank and Company in an amount equal to 4% of the Common Stock issued in the Conversion, including shares issued to the Foundation (the "Stock Program"). The Company also intends to adopt a stock option plan which would provide the Company with the ability to grant options to officers, directors and employees of the Bank and Company to purchase Common Stock equal to 10% of the number of shares of Common Stock issued in the Conversion, including shares issued to the Foundation (the "Stock Option Plan"). Additionally, certain officers of the Company and the Bank will be provided with employment agreements or change in control agreements which provide such officers with employment rights and/or payments upon their termination of service following a change in control. For a further description of the Stock Program and Stock Option Plan, see "Risk Factors--Stock Based Benefits to

Management, Employment Contracts and Change in Control Payments" and "Management of the Bank -Benefit Plans." See "Management of the Bank--Subscriptions of Executive Officers and Directors," "Restrictions on Acquisition of the Company and the Bank--Restrictions in the Company's Certificate of Incorporation and Bylaws," and "The Conversion-- Establishment of the Charitable Foundation."

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Voting Control of Officers and Directors.....

Directors and executive officers of the Bank and the Company expect to purchase approximately 6.8% or 5.0% of the shares of Common Stock sold, based upon the minimum and the maximum of the Estimated Price Range, respectively. Assuming the implementation of the ESOP, Stock Program and Stock Option Plan, and shares purchased directly by directors and executive officers of the Bank and the Company, directors, executive officers and employees have the potential to control the voting of approximately 24.2% of the Common Stock at the maximum of the Estimated Price Range, including shares issued to the Foundation. Additionally, the Foundation will hold Common Stock in an amount equal to 7.4% of the Common Stock sold in the Conversion, with such shares of Common Stock to be voted in the same ratio as all other shares of the Company's Common Stock. See "The Conversion-- Establishment of the Charitable Foundation," "Management of the Bank--Subscriptions of Executive Officers and Directors," and "Restrictions on Acquisition of the Company and the Bank--Restrictions in the Company's Certificate of Incorporation and Bylaws."

Expiration Date for the Subscription Offering.....

The Expiration Date for the Subscription Offering is 12:00 Noon, Central time on , 1998 unless extended by the Bank and the Company. See "The Conversion --Subscription Offering and Subscription Rights."

Expiration Date for the Community Offering.....

The Expiration Date for the Community Offering is 12:00 Noon, Central time on , 1998, unless extended by the Bank and the Company. See "The Conversion -- Community Offering."

Market for Stock.....

As a mutual institution, the Bank has never issued capital stock and, consequently, there is no existing market for the Common Stock. The Company has received conditional approval to have its Common Stock listed on the AMEX under the symbol "EFC" subject to the completion of the Conversion and compliance with certain conditions. See "Market for the Common Stock."

No Board Recommendations.....

The Bank's Board of Directors and the Company's Board of Directors are not making any recommendations to depositors or other potential investors regarding whether such persons should purchase the Common Stock. An investment in the Common Stock must be made pursuant to each investor's evaluation of his or her best interests.

Conversion Center.....

If you have any questions regarding Conversion, call the Conversion Center at (847) .

</TABLE>

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA OF THE BANK

Set forth below are selected consolidated financial and other data of the Bank. These financial data are derived in part from, and should be read in conjunction with, the Consolidated Financial Statements of the Bank and Notes thereto presented elsewhere in this Prospectus.

<TABLE>

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AT
SEPTEMBER
30, AT DECEMBER 31,

	1997 (1)	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	(UNAUDITED)			(IN THOUSANDS)		
Selected Consolidated Financial Data:						
Total assets.....	\$ 324,082	\$ 315,910	\$ 298,043	\$ 274,069	\$ 267,147	\$ 252,298
Loans receivable, net.....	240,658	237,678	220,937	202,543	174,617	165,337
Investment securities available for sale(3).....	43,270	37,543	30,707	29,782	28,587	27,188
Mortgage-backed securities, net, available for sale(4).....	19,071	21,975	24,520	26,725	29,761	30,117
Deposits.....	263,568	253,114	248,142	239,423	239,260	230,323
FHLB advances.....	24,000	29,000	15,000	6,500	--	--
Retained earnings.....	31,723	29,513	27,862	23,352	21,027	17,704

</TABLE>

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	FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE FISCAL YEAR ENDED DECEMBER 31,				
<S>	1997	1996	1996	1995	1994	1993	1992
	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	(UNAUDITED)			(IN THOUSANDS)			
Selected Operating Data:							
Interest income.....	\$ 18,331	\$ 17,385	\$ 23,421	\$ 21,432	\$ 19,528	\$ 19,597	\$ 20,785
Interest expense.....	9,849	9,275	12,513	11,157	9,106	9,338	11,474
Net interest income before provision for loan losses.....	8,482	8,110	10,908	10,275	10,422	10,259	9,311
Provision for loan losses.....	195	45	54	72	90	93	206
Net interest income after provision for loan losses.....	8,287	8,065	10,854	10,203	10,332	10,166	9,105
Noninterest income.....	601	619	802	674	569	677	614
Noninterest expense.....	5,527	6,766	8,482	6,370	6,102	5,421	4,538
Earnings before income tax expense and cumulative effect of change in accounting principle.....	3,361	1,918	3,174	4,507	4,799	5,422	5,181
Income tax expense.....	1,143	702	1,132	1,746	1,843	2,086	1,924
Earnings before cumulative effect of change in accounting principle.....	2,218	1,216	2,042	2,761	2,956	3,336	3,257
Cumulative effect of change in accounting for income taxes.....	--	--	--	--	--	--	306
Net earnings.....	\$ 2,218	\$ 1,216	\$ 2,042	\$ 2,761	\$ 2,956	\$ 3,336	\$ 2,951

(continued on following page)

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	AT OR FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE FISCAL YEAR ENDED DECEMBER 31,				
<S>	1997 (1)	1996 (1) (2)	1996 (2)	1995	1994	1993	1992
	<C>	<C>	<C>	<C>	<C>	<C>	<C>
		(UNAUDITED)		(IN THOUSANDS)			
Selected Financial Ratios and Other Data(4):							
Performance Ratios:							
Return on average assets.....	.91%	.53%	0.66%	0.97%	1.09%	1.28%	1.13%
Return on average retained earnings.....	9.65	5.65	7.09	10.64	12.92	16.98	18.03
Average retained earnings to average assets.....	9.47	9.39	9.33	9.11	8.43	7.53	6.60
Retained earnings to total assets at end of period.....	9.79	9.15	9.34	9.35	8.52	7.87	7.02
Net interest rate spread(5).....	2.96	2.94	2.96	3.06	3.50	4.58	4.36

Net interest margin(6).....	3.57	3.58	3.59	3.65	3.93	4.53	4.25
Average interest-earning assets to average interest-bearing liabilities.....	114.66	115.56	115.19	114.95	112.61	98.69	97.93
Total noninterest expense to average assets.....	2.28	2.95	2.75	2.24	2.25	2.08	1.83
Efficiency ratio(7).....	60.85	77.51	72.43	58.18	55.52	49.57	45.72
Net interest income to operating expenses.....	153.46	119.86	128.60	161.30	170.80	189.25	205.18
Regulatory Capital Ratios(8):							
Leverage capital.....	9.59	9.15	9.33	9.24	8.68	7.96	7.10
Total risk-based capital.....	17.73	16.14	16.49	16.26	15.82	17.04	15.15
Asset Quality Data and Ratios:							
Total non-performing loans(9).....	\$ 2,075	\$ 781	\$ 516	\$ 789	\$ 543	\$ 1,088	\$ 155
Real estate owned, net.....	120	--	67	477	581	770	1,125
Total non-performing assets(10).....	2,195	781	583	1,266	1,124	1,858	1,280
Allowance for loan losses.....	1,002	799	808	754	682	592	500
Non-performing loans as a percent of loans(9) (11).....	0.86%	0.33%	0.22%	0.36%	0.27%	0.62%	0.09%
Non-performing assets as a percent of total assets(10).....	0.68	0.25	0.19	0.43	0.41	0.70	0.51
Allowance for possible loan losses as a percent of loans(11).....	0.41	0.34	0.34	0.34	0.34	0.34	0.31
Allowance for possible loan losses as a percent of total non-performing loans(9).....	48.3	102.3	156.60	95.60	125.60	54.40	322.60
Net charge-offs as a percent of loans(11).....	--	--	--	--	--	--	.02
Other Data:							
Number of customer facilities.....	6	7	6	7	7	6	6

</TABLE>

- (1) The data presented for the nine months ended September 30, 1997 and 1996 was derived from unaudited consolidated financial statements and reflect, in the opinion of management, all adjustments (consisting only of normal recurring adjustments) which are necessary to present fairly the results for such interim periods. Interim results at and for the nine months ended September 30, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997.
- (2) Includes effect of the one-time special assessment of \$1.5 million, on a pre-tax basis, to recapitalize the SAIF, which the Bank recognized in the quarter ended September 30, 1996.
- (3) The Bank adopted Statement of Financial Accounting Standards ("SFAS") No. 115, "Accounting for Certain Investments in Debt and Equity Securities," ("SFAS No. 115"), as of January 1, 1994.
- (4) Asset Quality Ratios and Regulatory Capital Ratios are end of period ratios. With the exception of end of period ratios, all ratios are based on average monthly balances during the indicated periods. Performance ratios at and for the nine months ended September 30, 1997 and 1996 are annualized where appropriate.
- (5) The net interest rate spread represents the difference between the weighted average yield on average interest-earning assets and the weighted average cost of average interest-bearing liabilities.
- (6) The net interest margin represents net interest income as a percent of average interest-earning assets.
- (7) The efficiency ratio represents the ratio of non-interest expense divided by the sum of net interest income and non-interest income.
- (8) For definitions and further information relating to the Bank's regulatory capital requirements, see "Regulation and Supervision--Regulations--Capital Requirements." See "Regulatory Capital Compliance" for the Bank's pro forma capital levels as a result of the Offerings.
- (9) Non-performing loans consist of all non-accrual loans and all other loans 90 days or more past due. It is the Bank's policy to generally cease accruing interest on all loans 90 days or more past due. See "Business of the Bank -Delinquent Loans, Classified Assets and Real Estate Owned."
- (10) Non-performing assets consist of non-performing loans and real estate owned, net ("REO").

(11) Loans represent loans receivable net, excluding the allowance for loan losses.

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RISK FACTORS

THE FOLLOWING SPECIAL CONSIDERATIONS, IN ADDITION TO THOSE DISCUSSED ELSEWHERE IN THIS PROSPECTUS, SHOULD BE CONSIDERED BY INVESTORS IN DECIDING WHETHER TO PURCHASE THE COMMON STOCK OFFERED HEREBY.

SENSITIVITY TO INCREASES IN INTEREST RATES

The Bank's profitability, like that of most financial institutions, is dependent to a large extent upon its net interest income, which is the difference between its interest income on interest-earning assets, such as loans and securities, and its interest expense on interest-bearing liabilities, such as its deposits and borrowed funds. Accordingly, the Bank's results of operations and financial condition are largely dependent on movements in market interest rates and its ability to manage its assets and liabilities in response to such movements.

The Bank emphasizes investment in adjustable-rate mortgage loans ("ARMs"). At September 30, 1997, 58.9% of the Bank's total loans receivable had adjustable interest rates and its loan portfolio had an average weighted maturity of 18.0 years. However, while still emphasizing the origination of ARMs, in an effort to increase its volume of one- to four-family residential loan originations, the Bank recently, adopted certain changes to its loan pricing strategies which may expose it to increased interest rate risk. In this regard, the Bank has determined to price its fixed-rate one- to four-family residential mortgage loans more aggressively. Previously, the Bank had typically priced such loans at above market rates in order to control the amount of originations of such loans. In response to customer demand, however, the Bank has determined that it can increase its lending volume by pricing its fixed-rate loans more competitively.

At September 30, 1997, \$10.4 million, or 16.8%, of the Bank's investment securities had adjustable interest rates and its securities portfolio had a weighted average maturity of 8.7 years. As part of interest bearing liabilities, the Bank had \$83.6 million of certificates of deposit with maturities of one year or less and \$9.5 million of deposits over \$100,000. Such deposits tend to be less stable sources of funding as compared to core deposits and at September 30, 1997 represented 33.45% of the Bank's interest-bearing liabilities. As a result, the ratio of the Bank's interest-earning assets repricing or maturing within one year or less as compared to its interest-bearing liabilities maturing or repricing in one year or less ("one year gap position") was negative 21.94%. Due to the Bank's level of deposits which may reprice at rates faster than its core deposits, the Bank's cost of funds may increase at a greater rate in a rising interest rate environment than if it had a greater amount of core deposits which, in turn, may adversely affect net interest income and net income. Accordingly, in a rising interest rate environment, the Bank's interest-bearing liabilities may adjust upwardly more rapidly than its yield on its adjustable-rate loans, adversely affecting the Bank's net interest rate spread, net interest income and net income.

Significant increases in the level of market interest rates also may adversely affect the fair value of the Bank's securities and other interest-earning assets. At September 30, 1997, \$51.9 million, or 83.2%, of the Bank's securities had fixed interest rates. Generally, the value of fixed-rate instruments fluctuates inversely with changes in interest rates. As a result, increases in interest rates could result in decreases in the market value of interest-earning assets which could adversely affect the Bank's results of operations if sold or, in the case of interest-earning assets classified as available-for-sale, the Bank's retained earnings if retained. Increases in market interest rates also can affect the type (fixed-rate or adjustable-rate) and amount of loans originated by the Bank and the average life of loans and securities, which can adversely impact the yields earned on the Bank's loan and securities portfolio. In periods of decreasing interest rates, the average life of loans held by the Bank may be shortened to the extent increased prepayment activity occurs during such periods which, in turn, may result in the Bank investing funds from such prepayments in lower yielding assets. See "Management's Discussion and Analysis of Financial Condition and Results of Operations--Management of Interest Rate Risk."

POTENTIAL LOW RETURN ON EQUITY FOLLOWING THE CONVERSION

At September 30, 1997, the Bank's ratio of net worth to assets was 9.79%. The Company's equity position will be significantly increased as a result of the Conversion. On a pro forma basis as of September 30, 1997, assuming the sale of Common Stock at the midpoint of the Estimated Price Range, the Company's ratio of equity to assets would exceed 21.0%. The Company's ability to deploy this new capital through investments in interest-

bearing assets, such as loans and securities, which bear rates of return comparable to its current investments, will be significantly affected by industry competition for such investments. The Company currently anticipates that it will take time to prudently deploy such capital. In addition, the issuance of authorized but unissued shares of Common Stock to the Foundation will adversely impact the Company's earnings per share on a going-forward basis. As a result, the Company's return on equity initially is expected to be below its historical return on equity and may be below peer group institutions after the Conversion.

INCREASED LENDING RISKS ASSOCIATED WITH COMMERCIAL REAL ESTATE, MULTI-FAMILY REAL ESTATE, CONSTRUCTION AND LAND AND COMMERCIAL BUSINESS LENDING

At September 30, 1997, the Bank's commercial real estate, multi-family real estate, construction and land and commercial loan portfolios totalled \$49.3 million, or 20.3% of total loans and 15.6% of total interest-earning assets. At that date, commercial real estate loans totalled \$11.5 million, or 4.7% of total loans, multi-family real estate loans totalled \$21.3 million, or 8.8% of total loans, construction and land loans totalled \$13.4 million, or 5.5% of total loans and commercial loans totalled \$3.1 million, or 1.3% of total loans. Additionally at such date, the Bank had \$11.1 million of outstanding commitments to fund commercial real estate, multi-family, construction and land and commercial loans.

Although the Bank's level of commercial real estate, multi-family real estate, construction and land and commercial lending has historically been relatively modest in comparison to its one- to four-family residential lending, the Bank has recently increased its emphasis on commercial real estate and commercial business loans. In this regard, the Bank has hired two experienced commercial loan originators with the primary responsibility of increasing commercial real estate and commercial business loan volume. Commercial real estate and multi-family loans are generally viewed as exposing the lender to a greater risk of loss than one- to four-family residential loans. Repayment of commercial real estate and multi-family loans generally is dependent, in large part, on sufficient income from the property to cover operating expenses and debt service. Economic events and government regulations, which are outside the control of the borrower or lender, could impact the value of the security for the loan or the future cash flow of the affected properties. Additionally, although commercial real estate and multi-family values have stabilized in recent periods, the decline in real estate and multi-family values experienced in the Bank's primary market area in the late 1980s and early 1990s was more pronounced with respect to commercial real estate and multi-family properties than one- to four-family residential properties. Construction financing is also generally considered to involve a higher degree of credit risk than long-term financing on improved, owner-occupied real estate as the risk of loss on such loans is dependent largely upon the accuracy of the initial estimate of the property's value at completion of construction compared to the estimated cost (including interest) of construction. If the estimate of value proves to be inaccurate, the property securing the loan, when completed, may have a value which is insufficient to assure full repayment of the loan.

The Bank also makes secured and unsecured commercial business loans. Unsecured commercial business loans are generally considered to involve a higher degree of risk than secured commercial business loans and real estate lending, due to the absence of collateral securing the loan. Secured commercial business loans are generally secured by equipment, leases, inventory and accounts receivable. Accordingly, the value of the collateral securing the Bank's commercial business loans may not be as easy to ascertain as compared to real property, and such collateral may depreciate over time and may not be as readily saleable as compared to real property. Both secured and unsecured commercial business loans are often substantially dependent upon the success of the borrower's business. Accordingly, commercial

business loans involve a greater degree of risk than a one- to four-family mortgage loan and other types of mortgage loans. See "Business of the Bank -- Lending Activities."

As a consequence of the Bank's planned increased emphasis on and increased investment in commercial real estate, and commercial business loans, the Bank may determine it necessary to increase the level of its provision for loan losses, over that provided in past years. Such additional or increased provisions for loan losses would adversely affect the Bank's net income. Management believes the current allowance reserve is fully adequate at September 30, 1997. Any increased provisions are intended to increase the reserve commensurate with increases in portfolio risk. See "Business of the

EFFECTS OF THE ESTABLISHMENT OF THE CHARITABLE FOUNDATION

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Pursuant to the Plan, the Company intends to voluntarily establish a charitable foundation in connection with the Conversion. The Plan provides that the Bank and the Company will establish the Foundation, which will be incorporated under Delaware law as a non-stock corporation and will be funded with shares of Common Stock contributed by the Company. The contribution of Common Stock to the Foundation will be dilutive to the interests of stockholders and will have an adverse impact on the reported earnings of the Company in 1998, the year in which the Foundation will be funded.

DILUTION OF STOCKHOLDERS' INTERESTS. The Company proposes to fund the Foundation with Common Stock of the Company in an amount equal to 8% of the Common Stock to be sold in the Conversion. At the minimum, midpoint and maximum of the Estimated Price Range, the contribution to the Foundation would equal 356,660, 419,600 and 482,540 shares, with a value of \$3.6 million, \$4.2 million and \$4.8 million, respectively, based on the Purchase Price of \$10.00 per share. Assuming the sale of Common Stock at the maximum of the Estimated Price Range, upon completion of the Conversion and establishment of the Foundation, the Company will have 6,514,290 shares issued and outstanding of which the Foundation will own 482,540 shares, or 7.4%. AS A RESULT, PERSONS PURCHASING SHARES OF COMMON STOCK IN THE CONVERSION WILL HAVE THEIR OWNERSHIP AND VOTING INTERESTS IN THE COMPANY DILUTED BY 7.4%, AS COMPARED TO COMPLETING THE CONVERSION WITHOUT THE FOUNDATION. SEE "PRO FORMA DATA."

IMPACT ON EARNINGS. The contribution of Common Stock to the Foundation will have an adverse impact on the Company's earnings in the year in which the contribution is made. The Company will recognize the full expense in the amount of the contribution of Common Stock to the Foundation in the quarter in which it occurs, which is expected to be the first quarter of 1998. The amount of the contribution will range from \$3.6 million to \$4.8 million, based on the minimum and maximum of the Estimated Price Range. The contribution expense will be partially offset by the tax benefit related to the contribution. The Company and the Bank have been advised by their independent tax advisors that the contribution to the Foundation will be tax deductible, subject to an annual limitation based on 10% of the Company's annual taxable income before the charitable contribution deduction. Assuming a contribution of \$4.8 million in Common Stock (based on the maximum of the Estimated Price Range), the Company estimates a net tax effected expense of \$3.0 million (based upon a 37.0% tax rate). If the Foundation had been established at December 31, 1996, the Bank would have reported a net loss of \$1.8 million for the year ended December 31, 1996, including the effect of the SAIF Special Assessment (as defined herein). Excluding the effect of the SAIF Special Assessment, if the Foundation had been established at December 31, 1996, the Bank would have reported a net loss of \$224,000, rather than reporting net income of \$2.0 million for the year ended December 31, 1996. Management cannot predict earnings for 1998, but expects that the establishment and funding of the Foundation will have an adverse impact on the Company's earnings for the year. Due to the contribution to the Foundation, the Bank expects in the future to reduce the amount of its current charitable contributions within its community. The Company and the Bank do not currently anticipate making additional contributions to the Foundation within the first five years following the initial contribution.

TAX CONSIDERATIONS. The Company and the Bank have been advised by their independent tax advisors that an organization created for the above purposes would qualify as a Section 501(c)(3) exempt organization under the Internal Revenue Code of 1986, as amended (the "Code"), and would be classified as a private foundation. The Foundation will submit a request to the Internal Revenue Service ("IRS") to be recognized as an exempt organization. The Company and the Bank have received an opinion of their independent tax advisors that the Foundation would qualify as a Section 501(c)(3) exempt organization under the Code, except that such opinion does not consider the impact of the regulatory condition agreed to by the Foundation that Common Stock issued to the Foundation be voted in the same ratio as all other shares of the Company's Common Stock on all proposals considered by stockholders of the Company. See "The Conversion--Establishment of the Charitable Foundation." The independent tax advisors' opinion further provides that there is substantial authority for the position that the Company's contribution of its own stock to the Foundation would not constitute an act of self-

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dealing, and that the Company would be entitled to a deduction in the amount of the fair market value of the stock at the time of the contribution less the nominal par value that the Foundation is required to pay to the Company for such stock, subject to an annual limitation based on 10% of the Company's annual taxable income before the charitable contribution deduction. The Company, however, would be able to carry forward any unused portion of the deduction for five years following the contribution. Thus, while the Company would have received a charitable contribution deduction of approximately \$317,00 in 1996 (based upon the sale of stock at the maximum of the Estimated Price Range and a contribution of \$4.8 million of Common Stock and the Bank's pre-tax income for 1996), the Company is permitted under the Code to carryover the excess contribution in the five following years. Assuming the sale of Common Stock at the maximum of the Estimated Price Range, the Company estimates that substantially all of the deduction should be deductible over the six-year period. Although the Company and the Bank have received an opinion of their independent tax advisors that the Company will be entitled to the deduction for the charitable contribution, there can be no assurances that the IRS will recognize the Foundation as a Section 501(c)(3) exempt organization or that the deduction will be permitted. In such event, the Company's tax benefit related to the Foundation would have to be fully expensed, resulting in a further reduction in earnings in the year in which the IRS makes such a determination.

COMPARISON OF VALUATION AND OTHER FACTORS ASSUMING THE FOUNDATION IS NOT ESTABLISHED AS PART OF THE CONVERSION. The establishment of the Foundation was taken into account by FinPro in determining the estimated pro forma market value of the Common Stock of the Company. The aggregate price of the shares of Common Stock being offered in the Subscription and Community Offerings is based upon the independent appraisal prepared by FinPro of the estimated pro forma market value of the Common Stock of the Company. The pro forma aggregate price of the Common Stock being offered for sale in the Conversion is currently estimated to be between \$44.6 million and \$60.3 million, with a midpoint of \$52.5 million. The pro forma price to book ratio and the pro forma price to earnings ratio, are 73.10% and 13.16x, respectively, at the midpoint of the Estimated Price Range. In the event that the Conversion did not include the Foundation, FinPro has estimated that the estimated pro forma market value of the Common Stock would be \$62.0 million at the midpoint based on a pro forma price to book ratio and the pro forma price to earnings ratio that are approximately the same as the independent appraisal at 73.10% and 13.39x, respectively. The amount of Common Stock being offered for sale in the Conversion at the midpoint of the Estimated Price Range is approximately \$9.6 million less than the estimated amount of Common Stock that would be offered in the Conversion without the Foundation based on the estimate provided by FinPro. Accordingly, certain account holders of the Bank who subscribe to purchase Common Stock in the Subscription Offering would receive fewer shares depending on the size of a depositor's stock order and the amount of his or her qualifying deposits in the Bank and the overall level of subscriptions. See "Comparison of Valuation and Pro Forma Information with No Foundation." This estimate by FinPro was prepared solely for purposes of providing Eligible Account Holders and subscribers with information with which to make an informed decision on the Conversion.

The decrease in the amount of Common Stock being offered as a result of the contribution of Common Stock to the Foundation will not have a significant effect on the Company or the Bank's capital position. The Bank's regulatory capital is significantly in excess of its regulatory capital requirements and will further exceed such requirements following the Conversion. The Bank's leverage and risk-based capital ratios at September 30, 1997 were 9.57% and 17.73%, respectively. Assuming the sale of shares at the midpoint of the Estimated Price Range, the Bank's pro forma leverage and risk-based capital ratios at September 30, 1997 would be 14.54% and 27.2%, respectively. On a consolidated basis, the Company's pro forma stockholders' equity would be \$77.5 million, or approximately 20.96% of pro forma consolidated assets, assuming the sale of shares at the midpoint of the Estimated Price Range. Pro forma stockholders' equity per share and pro forma net earnings per share would be \$13.68 and \$0.57, respectively. If the Foundation was not being established in the Conversion, based on the FinPro estimate, the Company's pro forma stockholders' equity would be approximately \$84.8 million, or approximately 22.5% of pro forma consolidated assets at the midpoint of the estimate, and pro forma stockholders' equity per share and pro forma net earnings per share would be substantially similar with the Foundation as without the establishment of the Foundation. See "Comparison of Valuation and Pro Forma Information with No Foundation."

POTENTIAL ANTI-TAKEOVER EFFECT. Upon completion of the Conversion, the Foundation will own 7.4% of the total shares of the Company's Common Stock outstanding. Such shares will be owned solely by the Foundation, however, pursuant to a condition imposed by the FDIC, the shares of Common Stock held by the Foundation must be voted in the same ratio as all other voted shares of the Company's Common Stock on all proposals considered by the stockholders

of the Company. As such, the Company does not believe the Foundation will have an anti-takeover effect on the Company. However, in the event that the FDIC were to waive this voting restriction and did not impose additional restrictions on the Foundation with regard to the voting of Common Stock, the Foundation's Board of Directors would exercise sole voting power over such shares. See "The Conversion -- Establishment of the Foundation -- Regulatory Conditions Imposed on the Foundation." As the Foundation's Board of Directors will be comprised initially of members of the Board of Directors of the Company or the Bank or officers of the Company or the Bank, in the event that the FDIC waived the voting restriction, management of the Company and the Bank may benefit to the extent that the Board of Directors of the Foundation determines to vote the shares of Common Stock held by the Foundation in favor of proposals supported by the Company and the Bank. Furthermore, in such an event, when the Foundation's shares are combined with shares purchased directly by officers and directors of the Company, shares held by the Stock Program trust, and shares held by the ESOP trust, the aggregate of such shares could exceed 20% of the Company's outstanding Common Stock, which could enable management to defeat stockholder proposals requiring 80% approval. Consequently, such potential voting control might preclude takeover attempts that certain stockholders deem to be in their best interest, and might tend to perpetuate management. However, since the ESOP shares are allocated to all eligible employees of the Bank, and any unallocated shares will be voted by an independent trustee, and because the Stock Program must first be approved by stockholders no sooner than six months following completion of the Conversion, and awards under such proposed plans may be granted to employees other than executive officers and Directors, management of the Company does not expect to have voting control of all shares covered by the ESOP and other stock-based benefit plans. See "--Certain Anti-Takeover Provisions--Voting Control of Officers and Directors." Moreover, as the Foundation sells its shares of Common Stock over time, its ownership interest and voting power in the Company is expected to decrease.

POTENTIAL CHALLENGES. The establishment and funding of a charitable foundation as part of a conversion of a mutual savings institution to stock form is innovative and has, to the Bank's knowledge, been done in a limited number of instances. As such, the Foundation is subject to the Commissioner's approval of the Conversion and the FDIC's nonobjection to the Conversion, and may also be subject to potential challenges notwithstanding that the Board of Directors of the Company and the Board of Directors of the Bank have carefully considered the various factors involved in the establishment of the Foundation in

reaching their determination to establish the Foundation as part of the Conversion. See "The Conversion--Establishment of the Charitable Foundation--Purpose of the Foundation." If challenges were to be instituted seeking to require the Bank to eliminate establishment of the Foundation in connection with the Conversion, no assurances can be made that the resolution of such challenges would not result in a delay in the consummation of the Conversion or that any objecting persons would not be ultimately successful in obtaining such removal or other relief against the Company or the Bank. Additionally, if the Company and the Bank are forced to eliminate the Foundation, the Company may be required to resolicit subscribers in the Offerings.

HIGHLY COMPETITIVE INDUSTRY AND GEOGRAPHIC AREA

The Bank faces significant competition in its primary market area both in attracting deposits and in originating loans. All of the Bank's offices are located in Kane, the western-most part of Cook and the southern-most part of McHenry Counties, Illinois, which are suburbs located northwest of the City of Chicago. The Chicago metropolitan area is a highly competitive market, and one which has expanded outward to gradually include Kane, western Cook and southern McHenry Counties within its perimeter. The Bank's share of deposits in Kane, Cook and McHenry Counties amounts to approximately 4.9%, 0.02% and 0.08%, respectively. The Bank faces direct competition from a significant number of financial institutions operating in its market area, many with a state-wide or regional presence, and, in some cases, a national presence. This competition arises from commercial banks, savings banks, mortgage banking companies, credit unions and other providers of financial services, many of which are significantly larger than the Bank and, therefore, have greater financial and marketing resources than those of the Bank. As the Chicago metropolitan area continues to expand outward, the continued profitability of the Bank will depend, in part, upon its ability to compete successfully in its market area. See "Business of the Bank-- Market Area."

CERTAIN ANTI-TAKEOVER PROVISIONS

PROVISIONS IN THE COMPANY'S AND THE BANK'S GOVERNING INSTRUMENTS. Certain provisions of the Company's Certificate of Incorporation and Bylaws,

particularly a provision limiting voting rights, and the Bank's Articles of Incorporation (the "Articles of Incorporation") and Bylaws, as well as certain federal and state regulations, assist the

Company in maintaining its status as an independent publicly owned corporation. These provisions provide for, among other things, supermajority voting, staggered boards of directors, noncumulative voting for directors, limits on the calling of special meetings of shareholders, limits on the ability to vote Common Stock in excess of 10% of outstanding shares, and certain uniform price provisions for certain business combinations. The Illinois Office of Banks and Real Estate ("OBRE") regulations prohibit, for a period of three years following the date of conversion, offers to acquire or the acquisition of beneficial ownership of more than 10% of the outstanding stock of the Bank. The Bank's stock Articles of Incorporation also prohibit, for five years, the acquisition, directly or indirectly, of the beneficial ownership of more than 10% of the Bank's equity securities. Any person, or group acting in concert, violating this restriction may not vote the Bank's or Company's securities in excess of 10%. These provisions in the Bank's and the Company's governing instruments may discourage potential proxy contests and other potential takeover attempts, particularly those which have not been negotiated with the Board of Directors, and thus, generally may serve to perpetuate current management. See "Restrictions on Acquisition of the Company and the Bank."

VOTING CONTROL OF OFFICERS AND DIRECTORS. Directors and executive officers of the Bank and the Company expect to purchase approximately 6.8% or 5.0% of the shares of Common Stock to be sold in the Conversion, based upon the minimum and the maximum of the Estimated Price Range, respectively, exclusive of shares that may be attributable to directors and officers through the Stock Program, the Stock Option Plan and the ESOP, which such plans may give directors, executive officers and employees the potential to control the voting of approximately 24.2% of the Common Stock at the maximum of the Estimated Price Range. Additionally, the Foundation will hold Common Stock in an amount equal to 7.4% of the Common Stock sold in the Conversion. However, pursuant to voting restrictions imposed by the FDIC, such Common Stock must be voted in the same ratio as all other voted shares of Common Stock. In the event an unconditional waiver was granted by the FDIC, such shares would be voted as determined by the Board of Directors of the Foundation which will initially be comprised of Directors of the Bank or the Company or Officers of the Bank or the Company. The Board of Directors of the Foundation will, in the future, consider appointing members of the Board who are members of the Bank's local community and not officers, directors or employees of the Bank or the Company. Management's potential voting control could, together with additional stockholder support, defeat stockholder proposals requiring 80% approval of stockholders. As a result, this potential voting control may preclude takeover attempts that certain stockholders deem to be in their best interest and may tend to perpetuate existing management. See "Restrictions on Acquisition of the Company and the Bank--Restrictions in the Company's Certificate of Incorporation and Bylaws" and "The Conversion--Establishment of the Charitable Foundation."

ABSENCE OF MARKET FOR COMMON STOCK

The Company, as a newly organized company, has never issued capital stock, and consequently, there is no established market for its Common Stock at this time. The Company has received conditional approval to have its Common Stock listed on the AMEX under the symbol "EFC" upon completion of the Conversion. A public trading market having the desirable characteristics of depth, liquidity and orderliness depends upon the existence of willing buyers and sellers at any given time, the presence of which is dependent upon the individual decisions of buyers and sellers over which the Company has no control. Accordingly, there can be no assurance that an active and liquid trading market for the Common Stock will develop or that, if developed, will continue, nor is there any assurance that purchasers of the Common Stock will be able to sell their shares at or above the Purchase Price. The absence or discontinuance of a market for the Common Stock would have an adverse impact on both the price and liquidity of the Common Stock. See "Market for Common Stock."

STOCK-BASED BENEFITS TO MANAGEMENT, EMPLOYMENT CONTRACTS AND CHANGE IN CONTROL PAYMENTS

STOCK PROGRAM. The Company intends to adopt the Stock Program which would provide stock grants of Common Stock to non-employee directors and selected officers and employees of the Company and Bank and intends to seek stockholder approval of such plans at a meeting of stockholders following the Conversion, which may be held no earlier than six months after completion of the Conversion. The Company expects to acquire Common Stock on behalf of the Stock Program in an amount equal to 4% of the Common Stock issued in connection with the Conversion, including shares issued to the Foundation, or 192,596 shares and 260,571 shares at the minimum and

maximum of the Estimated Price Range, respectively. These shares will be acquired either through open market purchases or from authorized but unissued Common Stock. See "--Possible Dilutive Effect of Stock Program and Stock Option Plan."

Although no specific award determinations have been made, the Company anticipates that it will provide awards under the Stock Program to the directors and selected officers and employees of the Company and Bank to the extent permitted by applicable regulations. These shares granted under the Stock Program will be awarded at no cost to the recipients. Under the terms of the Stock Program, an independent trustee will vote unallocated shares in the same proportion as it receives instructions from recipients with respect to allocated shares which have not been earned and distributed. Recipients will vote allocated shares. The plan trustee will not vote allocated shares which have not been distributed if it does not receive instructions from the recipient. The specific terms of the Stock Program intended to be adopted and the amounts of awards thereunder have not yet been determined by the Board of Directors, and any such determination will include consideration of various factors, including but not limited to, the financial condition of the Company, current and past performance of plan participants and tax and securities law and regulation requirements. The stock-based benefits provided under the Stock Program and Stock Option Plan, discussed below, may be provided under separate plans established for officers and employees and non-employee directors or such benefits may be provided for under a single master stock-based benefit plan adopted by the Company which would incorporate the benefits and features of the separate plans (the "Master Stock-Based Benefit Plan"). Additionally, the granting or vesting of awards under such benefit plans may be conditioned upon the achievement of individual or company-wide performance goals, including the achievement by the Company or Bank of specified levels of net income or returns on equity or assets. The implementation of such Stock Program may result in increased compensation expenses to the Company and may have a dilutive effect on existing stockholders. See "Management of the Bank--Benefit Plans--Stock Program" and "--Possible Dilutive Effect of Stock Program and Stock Option Plan."

STOCK OPTION PLAN. The Company also intends to adopt stock-based benefit plans which would provide options to purchase Common Stock ("Stock Options") to officers, employees and non-employee directors of the Company and Bank (the "Stock Option Plan") and intends to seek stockholder approval of such plans at a meeting of stockholders following the Conversion, which may be held no earlier than six months after completion of the Conversion. Although no specific determinations have been made, the Company expects that non-employee directors and selected officers and employees of the Company and Bank will be granted options to purchase Common Stock in an amount equal to 10% of the Common Stock issued in connection with the Conversion, including shares issued to the Foundation (or 481,491 shares and 651,429 shares at the minimum and maximum of the Estimated Price Range, respectively). It is currently intended that the exercise price of the Stock Options will be equal to the fair market value of the underlying Common Stock on the date of grant. Stock Options will permit such directors, officers and employees to benefit from any increase in the market value of the shares in excess of the exercise price at the time of exercise. Recipients of Stock Options will not be required to pay for the shares until the date of exercise. The specific terms of the Stock Option Plan intended to be adopted and amounts and awards thereunder have not yet been determined by the Board and any such determination will include consideration of various factors, including but not limited to, the financial condition of the Company, current and past performance of award recipients and tax and securities law and regulation requirements. The Stock Options discussed above may be provided under a single stock option plan, may be granted under separate stock option plans for officers and employees and non-employee directors or may be provided for under the Master Stock-Based Benefit Plan which would incorporate the features and benefits of the separate stock option plans and the Stock Program, and benefits awarded thereunder may be conditioned upon the achievement of individual or company-wide performance goals, including the achievement by the Company or Bank of specified levels of net income or returns on equity or assets. The implementation of such Stock Option Plan may have a dilutive effect upon existing stockholders of the Company to the extent option exercises are satisfied with authorized but unissued shares. See "--Possible Dilutive Effect of Stock Program and Stock Option Plan" and "Management of the Bank--Benefit Plans--Stock Option Plan."

CHANGE IN CONTROL PROVISIONS. The Company and the Bank intend to enter into employment or change in control agreements with certain officers of the Bank and Company which will provide for benefits and cash payments in the event of their termination following a change in control of the Company or Bank. These provisions may have the effect of increasing the cost of acquiring the Company or Bank, thereby discouraging future attempts to take over the Company or the Bank. Additionally, the Bank intends to adopt an

employee severance compensation plan, which similarly provides a cash payment and benefits to eligible employees upon such employees' termination following a

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change in control of the Company or Bank, also may have the effect of increasing the cost of acquiring the Company or Bank. Based on current salaries, cash payments to be paid in the event of a change in control pursuant to the terms of the employment agreements, change in control agreements and the employee severance compensation plan would be approximately \$2.9 million. However, the actual amount to be paid in the event of a change in control of the Bank or the Company cannot be estimated at this time because the actual amount is based on the average salary of the employee and other factors existing at the time of the change in control. See "Restrictions on Acquisition of the Company and the Bank--Restrictions in the Company's Certificate of Incorporation and Bylaws," "Management of the Bank--Employment Agreements," "-- Change in Control Agreements," "--Employee Severance Compensation Plan," "--Benefit Plans -Stock Option Plan" and "--Benefit Plans--Stock Program."

POSSIBLE DILUTIVE EFFECT OF STOCK PROGRAM AND STOCK OPTION PLAN

Following the Conversion, the Stock Program will acquire an amount of shares equal to 4% of the shares of Common Stock issued in the Conversion, including shares issued to the Foundation, either through open market purchases or the issuance of authorized but unissued shares of Common Stock from the Company. If the Stock Program is funded by the issuance of authorized but unissued shares, the voting interests of existing shareholders at that time will be diluted by approximately 3.8%. Also following the Conversion, the Company intends to implement the Stock Option Plan which will provide directors and selected employees of the Company and the Bank with Stock Options to purchase authorized but unissued shares in an amount equal to 10% of the Common Stock issued in the Conversion, including shares issued to the Foundation. If all of the Stock Options intended to be granted were to be exercised using authorized but unissued Common Stock and if the Stock Program were funded with authorized but unissued shares, the voting interests of existing stockholders at that time would be diluted by approximately 12.3%.

POSSIBLE ADVERSE INCOME TAX CONSEQUENCES OF THE DISTRIBUTION OF SUBSCRIPTION RIGHTS

The Bank has received an opinion of FinPro that subscription rights granted to Eligible Account Holders have no value. However, this opinion is not binding on the IRS. If the subscription rights granted to Eligible Account Holders or Supplemental Eligible Account Holders are deemed to have an ascertainable value, such recipients could be taxed upon receipt or exercise of such subscription rights. Additionally, the Bank could recognize a gain for tax purposes on such distribution. Whether subscription rights are considered to have ascertainable value is an inherently factual determination. See "The Conversion-- Effects of Conversion" and "--Tax Aspects."

POSSIBLE INCREASE IN ESTIMATED PRICE RANGE AND NUMBER OF SHARES ISSUED

The number of shares to be sold in the Conversion may be increased as a result of an increase in the Estimated Price Range of up to 15% to reflect changes in market and financial conditions following the commencement of the Subscription and Community Offerings. In the event that the Estimated Price Range is so increased, it is expected that the Company will sell up to 6,936,513 shares of Common Stock at the Purchase Price for an aggregate purchase price of up to \$69.4 million. An increase in the number of shares issued will decrease a subscriber's pro forma net earnings per share and stockholders' equity per share and will increase the Company's pro forma consolidated stockholders' equity and net earnings. Such an increase will also increase the Purchase Price as a percentage of pro forma stockholders' equity per share and net earnings per share.

NO FAIRNESS OPINION

The Bank has engaged Webb as a financial and marketing advisor, and Webb has agreed to assist the Bank and the Company in its solicitation of subscriptions and purchase orders for Common Stock in the Offerings. Webb has not prepared any report or opinion constituting recommendations or advice to the Bank. In addition, Webb has expressed no opinion as to the prices at which Common Stock to be issued in the Offerings may trade. Furthermore, Webb has not verified the accuracy or completeness of the information contained in the Prospectus or the Proxy Statement. See "The Conversion--Marketing and Underwriting Arrangements."

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POTENTIAL DELAYS OF CONSUMMATION OF THE CONVERSION

Orders submitted in the Subscription Offering, Community Offering and/or Syndicated Community Offering are irrevocable. The Company and the Bank expect to complete the Conversion within the time periods indicated in this Prospectus. Nevertheless, it is possible that several factors, including, but not limited to, a delay in receiving regulatory approval of the final updated appraisal prepared by FinPro, a delay in processing orders in the event the Offerings are oversubscribed or a delay caused by a regulatory or legal challenge to the establishment and funding of the Foundation or other actions taken in connection with the Conversion could significantly delay the completion of the Conversion. Subscribers will have no access to subscription funds and/or shares of Common Stock until the Conversion is completed or terminated. In the event the Conversion is terminated, subscribers will be refunded their subscription funds, together with interest at a rate equal to the Bank's interest rate paid on passbook accounts, or will have their withdrawal authorization terminated. See "The Conversion."

YEAR 2000 COMPLIANCE

Many existing computer programs use only two digits to identify a year in the date field. These programs were designed without considering the impact of the upcoming change in the century. If not corrected, many computer applications and systems could fail or create erroneous results by or at the year 2000. The Bank primarily utilizes a third party vendor and such vendor's proprietary software to process its electronic data. The third party data processor vendor is in the process of modifying, upgrading or replacing its computer software applications and systems as necessary to accommodate the "year 2000" dating changes necessary to permit correct recording of year dates for 2000 and later years. The Vendor also has engaged various consultants to review its "year 2000" issues and has begun to implement a "year 2000" compliance program. The Bank has prepared a "Year 2000" Plan and is in the process of testing internal systems for compliance. The Bank does not currently have any information concerning the compliance status of its suppliers and customers. In the event that any of the Bank's significant suppliers do not successfully and timely achieve "year 2000" compliance, the Bank's business or operations could be adversely affected. The cost, if any, that may arise from "year 2000" issues is not currently determinable.

EFC BANCORP, INC.

EFC Bancorp is a Delaware corporation recently organized at the direction of the Board of Directors of the Bank for the purpose of acquiring all of the capital stock of the Bank to be issued in the Conversion. The Company expects to receive approval from the Office of Thrift Supervision ("OTS") to become a savings and loan holding company and, upon completion of the Conversion, will be subject to regulation by the OTS. See "The Conversion--General" and "Regulation and Supervision--Holding Company Regulation." Upon consummation of the Conversion, the Company will have no significant assets other than all of the shares of the Bank's capital stock acquired in the Conversion and an amount equal to 50% of the net proceeds of the Conversion, including the loan to the ESOP, and will have no significant liabilities. The Company intends to use a portion of the net proceeds it retains to loan to the ESOP funds to enable the ESOP to purchase up to 8% of the stock issued in connection with the Conversion, including shares issued to the Foundation. The remaining net proceeds will be used for general business activities, including the funding of the Stock Program and Stock Option Plan. Initially, net proceeds are expected to be invested by the Company and the Bank in primarily mortgage-backed and mortgage-related securities and other investment-grade marketable securities. See "Use of Proceeds." The management of the Holding Company is set forth under "Management of the Company." Initially, the Company will neither own nor lease any property, but will instead use the premises, equipment and furniture of the Bank. At the present time, the Company does not intend to employ any persons other than certain officers who are currently officers of the Bank but will utilize the support staff of the Bank from time to time. Additional employees will be hired as appropriate to the extent the Company expands its business in the future.

Management believes that the holding company structure will provide the Company additional flexibility to diversify its business activities through existing or newly formed subsidiaries (which subsidiaries could be financial institutions), or through acquisitions of or mergers with other financial institutions and financial services related companies. Although there are no current arrangements, understandings or agreements regarding any such

opportunities, the Company will be in a position after the Conversion, subject to regulatory limitations and the Company's financial position, to take advantage of any such acquisition and expansion opportunities that may arise. The initial activities of the Company are anticipated to be funded by the proceeds to be retained by the Company, income thereon and through dividends from the Bank.

The Company's executive office is located at the administrative offices of the Bank, 1695 Larkin Avenue, Elgin, Illinois 60123. Its telephone number is (847) 741-3900.

ELGIN FINANCIAL CENTER, S.B.

The Bank was originally organized in 1924 as a federally-chartered mutual savings and loan association. It reorganized in the 1980s to become Elgin Federal Financial Center, a federally-chartered mutual savings association, and again on July 1, 1996 to become Elgin Financial Center, S.B., an Illinois state-chartered mutual savings bank. The Bank's deposit accounts are insured to the maximum allowable amount by the Savings Association Insurance Fund ("SAIF") as administered by the FDIC. Including the Bank's principal office, which is located in Elgin, Illinois, the Bank services its customers from three full-service banking facilities located in Elgin and two full service banking facilities located in Algonquin and West Dundee, Illinois. At September 30, 1997, the Bank had total assets of \$324.1 million, total deposits of \$263.6 million, retained earnings of \$31.7 million and had a leverage capital ratio of 9.59% and a total risk-based capital ratio of 17.73%. See "Regulation and Supervision--Regulations--Capital Requirements."

The Bank is a community-oriented savings institution whose principal business consists of accepting retail deposits from the general public in its primary market area, consisting of those areas surrounding its full-service branch offices, and investing those deposits together with funds generated from operations and borrowings primarily in mortgage loans secured by one- to four-family residences and, to a much lesser extent, multi-family and commercial real estate loans, construction and land loans, commercial business loans, home equity loans, and automobile and passbook savings loans. The Bank also invests in mortgage-backed securities, securities issued by the U.S. Government, and other investments permitted by applicable laws and regulations. The Bank's primary market area for lending consists of Kane, western Cook and southern McHenry Counties. See "Business of the Bank."

At September 30, 1997, the Bank's gross loan portfolio totalled \$242.2 million, or 74.7% of total assets, of which \$184.7 million were one- to four-family residential mortgage loans, \$21.3 million were multi-family real estate loans, \$11.5 million were commercial real estate loans, \$13.4 million were construction and land loans, \$3.1 were commercial business loans and \$8.2 million were consumer loans, consisting of primarily home equity lines of credit and commercial business loans and, to a much lesser extent, automobile and passbook savings loans. The Bank originates one- to four-family mortgage loans generally secured by properties located in the Bank's primary market area. The Bank originates all of its loans for investment. See "Business of the Bank."

The Bank's securities investment activities primarily consist of investments in mortgage-backed securities and U.S. Government obligations. At September 30, 1997, the Bank's securities portfolio totalled \$62.3 million, or 19.2% of total assets, all of which was categorized as available-for-sale. At September 30, 1997, the Bank's mortgage-backed securities portfolio totalled \$19.1 million, or 5.9% of total assets, all of which was classified as available-for-sale and consisted of mortgage-backed securities, guaranteed or issued by Governmental-sponsored and federal agencies such as the Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC") and Government National Mortgage Association ("GNMA"). The Bank's investment securities generally consist of United States Government obligations. See "Business of the Bank--Investment Activities."

At September 30, 1997, the Bank's deposit accounts totalled \$263.6 million or 90.2% of total liabilities, of which \$111.1 million, or 42.2%, were comprised of passbook saving accounts, retail checking/ negotiable order of withdrawal ("NOW") accounts, money market accounts and commercial checking accounts (collectively, "core deposits"). In addition to core deposits, the Bank had \$152.4 million of certificate accounts,

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or 52.1% of total liabilities, of which \$83.6 million were certificates of deposit with maturities of one year or less and \$9.5 million were certificates of deposit with balances of \$100,000 or more ("jumbo deposits").

The Bank's executive office is located at 1695 Larkin Avenue, Elgin, Illinois 60123. Its telephone number is (847) 741-3900.

ELGIN FINANCIAL FOUNDATION

In furtherance of the Bank's commitment to its local community, the Bank's Plan of Conversion provides for the establishment of a charitable foundation in connection with the Conversion. The Plan provides that the Bank and the Company will create the Elgin Financial Foundation, which will be incorporated under Delaware law as a non-stock corporation. The Foundation will be funded with shares of Common Stock contributed by the Company, as further described below. The Company and the Bank believe that the funding of the Foundation with Common Stock of the Company is a means of establishing a common bond between the Bank and its community and thereby enables the Bank's community to share in the potential growth and success of the Company over the long term. While the Bank has made charitable contributions in the past, the Bank has not previously formed a charitable foundation nor has it made contributions to charitable organizations of the magnitude of the contribution that will be made to the Foundation in the Conversion. By further enhancing the Bank's visibility and reputation in its local community, the Bank believes that the Foundation will enhance the long-term value of the Bank's community banking franchise. See "The Conversion--Establishment of the Charitable Foundation - Structure of the Foundation."

The members of the Foundation will be the Board of Directors of the Foundation. The authority for the affairs of the Foundation will be vested in the Board of Directors of the Foundation, which initially will be comprised of existing Directors of the Company or the Bank or officers of the Company or the Bank, who will receive no fees for serving on the Foundation's Board of Directors. The Directors of the Foundation will be responsible for establishing the policies of the Foundation with respect to grants or donations by the Foundation, consistent with the purposes for which the Foundation was established. Although no formal policy governing Foundation grants exists at this time, the Foundation's Board of Directors will adopt such a policy upon establishment of the Foundation. It is anticipated that the Foundation will make grants and donations to nonprofit organizations and community groups within the Bank's Local Community. The Directors of the Foundation will also be responsible for directing the activities of the Foundation, including the management of the Common Stock held by the Foundation. However, establishment of the Foundation is subject to certain regulatory conditions, including a requirement that the Common Stock of the Company held by the Foundation be voted in the same ratio as all other shares of the Company's Common Stock on all proposals considered by stockholders of the Company. See "The Conversion--Establishment of the Charitable Foundation."

The Company proposes to fund the Foundation by contributing to the Foundation immediately following the Conversion a number of shares of authorized but unissued Common Stock equal to 8% of the Common Stock sold in the Offerings, or 356,660, 419,600 and 482,540 shares at the minimum, midpoint and maximum, respectively, of the Estimated Price Range, respectively. Such contribution, once made, will not be recoverable by the Company or the Bank. Assuming the sale of shares at the maximum of the Estimated Price Range and the issuance of shares to the Foundation, the Company will have 6,514,290 shares issued and outstanding, of which the Foundation will own 482,540 shares, or 7.4%. DUE TO THE ISSUANCE OF ADDITIONAL SHARES OF COMMON STOCK TO THE FOUNDATION, PERSONS PURCHASING SHARES IN THE CONVERSION WILL HAVE THEIR OWNERSHIP AND VOTING INTERESTS IN THE COMPANY DILUTED BY 7.4%. SEE "PRO FORMA DATA." The establishment of the Foundation was taken into account in determining the estimated pro forma market value of the Bank. In the event the Conversion did not include the Foundation, FinPro has estimated that the pro forma market value of the Bank would be \$62.0 million at the midpoint of the Estimated Price Range rather than \$56.6 million. See "Risk Factors--Effects of the Establishment of the Charitable Foundation--Comparison of Valuation and Other Factors Assuming the Foundation is Not Established as Part of the Conversion" and "Pro Forma Data."

As a result of the establishment of the Foundation, the Company will recognize an expense of the full amount of the contribution, which is expected to be offset in part by a corresponding tax benefit, during the quarter in which the contribution is made, which is expected to be the first quarter of 1998. Such expense will reduce earnings and have a material impact on the Company's earnings for the fiscal year in which it is made. While management cannot predict earnings for 1998, it expects that the establishment and funding of the Foundation will have an adverse impact on the

Company's earnings for the year in which it is made. Assuming a contribution of \$4.8 million in Common Stock in 1998, based on the maximum of the Estimated Price Range and assuming a tax rate of 37.0%, the Company estimates a net tax effected expense of \$3.0 million (based on a tax rate of 37.0%). If the Foundation had been established at December 31, 1996, the Bank would have reported a net loss of \$1.8 million for the year ended December 31, 1996, including the effect of the SAIF Special Assessment. Excluding the effect of the SAIF Special Assessment, if the Foundation had been established at December 31, 1996, the Bank would have reported a net loss of \$224,000 rather

than reporting net income of \$2.0 million for the year ended December 31, 1996. Due to the contribution to the Foundation, the Bank expects in the future to reduce the amount of its current charitable contributions within its community. The Bank does not anticipate making future charitable contributions to the Foundation during the first five years following the initial contribution to the Foundation. For further discussion of the Foundation and its impact on purchasers in the Conversion, see "Risk Factors--Effects of the Establishment of the Charitable Foundation," "Pro Forma Data" and "The Conversion--Effects of the Establishment of the Charitable Foundation."

The establishment and funding of a charitable foundation as part of a conversion of a mutual savings institution to stock form is innovative and has only been done in a limited number of instances. As such, the establishment of the Foundation in connection with the Conversion and the Commissioner's approval and FDIC's non-objection to the Plan of Conversion may be subject to potential challenges which could result in delays in the Conversion. See "Risk Factors--Effects of the Establishment of the Charitable Foundation--Potential Challenges."

REGULATORY CAPITAL COMPLIANCE

At September 30, 1997, the Bank exceeded each of its regulatory capital requirements. Set forth below is a summary of the Bank's compliance with the FDIC capital standards as of September 30, 1997, on an historical and pro forma basis assuming that the indicated number of shares were sold as of such date and receipt by the Bank of 50% of the net proceeds. For purposes of the table below, the amount expected to be borrowed by the ESOP and the cost of its shares expected to be acquired by the Stock Program are deducted from pro forma regulatory capital.

<TABLE>
<CAPTION>

	PRO FORMA AT SEPTEMBER 30, 1997 BASED UPON THE SALE AT \$10.00 PER SHARE							
	HISTORICAL AT SEPTEMBER 30, 1997		4,458,250 SHARES (MINIMUM OF THE ESTIMATED PRICE RANGE)		5,245,000 SHARES (MIDPOINT OF THE ESTIMATED PRICE RANGE)		6,031,750 SHARES (MAXIMUM OF THE ESTIMATED PRICE RANGE)	
	AMOUNT	PERCENT OF ASSETS (2)	AMOUNT	PERCENT OF ASSETS (2)	AMOUNT	PERCENT OF ASSETS (2)	AMOUNT	PERCENT OF ASSETS (2)
(DOLLARS IN THOUSANDS)								
<S> GAAP Capital(3).....	<C> \$ 31,723	<C> 9.79%	<C> \$ 47,587	<C> 14.00%	<C> \$ 50,456	<C> 14.72%	<C> \$ 53,325	<C> 15.43%
Leverage Capital:								
Capital Level(4).....	\$ 31,024	9.57%	\$ 46,888	13.81%	\$ 49,757	14.54%	\$ 52,626	15.25%
Requirement(5).....	12,942	4.00	13,577	4.00	13,691	4.00	13,806	4.00
Excess.....	\$ 18,082	5.57%	\$ 33,311	9.81%	\$ 36,066	10.54%	\$ 38,820	11.25%
Risk-Based Capital:								
Capital Level (4) (6)...	\$ 31,991	17.73%	\$ 47,855	25.80%	\$ 50,724	27.21%	\$ 53,593	28.61%
Requirement.....	14,437	8.00	14,840	8.00	14,914	8.00	14,988	8.00
Excess.....	\$ 17,554	9.73%	\$ 33,015	17.80%	\$ 35,810	19.21%	\$ 38,605	20.61%
	6,936,513 SHARES (15% ABOVE MAXIMUM OF THE ESTIMATED PRICE RANGE) (1)							
	AMOUNT	PERCENT OF ASSETS (2)						
<S> GAAP Capital(3).....	<C> \$ 56,625	<C> 16.23%						

Leverage Capital:		
Capital Level(4).....	\$ 55,926	16.05%
Requirement(5).....	13,938	4.00
	-----	-----
Excess.....	\$ 41,988	12.05%
	-----	-----
Risk-Based Capital:		
Capital Level (4)(6)...	\$ 56,893	30.19%
Requirement.....	15,073	8.00
	-----	-----
Excess.....	\$ 41,820	22.19%
	-----	-----

</TABLE>

- (1) As adjusted to give effect to an increase in the number of shares which could occur due to an increase in the Estimated Price Range of up to 15% as a result of regulatory considerations as changes in market or general financial or economic conditions following the commencement of the Subscription and Community Offerings.
- (2) Leverage capital levels are shown as a percentage of average assets. Risk-based capital levels are calculated on the basis of a percentage of risk-weighted assets.
- (3) GAAP defined as Generally Accepted Accounting Principles.
- (4) Pro forma capital levels assume receipt by the Bank of 50% of the net proceeds from the shares of Common Stock sold at the minimum, midpoint and maximum of the Estimated Price Range. These levels also assume funding by the Bank of the Stock Program equal to 4% of the Common Stock issued and repayment of the Company's loan to the ESOP to enable the ESOP to purchase 8% of the Common Stock issued, including shares issued to the Foundation, valued at the minimum, midpoint and maximum of the Estimated Price Range. See "Management of the Bank--Benefit Plans" for a discussion of the Stock Program and ESOP.
- (5) The current leverage capital requirement for savings banks is 3% of total adjusted assets for savings banks that receive the highest supervisory rating for safety and soundness and that are not experiencing or anticipating significant growth. The current leverage capital ratio applicable to all other savings banks is 4% to 5%. See "Regulation and Supervision--Regulations--Capital Requirements." The Company will not be subject to regulatory capital requirements.
- (6) Assumes net proceeds are invested in assets that carry a risk-weighting equal to the actual risk weighting of the Bank's assets as of September 30, 1997.

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USE OF PROCEEDS

Although the actual net proceeds from the sale of the Common Stock cannot be determined until the Conversion is completed, it is presently anticipated that the net proceeds from the sale of the Common Stock will be between \$43.3 million and \$58.8 million (or \$67.8 million if the Estimated Price Range is increased by 15%). See "Pro Forma Data" and "The Conversion - Stock Pricing" as to the assumptions used to arrive at such amounts. The Company will be unable to utilize any of the net proceeds of the Offerings until the consummation of the Conversion.

The Company will purchase all of the outstanding capital stock of the Bank to be issued upon Conversion in exchange for 50% of the net proceeds of the Offerings. Based on net proceeds of \$43.3 million to \$58.8 million, the Company expects to utilize between \$21.6 million and \$29.4 million of net proceeds to purchase the common stock of the Bank. Such portion of net proceeds received by the Bank from the Company will be added to the Bank's general funds which the Bank currently intends to utilize for general corporate purposes, including investment in loans and securities. The Bank may also use such funds for the expansion of its facilities, including the construction of a new branch in 1998, and to expand operations through acquisitions of other financial institutions, branch offices or other financial services companies within the Bank's primary market area. To the extent that the stock-based benefit programs which the Company or the Bank intend to adopt subsequent to the Conversion are not funded with authorized but unissued common stock of the Company, the Company or Bank may use net proceeds from the Conversion to fund the purchase of stock to be awarded under such stock benefit programs. See "Risk Factors--Stock-Based Benefits to Management, Employment Contracts and Change in Control Payments" and "Management of the Bank--Benefit Plans -Stock Option Plan" and "--Stock Program."

The Company intends to use a portion of the net proceeds it retains (i.e., 50% of the net proceeds, which based on net proceeds of \$43.3 million to \$58.8 million will be between \$21.6 million and \$29.4 million) to make a loan directly to the ESOP to enable the ESOP to purchase in the Conversion, or in the open market to the extent Common Stock is not available to fill the ESOP's subscription, 8% of the Common Stock issued in connection with the Conversion, including shares issued to the Foundation. Based upon the sale of 4,458,250 shares or 6,031,750 shares at the minimum and maximum of the Estimated Price Range, and the issuance of shares to the Foundation, the amount of the loan to the ESOP would be \$3.9 million or \$5.2 million, respectively (or \$6.0 million if the Estimated Price Range is increased by 15%), with a term of 15 years at the prevailing prime rate of interest, which currently is 8.5%. The Company and Bank may alternatively choose to fund the ESOP's stock purchases through a loan by a third party financial institution. See "Management of the Bank--Benefit Plans--ESOP." The remaining net proceeds retained by the Company will initially be invested in mortgage-backed and mortgage-related securities and other investment grade marketable securities.

The net proceeds retained by the Company may also be used to support the future expansion of operations through branch acquisitions, the establishment of branch offices and the acquisition of savings associations and commercial banks or their assets, including those located within the Bank's market area or diversification into other banking related businesses. The Company and the Bank have no current arrangements, understandings or agreements regarding any such transactions. The Company, upon the Conversion, will be a unitary savings and loan holding company, which under existing laws would not be restricted as to the types of business activities in which it may engage. See "Regulation and Supervision-- Holding Company Regulation" for a description of certain regulations applicable to the Company.

Upon completion of the Conversion, the Board of Directors of the Company will have the authority to adopt stock repurchase plans, subject to statutory and regulatory requirements. Unless previously approved, the Company, pursuant to applicable regulations, may not repurchase any Common Stock in the first year after conversion. If approval is obtained to repurchase common stock during the first year after conversion, then such repurchase may not be greater than 5% of the capital stock issued. Further, the Company may not repurchase any of its Common Stock if the repurchases would cause the Bank to become "undercapitalized" within the meaning of the FDIC prompt corrective action regulation. See "Regulation and Supervision -Prompt Corrective Regulatory Action." In addition, the FDIC prohibits an insured mutual state savings bank which has converted from the mutual to stock form of ownership from repurchasing its capital stock within one year following the date of its conversion to stock form, except that stock repurchases of no greater than 5% of a bank's outstanding capital stock may be repurchased during this one-year period where compelling and valid business reasons are established to the satisfaction of the FDIC.

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Based upon facts and circumstances following the Conversion and subject to applicable regulatory requirements, the Board of Directors may determine to repurchase stock in the future. Such facts and circumstances may include but not be limited to: (i) market and economic factors such as the price at which the stock is trading in the market, the volume of trading, the attractiveness of other investment alternatives in terms of the rate of return and risk involved in the investment, the ability to increase the book value and/or earnings per share of the remaining outstanding shares, and the opportunity to improve the Company's return on equity; (ii) the avoidance of dilution to stockholders by not having to issue additional shares to cover the exercise of stock options or to fund employee stock benefit plans; and (iii) any other circumstances in which repurchases would be in the best interests of the Company and its shareholders. In the event the Company determines to repurchase stock, such repurchases may be made at market prices which may be in excess of the Purchase Price in the Conversion. To the extent that the Company repurchases stock at market prices in excess of the Purchase Price in the Conversion, such repurchases may have a dilutive effect upon the interests of existing stockholders. Any stock repurchases will be subject to the determination of the Board of Directors that both the Company and the Bank will be capitalized in excess of all applicable regulatory requirements after any such repurchases and that such capital will be adequate, taking into account, among other things, the level of non-performing and other risk assets, the Company's and the Bank's current and projected results of operations and asset/liability structure, the economic environment, tax and other considerations. See "The Conversion--Certain Restrictions on Purchase or Transfer of Shares after Conversion."

DIVIDEND POLICY

Upon Conversion, the Board of Directors of the Company will have the authority to declare dividends on the Common Stock, subject to statutory and regulatory requirements. Following the Conversion, the Board of Directors

intends to consider a policy of paying cash dividends on the Common Stock. However, no decision has been made as to the amount or timing of such dividends, if any.

Pursuant to Illinois law, a savings bank is required to maintain at all times total capital of not less than 3% of total assets. Prior approval of the Commissioner is required before any dividends on capital stock that exceed 50% of a savings bank's net profits that year may be declared in that calendar year. The Bank will not be permitted to pay dividends on its common stock or repurchase shares of its common stock if its stockholder's equity would be reduced below the amount required for the liquidation account. See "Regulation and Supervision--Regulations." Section 38 of the Federal Deposit Insurance Act ("FDIA") would prohibit the Bank from making a dividend if it were "undercapitalized" or if such dividend would result in the institution becoming "undercapitalized."

Unlike the Bank, the Company is not subject to the restrictions imposed by the Illinois State Banking Law on the payment of dividends to its stockholders, although the source of such dividends will be, in part, dependent upon dividends from the Bank in addition to the net proceeds retained by the Company and earnings thereon. The Company is subject, however, to the requirements of Delaware law, which generally limit dividends to an amount equal to the excess of the net assets of the Company (the amount by which total assets exceed total liabilities) over its statutory capital, or if there is no such excess, to its net profits for the current and/or immediately preceding fiscal year.

MARKET FOR THE COMMON STOCK

The Company was recently formed and has never issued capital stock. The Bank, as a mutual institution, has never issued capital stock. The Company has received conditional approval to have its Common Stock listed on the AMEX under the symbol "EFC" subject to the completion of the Conversion. Such approval is subject to various conditions, including completion of the Conversion and the satisfaction of applicable listing criteria. There can be no assurance that the Common Stock will be able to meet the applicable listing criteria in order to maintain its listing on the AMEX or that an active and liquid trading market will develop or, if developed, will be maintained. A public market having the desirable characteristics of depth, liquidity and orderliness, however, depends upon the presence in the marketplace of both willing buyers and sellers of Common Stock at any given time, which is not within the control of the Company. No assurance can be given that an investor will be able to resell the Common Stock at or above the Purchase Price of the Common Stock after the Conversion. See "Risk Factors--Absence of Market for Common Stock."

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CAPITALIZATION

The following table presents the historical capitalization of the Bank at September 30, 1997, and the pro forma consolidated capitalization of the Company after giving effect to the Conversion, including the issuance of shares to the Foundation, based upon the sale of the number of shares indicated in the table and the other assumptions set forth under "Pro Forma Data."

<TABLE>
<CAPTION>

	COMPANY PRO FORMA BASED UPON SALE AT \$10.00 PER SHARE				
	BANK HISTORICAL	(MINIMUM OF ESTIMATED PRICE RANGE)	(MIDPOINT OF ESTIMATED PRICE RANGE)	(MAXIMUM OF ESTIMATED PRICE RANGE)	(15% ABOVE MAXIMUM OF ESTIMATED PRICE RANGE) (1)
	(IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
Deposits (2).....	\$ 263,568	\$ 263,568	\$ 263,568	\$ 263,568	\$ 263,568
FHLB Advances.....	24,000	24,000	24,000	24,000	24,000
Total deposits and borrowed funds.....	\$ 287,568	\$ 287,568	\$ 287,568	\$ 287,568	\$ 287,568
Stockholders' equity:					
Preferred Stock, \$.01 par value, 2,000,000 shares authorized; none to be issued.....	\$ --	\$ --	\$ --	\$ --	\$ --
Common Stock, \$.01 par value, 25,000,000 shares authorized; shares to be issued as reflected.....	--	48	57	65	75
Additional paid-in capital(3).....	--	46,803	55,200	63,599	73,257
Retained earnings (4).....	31,723	31,723	31,723	31,723	31,723
Less:					

Expense of contributions to Foundation.....	--	3,567	4,196	4,825	5,549
Plus:					
Tax effect of contribution to Foundation(5).....	--	1,320	1,553	1,785	2,053
Less:					
Common Stock acquired by the ESOP(6)....	--	3,852	4,532	5,211	5,993
Common Stock acquired by the Stock Program(7).....	--	1,926	2,266	2,606	2,997
Total stockholders' equity.....	\$	31,723	\$ 70,549	\$ 77,539	\$ 84,530
					\$ 92,569

</TABLE>

- (1) As adjusted to give effect to an increase in the number of shares which could occur due to an increase in the Estimated Price Range of up to 15% as a result of regulatory considerations or changes in market or general financial and economic conditions following the commencement of the Subscription and Community Offerings.
- (2) Does not reflect withdrawals from deposit accounts for the purchase of Common Stock in the Conversion. Such withdrawals would reduce pro forma deposits by the amount of such withdrawals.
- (3) Reflects the issuance of shares sold in the Offerings and the issuance of additional shares of Common Stock to the Foundation at a value of \$10.00 per share. No effect has been given to the issuance of additional shares of Common Stock pursuant to the Company's Stock Option Plan intended to be adopted by the Company and presented for approval of stockholders at a meeting of stockholders following the Conversion. The Stock Option Plan would provide the grant of stock options to purchase an amount of Common Stock equal to 10% of the shares of Common Stock issued in the Conversion. See "Management of the Bank --Benefit Plans--Stock Option Plan."
- (4) The retained earnings of the Bank will be substantially restricted after the Conversion. See "The Conversion--Liquidation Rights."
- (5) Represents the tax effect of the contribution of Common Stock to the Foundation based on a 37.0% tax rate. The realization of the deferred tax benefit is limited annually to 10% of the Company's annual taxable income before charitable contribution deduction, subject to the ability of the Company to carry forward any unused portion of the deduction for five years following the year in which the contribution is made.
- (6) Assumes that 8% of the shares issued in connection with the Conversion, including shares issued to the Foundation, will be purchased by the ESOP and the funds used to acquire the ESOP shares will be borrowed from the Company. The Common Stock acquired by the ESOP is reflected as a reduction of stockholders' equity. See "Management of the Bank--Benefit Plans-- ESOP" and "--Benefit Plans--Stock Program."
- (7) Assumes that, subsequent to the Conversion, an amount equal to 4% of the shares of Common Stock sold in the Conversion, including shares issued to the Foundation, is purchased by the Stock Program through open market purchases. The Common Stock purchased by the Stock Program is reflected as a reduction of stockholder's equity. See "Risk Factors--Possible Dilutive Effect of Stock Program and Stock Option Plan," Footnote 2 to the tables under "Pro Forma Data" and "Management of the Bank--Benefit Plans--Stock Program."

The actual net proceeds from the sale of the Common Stock cannot be determined until the Conversion is completed. However, net proceeds are currently estimated to be between \$43.3 million and \$58.8 million based upon the following assumptions: (i) \$4.1 million will be sold to executive officers, Directors and employees of the Bank and Company, the ESOP will purchase 8% of the Common Stock issued in connection with the Conversion, including shares issued to the Foundation, and the remaining shares will be sold in the Subscription and Community Offerings; (ii) Webb will receive a fee equal to 1.25% of the aggregate Purchase Price of the shares sold in the Subscription Offering and Community Offering, except that no fee will be paid with respect to shares purchased by the Employee Plans, including the ESOP, officers, employees, Directors of the Bank and Company and members of their immediate families; (iii) the Company will issue to the Foundation an amount of Common Stock equal to 8% of the Common Stock sold in the Conversion from authorized but unissued shares; and (iv) Conversion expenses, excluding the marketing fees paid to Webb, will be

approximately \$841,000. Actual Conversion expenses may vary from those estimated.

Pro forma consolidated net income of the Company for the nine months ended September 30, 1997 and for the year ended December 31, 1996 have been calculated as if the Common Stock had been sold at the beginning of the respective periods and the net proceeds had been invested at 5.52% (the one year U.S. Treasury bill rate as of September 30, 1997). The tables do not reflect the effect of withdrawals from deposit accounts for the purchase of Common Stock. The pro forma after-tax yield for the Company and the Bank is assumed to be 3.48% for both the nine months ended September 30, 1997 and the year ended December 31, 1996 (based on an assumed tax rate of 37%). Historical and pro forma per share amounts have been calculated by dividing historical and pro forma amounts by the indicated number of shares of Common Stock, as adjusted to give effect to the purchase of shares by the ESOP and the effect of the issuance of shares to the Foundation. No effect has been given in the pro forma stockholders' equity calculations for the assumed earnings on the net proceeds. As discussed under "Use of Proceeds," the Company will retain 50% of the net Conversion proceeds.

The following pro forma information may not be representative of the financial effects of the foregoing transactions at the dates on which such transactions actually occur and should not be taken as indicative of future results of operations. Pro forma consolidated stockholders' equity represents the difference between the stated amount of assets and liabilities of the Company. The pro forma stockholders' equity is not intended to represent the fair market value of the Common Stock and may be greater than amounts that would be available for distribution to stockholders in the event of liquidation.

The following tables summarize historical data of the Bank and pro forma data of the Company at or for the nine months ended September 30, 1997 and year ended December 31, 1996, based on the assumptions set forth above and in the table and should not be used as a basis for projections of market value of the Common Stock following the Conversion. The tables below give effect to the Stock Program, which is expected to be adopted by the Company following the Conversion and presented to stockholders for approval at a meeting of stockholders. See Footnote 2 to the tables and "Management of the Bank--Benefit Plans--Stock Program." No effect has been given in the tables to the possible issuance of additional shares reserved for future issuance pursuant to the Stock Option Plan to be adopted by the Board of Directors of the Company and presented to stockholders for approval at a meeting of stockholders, nor does book value as presented give any effect to the liquidation account to be established for the benefit of Eligible Account Holders or, in the event of liquidation of the Bank, to the tax effect of the bad debt reserve and other factors. See Footnote 3 to the tables below, "The Conversion--Liquidation Rights" and "Management of the Bank--Benefit Plans--Stock Option Plan." THE FOLLOWING TABLE AT OR FOR THE YEAR ENDED DECEMBER 31, 1996 GIVES EFFECT TO THE ISSUANCE OF AUTHORIZED BUT UNISSUED SHARES OF THE COMPANY'S COMMON STOCK TO THE FOUNDATION CONCURRENTLY WITH THE COMPLETION OF THE CONVERSION. THE VALUATION RANGE, AS SET FORTH HEREIN AND IN THE TABLES BELOW, TAKES INTO ACCOUNT THE DILUTIVE IMPACT OF THE ISSUANCE OF SHARES TO THE FOUNDATION.

<TABLE>
<CAPTION>

	AT OR FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997			
	4,458,250	5,245,000	6,031,750	6,936,513
	SHARES SOLD	SHARES SOLD	SHARES SOLD	SHARES SOLD AT
	AT \$10.00 PER	AT \$10.00 PER	AT \$10.00 PER	\$10.00 PER
	SHARE	SHARE	SHARE	SHARE (15%
	(MINIMUM	(MIDPOINT	(MAXIMUM OF	ABOVE
	OF ESTIMATED	OF ESTIMATED	ESTIMATED	MAXIMUM OF
	PRICE RANGE)	PRICE RANGE)	PRICE RANGE)	ESTIMATED
				PRICE
				RANGE) (7)
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)			
<S>	<C>	<C>	<C>	<C>
Gross proceeds.....	\$ 44,583	\$ 52,450	\$ 60,318	\$ 69,365
Plus: Shares issued to the Foundation (equal to 8% of stock issued in Conversion).....	3,567	4,196	4,825	5,549
Pro forma market capitalization.....	\$ 48,150	\$ 56,646	\$ 65,143	\$ 74,914
Gross proceeds.....	\$ 44,583	\$ 52,450	\$ 60,318	\$ 69,365
Less:Offering expenses and commissions.....	(1,299)	(1,389)	(1,479)	(1,582)
Estimated net proceeds.....	43,284	51,061	58,839	67,783

Less: Common Stock purchased by ESOP.....	(3,852)	(4,532)	(5,211)	(5,993)
Common Stock purchased by Stock Program.....	(1,926)	(2,266)	(2,606)	(2,997)
Estimated net proceeds, as adjusted.....	\$ 37,506	\$ 44,263	\$ 51,022	\$ 58,793
Net income(1):				
Historical.....	\$ 2,218	\$ 2,218	\$ 2,218	\$ 2,218
Pro forma income on net proceeds, as adjusted.....	979	1,155	1,332	1,535
Less:Pro forma ESOP adjustment(2).....	(121)	(143)	(164)	(189)
Pro forma Stock Program adjustment(3).....	(182)	(214)	(246)	(283)
Pro forma net income.....	\$ 2,894	\$ 3,016	\$ 3,140	\$ 3,281
Per share net income(1):				
Historical.....	\$ 0.50	\$ 0.42	\$ 0.37	\$ 0.32
Pro forma income on net proceeds, as adjusted.....	0.22	0.22	0.22	0.22
Less:Pro forma ESOP adjustment(2).....	(0.03)	(0.03)	(0.03)	(0.03)
Pro forma Stock Program adjustment(3).....	(0.04)	(0.04)	(0.04)	(0.04)
Pro forma net income per share.....	\$ 0.65	\$ 0.57	\$ 0.52	\$ 0.47
Stockholders' equity:				
Historical.....	\$ 31,723	\$ 31,723	\$ 31,723	\$ 31,723
Estimated net proceeds.....	43,284	51,061	58,839	67,783
Plus:Tax benefit of Foundation.....	1,320	1,553	1,785	2,053
Less:Common Stock acquired by ESOP(2).....	(3,852)	(4,532)	(5,211)	(5,993)
Less:Common Stock acquired by Stock Program(3).....	(1,926)	(2,266)	(2,606)	(2,997)
Pro forma stockholders' equity(3) (4) (5).....	\$ 70,549	\$ 77,539	\$ 84,530	\$ 92,569
Stockholders' equity per share(3) (6):				
Historical.....	\$ 6.59	\$ 5.60	\$ 4.87	\$ 4.23
Estimated net proceeds.....	8.99	9.01	9.03	9.05
Plus: Tax benefit of Foundation.....	0.27	0.27	0.27	0.27
Less:Common Stock acquired by ESOP(2).....	(0.80)	(0.80)	(0.80)	(0.80)
Common Stock acquired by Stock Program(3).....	(0.40)	(0.40)	(0.40)	(0.40)
Pro forma stockholders' equity per share(3) (4) (5)....	\$ 14.65	\$ 13.68	\$ 12.97	\$ 12.35
Offering price as a percentage of pro forma stockholders' equity per share.....	68.26%	73.10%	77.10%	80.97%
Offering price to pro forma net earnings per share(8).....	11.54x	13.16x	14.42x	15.96x

</TABLE>

(SEE FOOTNOTES ON NEXT PAGE)

(1) Does not give effect to the non-recurring expense that will be recognized in 1998 as a result of the establishment of the Foundation. In that event, the Company will recognize an after-tax expense for the amount of the contribution to the Foundation which is expected to be \$2.2 million, \$2.6 million, \$3.0 million and \$3.5 million at the minimum, midpoint, maximum and maximum as adjusted, of the Estimated Price Range, respectively.

(2) It is assumed that 8% of the shares of Common Stock issued in connection with the Conversion, including shares issued to the Foundation, will be purchased by the ESOP. For purposes of this table, the funds used to acquire such shares are assumed to have been borrowed by the ESOP from the Company. The amount to be borrowed is reflected as a reduction of stockholders' equity. The Bank intends to make annual contributions to the ESOP in an amount at least equal to the principal and interest requirement of the debt. The Bank's total annual payment of the ESOP debt is based upon 15 equal annual installments of principal, with an assumed interest rate at 8.50%. The pro forma net earnings assumes: (i) that the Bank's contribution to the ESOP is equivalent to the debt service requirement for the nine months ended September 30, 1997, and was made at the end of the period; (ii) that 19,269, 22,670, 26,070 and 29,981 shares at the minimum, midpoint, maximum and 15% above the maximum of the range, respectively, were committed to be released during the nine months ended September 30, 1997 at an average fair value of \$10.00 per share in accordance with SOP 93-6; and (iii) only the ESOP shares committed to be released were considered outstanding for purposes of the net earnings per share calculations. See "Management of the Bank--Benefit

- (3) Gives effect to the Stock Program expected to be adopted by the Company following the Conversion and presented for approval at a meeting of stockholders. If the Stock Program is approved by stockholders, the Stock Program intends to acquire an amount of Common Stock equal to 4% of the shares of Common Stock issued in connection with the Conversion, including shares issued to the Foundation, or 192,596, 226,584, 260,571 and 299,657 shares of Common Stock at the minimum, midpoint, maximum and 15% above the maximum of the Estimated Price Range, respectively, either through open market purchases, if permissible, or from authorized but unissued shares of Common Stock or treasury stock of the Company, if any. In calculating the pro forma effect of the Stock Program, it is assumed that the shares were acquired by the Stock Program at the beginning of the period presented in open market purchases at the Purchase Price and that 20% of the amount contributed was an amortized expense during such period. The issuance of authorized but unissued shares of the Company's Common Stock to the Stock Program instead of open market purchases would dilute the voting interests of existing stockholders by approximately 3.8% and pro forma net earnings per share would be \$0.63, \$0.56, \$0.51 and \$0.47 at the minimum, midpoint, maximum and 15% above the maximum of the range, respectively and pro forma stockholders' equity per share would be \$14.09, \$13.16, \$12.48 and \$11.88 at the minimum, midpoint, maximum and 15% above the maximum of the range, respectively. There can be no assurance that the actual purchase price of the shares granted under the Stock Program will be equal to the Purchase Price. See "Management of the Bank--Benefit Plans -Stock Program."
- (4) No effect has been given to the issuance of additional shares of Common Stock pursuant to the Stock Option Plan expected to be adopted by the Company following the Conversion. The Company expects to present the Stock Option Plan for approval at a meeting of stockholders. If the Stock Option Plan is approved by stockholders, an amount equal to 10% of the Common Stock issued in connection with the Conversion, including shares issued to the Foundation, or 481,491, 566,460, 651,429 and 749,143 shares at the minimum, midpoint, maximum and 15% above the maximum of the Estimated Price Range, respectively, will be reserved for future issuance upon the exercise of options to be granted under the Stock Option Plan. The issuance of Common Stock pursuant to the exercise of options under the Stock Option Plan will result in the dilution of existing stockholders' interests. Assuming all options were exercised at the end of the period at an exercise price of \$10.00 per share, the pro forma net earnings per share would be \$0.59, \$0.52, \$0.47 and \$0.43, respectively, and the pro forma stockholders' equity per share would be \$14.23, \$13.35, \$12.71 and \$12.14, respectively. See "Risk Factors--Possible Dilutive Effect of Stock Program and Stock Option Plan" and "Management of the Bank--Benefit Plans -Stock Option Plan."
- (5) The retained earnings of the Bank will continue to be substantially restricted after the Conversion. See "Dividend Policy," "The Conversion--Liquidation Rights." (6) Stockholders' equity per share data is based upon 4,814,910, 5,664,600, 6,514,290 and 7,491,434 shares outstanding representing shares sold in the conversion, shares contributed to the Foundation and shares purchased by the ESOP and Stock Program.
- (7) As adjusted to give effect to an increase in the number of shares which could occur due to an increase in the Estimated Price Range of up to 15% as a result of regulatory considerations or changes in market or general financial and economic conditions following the commencement of the Subscription and Community Offerings.
- (8) Based on pro forma net earnings for the nine months ended September 30, 1997 that have been annualized.

<TABLE>
<CAPTION>

AT OR FOR THE YEAR ENDED DECEMBER 31, 1996

4,458,250	5,245,000	6,031,750	6,936,513
SHARES SOLD	SHARES SOLD	SHARES	SHARES SOLD
AT \$10.00	AT \$10.00	SOLD	AT
PER	PER	AT \$10.00	\$10.00 PER
SHARE	SHARE	PER	SHARE (15%
(MINIMUM	(MIDPOINT	SHARE	ABOVE
OF	OF	(MAXIMUM OF	MAXIMUM OF
ESTIMATED	ESTIMATED	ESTIMATED	ESTIMATED
PRICE	PRICE	PRICE	PRICE
RANGE)	RANGE)	RANGE)	RANGE) (7)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<S>	<C>	<C>	<C>	<C>
Gross proceeds.....	\$ 44,583	\$ 52,450	\$ 60,318	\$ 69,365

Plus: Shares issued to the Foundation (equal to 8% of stock issued in Conversion).....	3,567	4,196	4,825	5,549
Pro forma market capitalization.....	\$ 48,150	\$ 56,646	\$ 65,143	\$ 74,914
Gross proceeds.....	\$ 44,583	\$ 52,450	\$ 60,318	\$ 69,365
Less: Offering expenses and commissions.....	(1,299)	(1,389)	(1,479)	(1,582)
Estimated net proceeds.....	43,284	51,061	58,839	67,783
Less: Common Stock purchased by ESOP.....	(3,852)	(4,532)	(5,211)	(5,993)
Common Stock purchased by Stock Program.....	(1,926)	(2,266)	(2,606)	(2,997)
Estimated net proceeds as adjusted.....	\$ 37,506	\$ 44,263	\$ 51,022	\$ 58,793
Net income(1):				
Historical.....	\$ 2,043	\$ 2,043	\$ 2,043	\$ 2,043
Pro forma income on net proceeds, as adjusted.....	1,305	1,540	1,776	2,046
Less:Pro forma ESOP adjustment(2).....	(162)	(190)	(219)	(252)
Pro forma Stock Program adjustment(3).....	(243)	(286)	(328)	(378)
Pro forma net income.....	\$ 2,943	\$ 3,107	\$ 3,272	\$ 3,459
Per share net income(1):				
Historical.....	\$ 0.46	\$ 0.39	\$ 0.34	\$ 0.29
Pro forma income on net proceeds, as adjusted.....	0.29	0.29	0.29	0.30
Less:Pro forma ESOP adjustment(2).....	(0.04)	(0.04)	(0.04)	(0.04)
Pro forma Stock Program adjustment(3).....	(0.05)	(0.05)	(0.05)	(0.05)
Pro forma net income per share.....	\$ 0.66	\$ 0.59	\$ 0.54	\$ 0.50
Stockholders' equity:				
Historical.....	\$ 29,513	\$ 29,513	\$ 29,513	\$ 29,513
Estimated net proceeds.....	43,284	51,061	58,839	67,783
Plus: Tax benefit of Foundation.....	1,320	1,553	1,785	2,053
Less: Common Stock acquired by ESOP(2).....	(3,852)	(4,532)	(5,211)	(5,993)
Less:Common Stock acquired by Stock Program(3).....	(1,926)	(2,266)	(2,606)	(2,997)
Pro forma stockholders' equity(3) (4) (5).....	\$ 68,339	\$ 75,329	\$ 82,320	\$ 90,359
Stockholders' equity per share(3) (6):				
Historical.....	\$ 6.13	\$ 5.21	\$ 4.53	\$ 3.94
Estimated net proceeds.....	8.99	9.01	9.03	9.05
Plus: Tax benefit of Foundation.....	0.27	0.27	0.27	0.27
Less: Common Stock acquired by ESOP(2).....	(0.80)	(0.80)	(0.80)	(0.80)
Common Stock acquired by Stock Program(3).....	(0.40)	(0.40)	(0.40)	(0.40)
Pro forma stockholders' equity per share(3) (4) (5).....	\$ 14.19	\$ 13.29	\$ 12.63	\$ 12.06
Offering price as a percentage of pro forma stockholders' equity per share.....	70.47%	75.24%	79.18%	82.92%
Offering price to pro forma net earnings per share.....	15.15x	16.95x	18.52x	20.00x

</TABLE>

(SEE FOOTNOTES ON NEXT PAGE)

(1) Does not give effect to the non-recurring expense that will be recognized in 1998 as a result of the establishment of the Foundation. In that event, the Company will recognize an after-tax expense for the amount of the contribution to the Foundation which is expected to be \$2.2 million, \$2.6 million, \$3.0 million and \$3.5 million at the minimum, midpoint, maximum and maximum as adjusted, of the Estimated Price Range, respectively.

(2) It is assumed that 8% of the shares of Common Stock issued in connection with the Conversion, including shares issued to the Foundation, will be purchased by the ESOP. For purposes of this table, the funds used to acquire such shares are assumed to have been borrowed by the ESOP from the Company. The amount to be borrowed is reflected as a reduction of stockholders' equity. The Bank intends to make annual contributions to the ESOP in an amount at least equal to the principal and interest requirement of the debt. The Bank's total annual payment of the ESOP debt is based upon 15 equal annual installments of principal, with an assumed interest rate at 8.50%.

The pro forma net earnings assumes: (i) that the Bank's contribution to the ESOP is equivalent to the debt service requirement for the year ended December 31, 1996, and was made at the end of the period; (ii) that 25,692, 30,226, 34,760 and 39,974 shares at the minimum, midpoint, maximum and 15% above the maximum of the range, respectively, were committed to be released during the year ended December 31, 1996 at an average fair value of \$10.00 per share in accordance with SOP 93-6; and (iii) only the ESOP shares committed to be released were considered outstanding for purposes of the net earnings per share calculations. See "Management of the Bank--Benefit Plans--ESOP."

- (3) Gives effect to the Stock Program expected to be adopted by the Company following the Conversion and presented for approval at a meeting of stockholders. If the Stock Program is approved by stockholders, the Stock Program intends to acquire an amount of Common Stock equal to 4% of the shares of Common Stock issued in connection with the Conversion, including shares issued to the Foundation, or 192,596, 226,584, 260,571 and 299,657 shares of Common Stock at the minimum, midpoint, maximum and 15% above the maximum of the Estimated Price Range, respectively, either through open market purchases, if permissible, or from authorized but unissued shares of Common Stock or treasury stock of the Company, if any. In calculating the pro forma effect of the Stock Program, it is assumed that the shares were acquired by the Stock Program at the beginning of the period presented in open market purchases at the Purchase Price and that 20% of the amount contributed was an amortized expense during such period. The issuance of authorized but unissued shares of the Company's Common Stock to the Stock Program instead of open market purchases would dilute the voting interests of existing stockholders by approximately 3.8% and pro forma net earnings per share would be \$0.65, \$0.58, \$0.53 and \$0.49 at the minimum, midpoint, maximum and 15% above the maximum of the range, respectively and pro forma stockholders' equity per share would be \$13.65, \$12.79, \$12.15 and \$11.60 at the minimum, midpoint, maximum and 15% above the maximum of the range, respectively. There can be no assurance that the actual purchase price of the shares granted under the Stock Program will be equal to the Purchase Price. See "Management of the Bank--Benefit Plans--Stock Program."
- (4) No effect has been given to the issuance of additional shares of Common Stock pursuant to the Stock Option Plan expected to be adopted by the Company following the Conversion. The Company expects to present the Stock Option Plan for approval at a meeting of stockholders. If the Stock Option Plan is approved by stockholders, an amount equal to 10% of the Common Stock issued in connection with the Conversion, including shares issued to the Foundation, or 481,491, 566,460, 651,429 and 749,143 shares at the minimum, midpoint, maximum and 15% above the maximum of the Estimated Price Range, respectively, will be reserved for future issuance upon the exercise of options to be granted under the Stock Option Plan. The issuance of Common Stock pursuant to the exercise of options under the Stock Option Plan will result in the dilution of existing stockholders' interests. Assuming all options were exercised at the end of the period at an exercise price of \$10.00 per share, the pro forma net earnings per share would be \$0.60, \$0.53, \$0.49 and \$0.45, respectively, and the pro forma stockholders' equity per share would be \$13.81, \$13.00, \$12.40 and \$11.87, respectively. See "Risk Factors--Possible Dilutive Effect of Stock Program and Stock Option Plan" and See "Management of the Bank--Benefit Plans--Stock Option Plan."
- (5) The retained earnings of the Bank will continue to be substantially restricted after the Conversion. See "Dividend Policy," "The Conversion--Liquidation Rights."
- (6) Stockholders' equity per share data is based upon 4,814,910, 5,664,600, 6,514,290 and 7,491,434 shares outstanding representing shares sold in the conversion, shares contributed to the Foundation and shares purchased by the ESOP and Stock Program.
- (7) As adjusted to give effect to an increase in the number of shares which could occur due to an increase in the Estimated Price Range of up to 15% as a result of regulatory considerations or changes in market or general financial and economic conditions following the commencement of the Subscription and Community Offerings.

COMPARISON OF VALUATION AND PRO FORMA INFORMATION WITH NO FOUNDATION

In the event that the Foundation was not being established as part of the Conversion, FinPro has estimated that the pro forma aggregate market capitalization of the Company would be approximately \$62.0 million, at the midpoint, which is approximately \$5.4 million greater than the pro forma aggregate market capitalization of the Company if the Foundation is included, and would result in approximately a \$9.6 million increase, or 18.2% increase, in the amount of Common Stock offered for sale in the Conversion. The pro forma

price to book ratio would be the same under both the current appraisal and the estimate of the value of the Company without the Foundation. Further, assuming the midpoint of the Estimated Price Range, pro forma stockholders' equity per share and pro forma earnings per share would be substantially the same with the Foundation as without the Foundation. In this regard, pro forma stockholders' equity and pro forma net income per share would be \$13.68 and \$0.56, respectively, at the midpoint of the estimate, assuming no Foundation, and \$13.68 and \$0.57, respectively, with the Foundation. The pro forma price to book ratio and the pro forma price to earnings ratio are 73.10% and 13.39x, respectively, at the midpoint of the estimate, assuming no Foundation and are 73.10% and 13.16x, respectively, with the Foundation. There is no assurance that in the event the Foundation was not formed that the appraisal prepared at that time would have concluded that the pro forma market value of the Company would be the same as that estimated herein. Any appraisal prepared at that time would be based on the facts and circumstances existing at that time, including, among other things, market and economic conditions.

For comparative purposes only, set forth below are certain pricing ratios and financial data and ratios, at the minimum, midpoint, maximum and maximum, as adjusted, of the Estimated Price Range, assuming the Conversion was completed at September 30, 1997.

<TABLE>
<CAPTION>

	AT THE MINIMUM		AT THE MIDPOINT		AT THE MAXIMUM		AT THE MAXIMUM, AS ADJUSTED	
	WITH	NO	WITH	NO	WITH	NO	WITH	NO
	FOUNDATION	FOUNDATION	FOUNDATION	FOUNDATION	FOUNDATION	FOUNDATION	FOUNDATION	FOUNDATION
	(DOLLARS IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Estimated offering amount.....	\$ 44,583	\$ 52,700	\$ 52,450	\$ 62,000	\$ 60,318	\$ 71,300	\$ 69,365	\$ 81,995
Pro forma market capitalization.....	48,150	52,700	56,646	62,000	65,143	71,300	74,914	81,995
Total assets.....	362,908	369,062	369,898	377,139	376,889	385,216	384,928	394,504
Total liabilities.....	292,359	292,359	292,359	292,359	292,359	292,359	292,359	292,359
Pro forma stockholders' equity.....	70,549	76,703	77,539	84,780	84,530	92,857	92,569	102,145
Pro forma consolidated net earnings.....	2,894	3,060	3,016	3,213	3,140	3,364	3,281	3,539
Pro forma stockholders' equity per share....	\$ 14.65	\$ 14.56	\$ 13.68	\$ 13.68	\$ 12.97	\$ 13.02	\$ 12.35	\$ 12.46
Pro forma consolidated net earnings per share.....	\$ 0.65	\$ 0.63	\$ 0.57	\$ 0.56	\$ 0.52	\$ 0.51	\$ 0.47	\$ 0.46
Pro Forma Pricing Ratios:								
Offering price as a percentage of pro forma stockholders' equity per share...	68.26%	68.68%	73.10%	73.10%	77.10%	76.80%	80.97%	80.26%
Offering price to pro forma net earnings per share.....	11.54x	11.90x	13.16x	13.39x	14.42x	14.71x	15.96x	16.30x
Offering price to assets.....	13.27%	14.28%	15.31%	16.44%	17.28%	18.51%	19.46%	20.78%
Pro Forma Financial Ratios:								
Return on assets.....	1.06%	1.11%	1.09%	1.14%	1.11%	1.16%	1.14%	1.20%
Return on stockholders' equity.....	5.47%	5.32%	5.19%	5.05%	4.95%	4.83%	4.73%	4.62%
Stockholders' equity to assets.....	19.44%	20.78%	20.96%	22.48%	22.43%	24.11%	24.05%	25.89%

</TABLE>

ELGIN FINANCIAL CENTER, S.B. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

The following Consolidated Statements of Operations of the Bank and subsidiaries for each of the years in the three-year period ended December 31, 1996 have been audited by KPMG Peat Marwick LLP, independent certified public accountants, whose report thereon appears elsewhere in this Prospectus. With respect to information for the nine months ended September 30, 1997 and 1996, which is unaudited, in the opinion of management, all adjustments necessary for a fair presentation of such interim periods have been included and are of a normal recurring nature. Results for the nine

months ended September 30, 1997 are not necessarily indicative of the results that may be expected for the year ended December 31, 1997. These statements should be read in conjunction with the Consolidated Financial Statements and Notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Prospectus.

<TABLE>
<CAPTION>

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE YEAR ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(UNAUDITED)				
	(IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
Interest income:					
Loans secured by real estate.....	\$ 14,168	\$ 13,505	\$ 18,113	\$ 16,650	\$ 14,885
Other loans.....	660	611	839	602	323
Mortgage-backed securities.....	1,070	1,281	1,695	1,873	1,965
Investment securities and other.....	2,433	1,988	2,774	2,307	2,355
Total interest income.....	18,331	17,385	23,421	21,432	19,528
Interest expense:					
Savings deposits.....	8,758	8,550	11,351	10,443	9,021
Borrowed money.....	1,091	725	1,162	714	85
Total interest expense.....	9,849	9,275	12,513	11,157	9,106
Net interest income before provision for loan losses.....	8,482	8,110	10,908	10,275	10,422
Provision for loan losses.....	195	45	54	72	90
Net interest income after provision for loan losses.....	8,287	8,065	10,854	10,203	10,332
Noninterest income:					
Service fees.....	436	388	541	491	498
Real estate and insurance commissions.....	127	52	60	62	26
Gain on sale of foreclosed real estate.....	8	111	121	12	--
Loss on sale of mutual funds.....	--	--	--	--	(91)
Loss on sale of investment securities available-for-sale....	--	--	--	(3)	--
Other.....	30	68	80	112	136
Total noninterest income.....	601	619	802	674	569
Noninterest expense:					
Compensation and benefits.....	2,796	2,525	3,419	2,992	2,810
Office building, net.....	238	201	274	231	210
Depreciation and repairs.....	436	373	501	421	333
Data processing.....	228	211	276	236	290
Federal insurance premiums.....	122	1,970	1,970	544	551
Provision for loss on foreclosed real estate.....	--	--	--	--	90
NOW account operating expenses.....	175	155	214	217	205
Other.....	1,532	1,331	1,828	1,729	1,613
Total noninterest expense.....	5,527	6,766	8,482	6,370	6,102
Earnings before income taxes.....	3,361	1,918	3,174	4,507	4,799
Income tax expense.....	1,143	702	1,132	1,746	1,843
Net earnings.....	\$ 2,218	\$ 1,216	\$ 2,042	\$ 2,761	\$ 2,956

</TABLE>

See accompanying "Notes to Consolidated Financial Statements" presented elsewhere in the Prospectus.

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

The following discussion should be read in conjunction with the "Selected Consolidated Financial Data" and the Bank's Consolidated Financial Statements and notes thereto, each appearing elsewhere in the Prospectus. In addition to historical information, the following "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements as a result of certain factors, including those discussed in "Risk Factors" contained elsewhere in this Prospectus.

GENERAL

The Company has only recently been formed and, accordingly has no results of operations. The Bank's results of operations are dependent primarily on net interest income, which is the difference between the interest income earned on the Bank's interest-earning assets, such as loans and investments, and the interest expense on its interest-bearing liabilities, such as deposits and borrowings. The Bank also generates non-interest income such as service charges and other fees. The Bank's non-interest expenses primarily consist of employee compensation and benefits, depreciation and repairs, federal deposit insurance premiums, data processing fees, office building expenses and other operating 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 agencies. The Bank exceeded all of its regulatory capital requirements at September 30, 1997. See "Regulatory Capital Compliance" for a discussion of the historical and pro forma capital of the Bank and capital requirements. See also "Regulation--Federal Savings Institution Regulation--Capital Requirements."

MANAGEMENT STRATEGY

The Bank operates as a consumer-oriented savings bank, offering traditional savings deposit and loan products to its local community. In recent years, the Bank's strategy has been to maintain profitability while managing its mutual capital position and limiting its credit and interest rate risk exposure. To accomplish these objectives, the Bank has sought to: (1) control credit risk by emphasizing the origination of single-family, owner-occupied residential mortgage loans and consumer loans, consisting primarily of home equity loans; (2) offer superior service and competitive rates to increase the core deposit base consistent with its capital management goals; (3) invest funds in excess of loan demand in mortgage-backed and investment securities; (4) control operating expenses; and (5) reduce exposure to interest rate risk by emphasizing the origination of ARM loans, with terms of up to 30 years and interest rates which adjust every one, two or three years from the outset of the loan, or which adjust annually after a three, five or seven year initial fixed period. The Bank also offers fixed-rate loans with terms ranging from ten to 30 years, emphasizing those with terms of less than 30 years to further reduce interest rate risk exposure.

In recent years, most locally headquartered competitors in the Bank's market area have been acquired by larger, regional financial institutions, resulting in a reduced presence of local, community-based banks. The Bank believes that this reduction of community-based institutions has created opportunities for the Bank, as one of the few remaining locally headquartered financial institutions in its market area, to achieve controlled asset growth and moderate geographic expansion. To take advantage of this perceived opportunity, the Bank intends to: (1) maintain its traditional community thrift orientation as a provider of residential mortgage products; (2) more aggressively develop and market new and existing non-deposit products, secured and unsecured commercial lending, commercial real estate lending and commercial deposit accounts; and (3) increase the Bank's market share through the continued establishment and/or acquisition of additional branch locations.

Historically, the bank has utilized the America's Community Bankers (ACB) Peer Group Report (the "ACB Report") to compare performance measures such as: Return on Assets, Return on Equity, and Net Interest Margin. Based on the ACB Report for the second quarter of 1997, the Bank performed favorably. Compared to peers of similar asset size, the Bank, with a .96% Return on Assets, 10.19% Return on Equity, and 3.09% Net Interest Margin, exceeded the average in each category (R.O.A.--.95%, R.O.E.-- 9.65%, and N.I.M.--3.00%, respectively). Compared to peers of similar ownership type (mutual institutions), the Bank exceeded the average in Return on Equity (9.14%) and Net Interest Margin (3.02%). The average R.O.A. was 1.00%, slightly above the Bank's performance. The Bank intends

to improve in these performance measurements through the implementation of the particular strategies discussed above.

MAINTAINING COMMUNITY ORIENTATION. Management is seeking to maintain the value of the Bank's existing franchise in its primary market area, which is based in large part upon its long-standing reputation for a high level of customer service in the delivery of traditional thrift products and services and active community involvement. It intends to maintain its community orientation by continuing to emphasize and expand upon its traditional deposit and loan

products, primarily single-family residential mortgages. Many of the Bank's directors and senior officers belong to service or community organizations within the local market area. The Bank encourages such participation in the belief that it contributes to the Bank's community presence. The Bank further intends to enhance its community involvement through the establishment of a charitable foundation. See "The Conversion--Establishment of a Charitable Foundation," and "Management of the Bank -Biographical Information."

EXPANSION OF PRODUCTS AND SERVICES OFFERED. To take advantage of a perceived opportunity created by the reduced presence of community-based financial institutions in its primary market area, the Bank intends to expand its customer services and product lines in an effort to increase volume, thereby generating increased interest and fee income. The Bank will maintain its emphasis on the origination of one- to four-family residential mortgage loans. While the Bank believes it has priced its adjustable-rate loan products aggressively, it has historically priced its fixed-rate products above market in order to de-emphasize the origination of such loans. Recently, however, the Bank has begun pricing its fixed-rate loan products more competitively in order to increase such originations. The Bank also intends to place increased emphasis on other existing products and services which include, but are not limited to, non-deposit products, secured and unsecured commercial business lending, commercial real estate lending and commercial deposit accounts. At the same time, the Bank is considering the introduction of new products and services, including credit and debit cards, telephonic banking and eventually, home banking. See "Business of the Bank."

Management believes that the diversification of the Bank's loan products may expose it to a higher degree of credit risk than is involved in the Bank's one- to four-family residential mortgage lending activity. As a result, the Bank has increased and may continue to increase the level of its provision for loan losses in future periods over that experienced in past years.

INCREASING MARKET SHARE. Management is also seeking to increase the Bank's market share through expansion of the branch network, as well as through expansion of the product and customer base. Within the last year, the Bank has concentrated on the upgrade and expansion of its branch facilities, including interior renovations of its home office, increased drive-through and ATM facilities and the relocation in 1996 of a branch within Elgin to a more heavily traveled location, in order to accommodate an increased customer base. The Bank has also sought to increase its market presence through the establishment of a Web site, through which the Bank advertises its loan and deposit rates.

The Bank plans to acquire property in the neighboring community of Huntley, on which it intends to construct a new branch office during 1998. See "Business of the Bank--Properties." The Huntley location represents an expansion of the Bank's current market area. The Company and the Bank may use a portion of the net Conversion proceeds to open additional branch offices, although the Bank is seeking only moderate geographic expansion within the immediate future. Neither the Company nor the Bank have any additional pending agreements or understandings regarding acquisitions of any specific branch offices at this time. See "Use of Proceeds."

MANAGEMENT OF INTEREST RATE RISK

The principal objective of the Bank's interest rate risk management is to evaluate the interest rate risk inherent in certain balance sheet accounts, determine the level of risk appropriate given the Bank's business strategy, operating environment, capital and liquidity requirements and performance objectives, and manage the risk consistent with the Board of Directors' approved guidelines. Through such management, the Bank seeks to reduce the vulnerability of its operations to changes in interest rates. The Bank's Board of Directors reviews the Bank's interest rate risk position on a quarterly basis. The Bank's Asset/ Liability Committee is comprised of the Bank's entire Board of Directors and members of senior management. The Committee is responsible for reviewing the Bank's activities and strategies, the effect of those strategies on the Bank's net interest margin, the market value of the portfolio and the effect that changes in the interest rates will have on the Bank's portfolio and the Bank's exposure limits.

In recent years, the Bank has utilized the following strategies to manage interest rate risk: (1) emphasizing the origination and retention of adjustable-rate mortgage loans and shorter-term fixed-rate mortgage loans and consumer loans consisting primarily of home equity lines of credit and (2) investing in short-term and adjustable-rate securities which may generally bear lower yields as compared to longer-term investments, but which better position the Bank for increases in market interest rates. See, however, "--Management Strategy" for information on the Bank's repricing strategy which may increase the level of fixed-rate loans in the Bank's portfolio. The Bank currently does not participate in hedging programs, interest rate swaps or other activities involving the use of off-balance sheet derivative financial instruments.

In the event of sharply rising interests rates, the Bank has, with retention in mind, competitively price deposits, particularly time deposits. As necessary, the Bank has offered competitive special products to increase retention. Historically, the Bank has retained significant levels of maturing time deposits based on the above practice, as well as effective customer service and long-standing relationships with customers. From October 2, 1996 to September 30, 1997, the Bank experienced an 85.2% retention rate of funds maturing from time deposits.

GAP ANALYSIS. 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 a bank's interest rate sensitivity "gap." An asset or liability is said to be interest rate sensitive within a specific time period if it will mature or reprice within that time period. The interest rate sensitivity gap is defined as the difference between the amount of interest-earning assets maturing or repricing within a specific time period and the amount of interest-bearing liabilities maturing or repricing within that same time period. At September 30, 1997, the Bank's one-year gap position, the difference between the amount of interest-earning assets maturing or repricing within one year and interest-bearing liabilities maturing or repricing within one year, was (21.94)%. 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. Accordingly, during a period of rising interest rates, an institution with a negative gap position would be in a worse position to invest in higher yielding assets which, consequently, may result in the cost of its interest-bearing liabilities increasing at a rate faster than its yield on interest-earning assets than if it had a positive gap. Conversely, during a period of falling interest rates, an institution with a negative gap would tend to have its interest-bearing liabilities repricing downward at a faster rate than its interest-earning assets as compared to an institution with a positive gap which, consequently, may tend to positively affect the growth of its net interest income.

The following table sets forth the amounts of interest-earning assets and interest-bearing liabilities outstanding at September 30, 1997, which are anticipated by the Bank, based upon certain assumptions, to reprice or mature in each of the future time periods shown (the "GAP Table"). Except as stated below, the amount of assets and liabilities shown which reprice or mature during a particular period were determined in accordance with the earlier of term to repricing or the contractual maturity of the asset or liability. The table sets forth an approximation of the projected repricing of assets and liabilities at September 30, 1997, on the basis of contractual maturities, anticipated prepayments, and scheduled rate adjustments within a three month period and subsequent selected time intervals. For loans on residential properties, adjustable-rate loans, and fixed-rate loans, actual repricing and maturity dates were used. Mortgage-backed securities were assumed to prepay at rates between 18.4% and 21.4% annually. Savings accounts were assumed to decay at 16.54%, 11.54%, 33.07%, 9.40%, 6.79%, 9.83% and 7.84%, money market savings accounts were assumed to decay at 16.07%, 16.07%, 32.15%, 21.78%, 8.49%, 4.91% and 0.51%, and NOW accounts were assumed to decay at 13.84%, 13.84%, 27.69%, 15.14%, 10.01%, 12.57% and 6.91% for the periods of three months or less, three to six months, six to 12 months, one to three years, three to five years, five to ten years and more than ten years, respectively. These assumptions are generally based on the OTS's deposit decay guidelines at June 30, 1997. Prepayment and deposit decay rates can have a significant impact on the Bank's estimated gap. While the Bank believes such assumptions to be reasonable, there can be no assurance that assumed prepayment rates and decay rates will approximate actual future loan prepayment and deposit withdrawal activity. See "Business of the Bank--Lending Activities," "--Investment Activities" and "--Sources of Funds."

<TABLE>
<CAPTION>

AT SEPTEMBER 30, 1997								
	3 MONTHS OR LESS	MORE THAN 3 MONTHS TO 6 MONTHS	MORE THAN 6 MONTHS TO 1 YEAR	MORE THAN 1 YEAR TO 3 YEARS	MORE THAN 3 YEARS TO 5 YEARS	MORE THAN 5 YEARS TO 10 YEARS	MORE THAN 10 YEARS	TOTAL
	(DOLLARS IN THOUSANDS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest-earning assets(1):								
Short-term deposits.....	\$ 9,905	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 9,905
Investment securities(2).....	--	2,996	5,984	10,993	8,677	10,660	2,999	42,309
Mortgage-backed and								

mortgage-related securities(2).....	1,315	851	1,547	6,666	3,153	3,533	1,905	18,970
Mortgage loans, net(3)....	13,963	9,467	21,351	71,056	16,964	12,239	83,494	228,534
Other loans.....	9,131	139	126	570	721	292	27	11,006
FHLB stock.....	2,051	--	--	--	--	--	--	2,051
Total interest-earning assets.....	36,365	13,453	29,008	89,285	29,515	26,724	88,425	312,775
Interest-bearing liabilities:								
Money market savings accounts.....	4,263	4,263	8,529	5,778	2,252	1,303	142	26,530
Passbook savings accounts.....	8,367	8,367	16,728	4,755	3,435	4,972	3,960	50,584
NOW accounts.....	3,443	3,443	6,886	3,769	2,488	3,127	1,722	24,878
Certificates of deposit...	30,159	20,097	33,389	59,729	9,018	37	--	152,429
FHLB advances.....	--	--	2,000	12,000	10,000	--	--	24,000
Total interest-bearing liabilities.....	46,232	36,170	67,532	86,031	27,193	9,439	5,824	278,421
Interest sensitivity gap(4).....	\$ (9,867)	\$ (22,717)	\$ (38,524)	\$ 3,254	\$ 2,322	\$ 17,285	\$ 82,601	
Cumulative interest sensitivity gap.....	\$ (9,867)	\$ (32,584)	\$ (71,108)	\$ (67,854)	\$ (65,532)	\$ (48,247)	\$ 34,354	
Cumulative interest sensitivity gap as a percentage of total assets.....	(3.04)%	(10.05)%	(21.94)%	(20.94)%	(20.22)%	(14.89)%	10.60%	
Cumulative interest sensitivity gap as a percentage of total interest-earning assets...	(3.15)%	(10.42)%	(22.73)%	(21.69)%	(20.95)%	(15.43)%	10.98%	
Cumulative net interest-earning assets as a percentage of cumulative interest-bearing liabilities.....	78.66%	60.46%	52.57%	71.24%	75.10%	82.30%	112.34%	

</TABLE>

- (1) Interest-earning assets are included in the period in which the balances are expected to be redeployed and/or repriced as a result of anticipated prepayments, scheduled rate adjustments, and contractual maturities.
- (2) Investment and mortgage-backed securities available for sale are shown at amortized cost.
- (3) For purposes of the gap analysis, the allowance for loan losses and non-performing loans have been excluded.
- (4) Interest sensitivity gap represents the difference between net interest-earning assets and interest-bearing liabilities.

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Certain shortcomings are inherent in the method of analysis presented in the GAP Table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as adjustable-rate loans, have features which restrict changes in interest rates both on a short-term basis and over the life of the asset. Further, in the event of changes in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed in calculating the table. Finally, the ability of many borrowers to service their adjustable-rate loans may decrease in the event of an interest rate increase.

NET PORTFOLIO VALUE. The Bank's interest rate sensitivity is monitored by management through the use of a Net Portfolio Value Model which generates estimates of the change in the Bank's net portfolio value ("NPV") over a range of interest rate scenarios. NPV is the present value of expected cash flows from assets, liabilities, and off-balance sheet contracts. The NPV ratio, under any

interest rate scenario, is defined as the NPV in that scenario divided by the market value of assets in the same scenario. The model assumes estimated loan prepayment rates, reinvestment rates and deposit decay rates similar to the assumptions utilized for the GAP Table. The Sensitivity Measure is the decline in the NPV ratio, in basis points, caused by a 2% increase or decrease in rates, whichever produces a larger decline. The higher the institution's Sensitivity Ratio, the greater its exposure to interest rate risk is considered to be. The following NPV Table sets forth the Bank's NPV as of September 30, 1997.

<TABLE>
<CAPTION>

CHANGE IN INTEREST RATES IN BASIS POINTS (RATE SHOCK)	NET PORTFOLIO VALUE			NPV AS % OF PORTFOLIO VALUE OF ASSETS	
	AMOUNT	\$ CHANGE	% CHANGE	NPV RATIO	% CHANGE
	<C>	<C>	<C>	<C>	<C>
	(DOLLARS IN THOUSANDS)				
400	\$ 30,285	\$ (10,132)	(25.07)%	9.48%	(22.04)%
300	32,875	(7,542)	(18.66)	10.19	(16.20)
200	35,852	(4,565)	(11.29)	10.98	(9.70)
100	38,225	(2,192)	(5.42)	11.60	(4.61)
Static	40,417	--	--	12.16	--
(100)	41,787	1,370	3.39	12.49	2.71
(200)	42,095	1,678	4.15	12.55	3.21
(300)	41,814	1,397	3.46	12.44	2.30
(400)	41,367	950	2.35	12.30	1.15

</TABLE>

As is the case with the GAP Table, certain shortcomings are inherent in the methodology used in the above interest rate risk measurements. Modeling changes in NPV require the making of certain assumptions which may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. In this regard, the NPV Table presented assumes that the composition of the Bank's interest sensitive assets and liabilities existing at the beginning of a period remains constant over the period being measured and also assumes that a particular change in interest rates is reflected uniformly across the yield curve regardless of the duration to maturity or repricing of specific assets and liabilities. Accordingly, although the NPV Table provides an indication of the Bank's interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on the Bank's net interest income and will differ from actual results.

ANALYSIS OF NET INTEREST INCOME

Net interest income represents the difference between income on interest-earning assets and expense on interest-bearing liabilities. Net interest income depends on the relative amounts of interest-earning assets and interest-bearing liabilities and the interest rate earned or paid on them.

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AVERAGE BALANCE SHEET. The following table sets forth certain information relating to the Bank at September 30, 1997 and for the nine months ended September 30, 1997 and for the years ended December 31, 1996, 1995 and 1994. The average yields and costs are derived by dividing income or expense by the average balance of interest-earning assets or interest-bearing liabilities, respectively, for the periods shown and reflect annualized yields and costs. Average balances are derived from average monthly balances. The yields and costs include fees which are considered adjustments to yields.

<TABLE>
<CAPTION>

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,							
	AT SEPTEMBER 30, 1997		1997			1996		
	ACTUAL BALANCE	WEIGHTED AVERAGE RATE	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/ COST	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/ COST
	(DOLLARS IN THOUSANDS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

ASSETS:									
Interest-earning assets:									
Short-term deposits.....	\$ 9,905	6.03%	\$ 11,515	\$ 232	2.69%	\$ 8,004	\$ 109	1.82%	
Investment securities.....	43,270	7.06	39,289	2,099	7.12	35,260	1,790	6.77	
Mortgage-backed and mortgage-related securities.....	19,071	7.13	20,246	1,070	7.05	23,189	1,281	7.37	
Mortgage loans, net.....	229,539	7.95	233,436	14,168	8.09	224,740	13,505	8.01	
Other loans.....	11,119	8.64	10,442	660	8.43	8,490	611	9.60	
FHLB stock.....	2,051	6.75	2,051	102	6.63	2,018	90	5.95	
Total interest-earning assets...	314,955	7.73	316,979	18,331	7.71	301,701	17,386	7.68	
Noninterest-earning assets.....	9,127		6,559			4,017			
Total assets.....	\$ 324,082		\$ 323,538			\$ 305,718			
LIABILITIES AND RETAINED EARNINGS:									
Interest-bearing liabilities:									
Deposits:									
Money market accounts.....	\$ 26,530	3.41	\$ 27,426	710	3.45	\$ 27,674	712	3.43	
Passbook savings accounts.....	50,584	3.20	48,997	1,106	3.01	46,274	1,041	3.00	
NOW accounts.....	24,878	1.82	25,701	391	2.03	26,843	443	2.20	
Certificates of deposit.....	152,429	5.92	149,061	6,551	5.86	144,048	6,354	5.88	
Total deposits.....	254,421	4.72	251,185	8,758	4.65	244,839	8,550	4.66	
FHLB advances.....	24,000	5.70	25,275	1,091	5.76	16,241	725	5.95	
Total interest-bearing liabilities.....	278,421	4.80	276,460	9,849	4.75	261,080	9,275	4.74	
Noninterest-bearing liabilities.....	13,938		16,442			15,931			
Total liabilities.....	292,359		292,902			277,011			
Total retained earnings.....	31,723		30,636			28,707			
Total liabilities and retained earnings.....	\$ 324,082		\$ 323,538			\$ 305,718			
Net interest income.....				\$ 8,482			\$ 8,111		
Interest rate spread.....		2.93%			2.96%			2.94%	
Net interest margin as a percent of interest-earning assets.....					3.57%			3.58%	
Ratio of interest-earning assets to interest-bearing liabilities.....		113.12%			114.66%			115.56%	

</TABLE>

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<TABLE>
<CAPTION>

FOR THE YEAR ENDED DECEMBER 31,							
1996		1995		1994			
AVERAGE BALANCE	INTEREST	AVERAGE YIELD/COST	AVERAGE BALANCE	INTEREST	AVERAGE YIELD/COST	AVERAGE BALANCE	
(DOLLARS IN THOUSANDS)							
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS:							
Interest-earning assets:							
Short-term deposits.....	\$ 7,987	\$ 144	1.80%	\$ 7,632	\$ 149	1.95%	\$ 11,861
Investment securities.....	36,367	2,494	6.86	29,578	2,033	6.87	29,008
Mortgage-backed and mortgage-related securities.....	22,839	1,695	7.42	26,805	1,873	6.99	30,105
Mortgage loans, net.....	226,240	18,113	8.01	209,481	16,650	7.95	189,089
Other loans.....	8,753	839	9.59	5,930	602	10.15	3,498
FHLB stock.....	2,026	136	6.71	1,894	125	6.60	1,879
Total interest-earning assets....	304,212	23,421	7.70	281,320	21,432	7.62	265,440
Noninterest-earning assets.....	4,452			3,506			5,921
Total assets.....	\$ 308,664			\$ 284,826			\$ 271,361

LIABILITIES AND RETAINED EARNINGS:

Interest-bearing liabilities:

Deposits:

Money market accounts.....	27,657	920	3.33	32,343	1,117	3.45	41,385
Passbook savings accounts.....	46,048	1,391	3.02	47,945	1,439	3.00	54,004
NOW accounts.....	26,666	571	2.14	25,972	581	2.24	27,279
Certificates of deposit.....	144,044	8,469	5.88	127,030	7,306	5.75	111,549
Total deposits.....	244,415	11,351	4.64	233,290	10,443	4.48	234,217
FHLB advances.....	19,683	1,162	5.90	11,451	714	6.24	1,503

Total interest-bearing liabilities.....

264,098	12,513	4.74	244,741	11,157	4.56	235,720
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Noninterest-bearing liabilities.....

15,764			14,142			12,759
--------	--	--	--------	--	--	--------

Total liabilities.....

279,862			258,883			248,479
---------	--	--	---------	--	--	---------

Total retained earnings.....

28,802			25,943			22,882
--------	--	--	--------	--	--	--------

Total liabilities and retained earnings.....

\$ 308,664			\$ 284,826			\$ 271,361
------------	--	--	------------	--	--	------------

Net interest income.....

\$ 10,908			\$ 10,275
-----------	--	--	-----------

Interest rate spread.....

2.96%			3.06%
-------	--	--	-------

Net interest margin as a percent of interest-earning assets.....

3.59%			3.65%
-------	--	--	-------

Ratio of interest-earning assets to interest-bearing liabilities.....

115.19%			114.95%
---------	--	--	---------

<CAPTION>

<S>	<C>	<C>	
	INTEREST	AVERAGE YIELD/COST	

<S>	<C>	<C>	
ASSETS:			
Interest-earning assets:			
Short-term deposits.....	\$ 299	2.52%	
Investment securities.....	1,945	6.71	
Mortgage-backed and mortgage-related securities.....	1,965	6.53	
Mortgage loans, net.....	14,885	7.87	
Other loans.....	323	9.23	
FHLB stock.....	111	5.91	
Total interest-earning assets....	19,528	7.36	
Noninterest-earning assets.....			
Total assets.....			

LIABILITIES AND RETAINED EARNINGS:

Interest-bearing liabilities:

Deposits:

Money market accounts.....	1,310	3.17
Passbook savings accounts.....	1,611	2.98
NOW accounts.....	599	2.20
Certificates of deposit.....	5,501	4.93
Total deposits.....	9,021	3.85
FHLB advances.....	85	5.66

Total interest-bearing liabilities.....

9,106	3.86
-------	------

Noninterest-bearing liabilities.....

Total liabilities.....

Total retained earnings.....

Total liabilities and retained earnings.....		
Net interest income.....	\$ 10,422	
Interest rate spread.....	3.50%	
Net interest margin as a percent of interest-earning assets.....	3.93%	
Ratio of interest-earning assets to interest-bearing liabilities.....	112.61%	

</TABLE>

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RATE/VOLUME ANALYSIS. The following table 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 Bank's interest income and interest expense during the periods indicated. Information is provided in each category with respect to: (i) changes attributable to changes in volume (changes in volume multiplied by prior rate); (ii) changes attributable to changes in rate (changes in rate multiplied by prior volume); and (iii) the net change. The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30, 1997 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1996			YEAR ENDED DECEMBER 31, 1996 COMPARED TO YEAR ENDED DECEMBER 31, 1995		
	INCREASE (DECREASE) DUE TO			INCREASE (DECREASE) DUE TO		
	VOLUME	RATE	NET	VOLUME	RATE	NET
	(IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
INTEREST-EARNING ASSETS:						
Short-term deposits.....	\$ 59	\$ 64	\$ 123	\$ 7	\$ (12)	\$ (5)
Investment securities.....	213	96	309	464	(3)	461
Mortgage-backed and mortgage-related securities, net.....	(157)	(54)	(211)	(289)	111	(178)
Mortgage loans, net.....	527	136	663	1,337	126	1,463
Other loans.....	162	(113)	49	272	(35)	237
FHLB stock.....	1	11	12	9	2	11
Total interest-earning assets.....	805	140	945	1,800	189	1,989
INTEREST-BEARING LIABILITIES:						
Money market accounts.....	(8)	6	(2)	(159)	(38)	(197)
Passbook savings accounts.....	61	4	65	(58)	10	(48)
NOW accounts.....	(18)	(34)	(52)	16	(26)	(10)
Certificates of deposit.....	232	(35)	197	995	168	1,163
FHLB advances.....	405	(39)	366	489	(41)	448
Total interest-bearing liabilities.....	672	(98)	574	1,283	73	1,356
Net change in net interest income.....	\$ 133	\$ 238	\$ 371	\$ 517	\$ 116	\$ 633

<CAPTION>

	YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994		
	INCREASE (DECREASE) DUE TO		
	VOLUME	RATE	NET
<S>	<C>	<C>	<C>
INTEREST-EARNING ASSETS:			
Short-term deposits.....	\$ (92)	\$ (58)	\$ (150)
Investment securities.....	40	48	88
Mortgage-backed and mortgage-related securities, net.....	(225)	133	(92)
Mortgage loans, net.....	1,613	152	1,765
Other loans.....	244	35	279
FHLB stock.....	1	13	14
Total interest-earning assets.....	1,581	323	1,904
INTEREST-BEARING LIABILITIES:			
Money market accounts.....	(303)	110	(193)
Passbook savings accounts.....	(183)	11	(172)
NOW accounts.....	(29)	11	(18)
Certificates of deposit.....	821	984	1,805
FHLB advances.....	620	9	629
Total interest-bearing liabilities.....	926	1,125	2,051
Net change in net interest income.....	\$ 655	\$ (802)	\$ (147)

</TABLE>

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COMPARISON OF FINANCIAL CONDITION AT SEPTEMBER 30, 1997 AND DECEMBER 31, 1996

Total assets at September 30, 1997 were \$324.1 million, which represented an increase of \$8.2 million, or 2.6%, compared to \$315.9 million at December 31, 1996. The component change in assets was primarily due to changes in investment securities and loans receivable. Investment securities increased by \$5.8 million to a balance of \$43.3 million at September 30, 1997 compared to \$37.5 million at December 31, 1996. This increase was primarily due to an increase of \$5.4 million in U.S. Treasuries and, FHLB-Chicago securities to \$32.4 million at September 30, 1997 compared to \$27.0 million at December 31, 1996. Loans receivable, net increased by \$3.0 million to \$240.7 million at September 30, 1997 as compared to \$237.7 million at December 31, 1996. The increase in loans receivable, net, was primarily attributable to a \$3.2 million increase in the Bank's one- to four-family mortgage loan portfolio during the nine month period ended September 30, 1997. The growth in total assets was funded by a \$10.5 million, or 4.1%, increase in savings deposits which totalled \$263.6 million at September 30, 1997, compared to \$253.1 million at December 31, 1996. Retained earnings increased by \$2.2 million, or 7.5%, to \$31.7 million at September 30, 1997 as compared to \$29.5 million at December 31, 1996. The increases in assets and retained earnings were offset by advance repayments to the FHLB-Chicago of \$5.0 million, reducing the level of outstanding borrowed funds to \$24.0 million at September 30, 1997 from \$29.0 million at December 31, 1996. Accrued expenses and other liabilities increased by \$634,000, or 26.4%, to \$3.0 million at September 30, 1997 as compared to \$2.4 million at December 31, 1996. This increase was primarily due to an increase of \$339,000 in official checks outstanding to \$2.1 million at September 30, 1997 as compared to \$1.7 million at December 31, 1996.

COMPARISON OF FINANCIAL CONDITION AT DECEMBER 31, 1996 AND DECEMBER 31, 1995

Total assets at December 31, 1996 were \$315.9 million, an increase of \$17.9 million, or 6.0%, compared to \$298.0 million at December 31, 1995. The increase in total assets was primarily the result of an increase in the Bank's lending portfolio. Loans receivable, net, increased \$16.8 million, or 7.6%, to \$237.7 million at December 31, 1996 from \$220.9 million at December 31, 1995. The increase in loans receivable, net, during 1996 resulted primarily from the increase of \$15.5 million in one- to four-family mortgage loans. Investments, including mortgage-backed securities, investment securities and FHLB-Chicago daily investment deposits and stock, decreased by \$600,000, or 0.81%, to \$70.8 million at December 31, 1996 from \$71.4 million at December 31, 1995. The increase in

total assets was funded, in part, by a \$5.0 million, or 2.0%, increase in savings deposits which totalled \$253.1 million at December 31, 1996, compared to \$248.1 million at December 31, 1995. Borrowings from the FHLB-Chicago also increased to \$29.0 million at December 31, 1996 from \$15.0 million at December 31, 1995. The \$14 million, or 93.3% increase in borrowings was the result of a highly competitive savings deposit market during 1996.

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

GENERAL

The Bank's net income increased by \$1.0 million, or 82.4%, to \$2.2 million for the nine months ended September 30, 1997, from \$1.2 million for the nine months ended September 30, 1996. This increase in net income was primarily attributable to a decrease in non-interest expense as a result of the absence of the one-time special assessment of \$1.5 million to recapitalize the SAIF (the "SAIF Special Assessment"), as well as an increase of \$372,000 in net interest income before provision for loan losses.

INTEREST INCOME

Interest income increased by \$946,000, or 5.4%, to \$18.3 million for the nine months ended September 30, 1997, when compared with the same period in 1996. This increase resulted from a combination of an increase in average interest-earning assets and an increase in average yield. The largest component

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was an increase of \$663,000 in mortgage loan interest income for the nine months ended September 30, 1997. This resulted from an increase in the average balance of mortgage loans of \$8.7 million, and an increase in the yield of 8 basis points. Overall, the average yield on the Bank's interest-earning assets increased by 3 basis points to 7.71% for the nine months ended September 30, 1997 from 7.68% for the nine months ended September 30, 1996. The average balance of interest-earning assets increased by \$15.3 million, or 5.1%, to \$317.0 million for the nine months ended September 30, 1997 from \$301.7 million for the nine months ended September 30, 1996.

INTEREST EXPENSE

Interest expense increased by \$574,000, or 6.2%, to \$9.8 million for the nine months ended September 30, 1997, from \$9.3 million for the nine months ended September 30, 1996. This increase resulted from the combination of an increase in the average balance of deposits and advances outstanding, offset by a decrease in the average rate paid on those deposits and advances. The average rate paid on total deposits decreased to 4.65% for the nine months ended September 30, 1997 from 4.66% for the nine months ended September 30, 1996. The rate paid on FHLB-Chicago advances decreased to 5.76% for the nine months ended September 30, 1997 from 5.95% for the nine months ended September 30, 1996. The average balance of interest-bearing liabilities increased by \$15.4 million, or 5.9%, to \$276.5 million at September 30, 1997 from \$261.1 million at September 30, 1996. This increase reflects a \$6.3 million increase in the deposit accounts, with the remaining \$9.0 million increase attributable to an increase on advances from the FHLB-Chicago.

NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES

Net interest income before provision for loan losses increased \$372,000, or 4.6%, to \$8.5 million for the nine months ended September 30, 1997 from \$8.1 million for the comparable period in 1996. This increase was primarily attributable to a 2 basis point increase in the average interest rate spread to 2.96% for the nine months ended September 30, 1997 as compared to 2.94% for the same period in 1996.

PROVISION FOR LOAN LOSSES

The Bank's provision for loan losses increased by \$150,000, or 333.3%, to \$195,000 for the nine months ended September 30, 1997 from \$45,000 for the comparable period in 1996. At September 30, 1997 and 1996, the ratio of the allowance for loan losses to non-performing loans was 48.3% and 102.3%, respectively, and the ratio of the allowance for loan losses to total loans was 0.41% and 0.34%, respectively, for those same periods. Pursuant to the ACB Report for the second quarter of 1997, these ratios are below the Bank's peer group averages based on asset size (0.88%). There were no charge-offs during the nine months ended September 30, 1997 and 1996. Management periodically calculates an allowance sufficiency analysis based upon the portfolio composition, asset classifications, loan-to-value ratios, potential impairments in the loan portfolio, and other factors. The analysis is compared to actual losses, peer group comparisons and economic conditions. The increase to the allowance for loan losses during the third quarter of 1997 was based on a change in the reserve methodology employed by management, the

increase in non-performing loans, and management's desire to bring the level of the Bank's allowance for loan losses closer to that of its peers. Management believes that the provision for loan losses and the allowance for loan losses are currently reasonable and adequate to cover any potential losses reasonably expected in the existing loan portfolio. While management estimates loan losses using the best available information, no assurance can be given that future additions to the allowance will not be necessary based on changes in economic and real estate market conditions, further information obtained regarding problem loans, identification of additional problem loans and other factors, both within and outside of management's control.

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NON-INTEREST INCOME

Non-interest income decreased \$18,000, or 2.9%, to \$601,000 for the nine months ended September 30, 1997 from \$619,000 for the nine months ended September 30, 1996. Real estate and insurance commissions and service fees increased \$75,000 and \$48,000, respectively, for the nine months ended September 30, 1997 and 1996. This increase, however, was offset by a decrease in gain on sale of foreclosed real estate to \$8,000 for the nine months ended September 30, 1997 from \$111,000 for the comparable period in 1996 as well as a decrease in miscellaneous other income of \$38,000 during those same periods.

NON-INTEREST EXPENSE

Non-interest expense decreased by \$1.2 million, or 18.3%, to \$5.5 million for the nine months ended September 30, 1997 from \$6.8 million for the same period in 1996. Federal insurance premiums decreased by \$1.8 million directly related to the change in deposit insurance premium rates from 23 cents per \$100 of deposits prior to October 1, 1996 to 6.5 cents per \$100 of deposits subsequent to that date. Compensation and benefits increased by \$271,000, or 10.7%, primarily due to a combination of annual salary increases and the addition of staff during 1997. Other operating expenses, including advertising, marketing, insurance, postage, communications and other office expense increased by \$201,000 in the aggregate, or 15.1%. Management continues to emphasize the importance of expense management and control in order to continue to provide expanded banking service to a growing market base. The Bank expects that salary and benefits expense may increase after the Conversion, primarily as a result of the adoption of various employee benefit plans and compensation adjustments contemplated in connection with the Conversion. In this regard, the proposed ESOP, which intends to purchase 8% of the Common Stock issued in the Conversion, including shares issued to the Foundation, and the Stock Program which, if implemented, would purchase an amount of Common Stock equal to 4% of the Common stock issued in the Conversion, including shares issued to the Foundation, will result in increased salary and benefits expense as interest on and amortization of the ESOP loan and amortization of the Stock Program awards will be reflected as compensation expense. See "Management of the Bank--Benefit Plans."

INCOME TAX EXPENSE

Income tax expense was \$1.1 million for the nine months ended September 30, 1997, compared to \$702,000 for the nine months ended September 30, 1996. The decrease in the provision for income taxes was primarily the result of a combination of a decrease in the effective income tax rate and an increase in earnings before income tax expense. The effective income tax rate decreased to 34.0% for the nine months ended September 30, 1997 from 36.6% for the comparable period in 1996. Earnings before income tax expense increased by \$1.4 million, or 75.2%, to \$3.3 million for the nine months ended September 30, 1997 from \$1.9 million for the comparable period during 1996.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995

GENERAL

The Bank's net income for the year ended December 31, 1996 decreased \$719,000, or 26.0%, to \$2.0 million from \$2.8 million for the year ended December 31, 1995. The decrease was primarily due to the special one-time assessment on SAIF member institutions, including the Bank, to recapitalize the SAIF. As required in the Deposit Insurance Funds Act of 1996 (the "Funds Act"), the FDIC imposed a special assessment of 65.7 cents per \$100 of SAIF assessable deposits held as of March 31, 1995, payable on November 27, 1996 (the SAIF Special Assessment). The SAIF Special Assessment was recognized by the Bank in the quarter ended September 30, 1996. The SAIF Special Assessment resulted in an increase in deposit insurance premiums of \$1.5 million for the year ended December 31, 1996 (\$1.0 million, net of tax). Other non-interest expense also increased by \$99,000 in 1996. These decreases were offset,

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in part, by an increase of \$632,000 in net interest income before provision for loan losses and a decrease in income tax expense of \$614,000.

INTEREST INCOME

Interest income increased by \$2.0 million, or 9.3%, to \$23.4 million for the year ended December 31, 1996 from \$21.4 million for the year ended December 31, 1995. The increase was primarily due to the combination of an increase in interest-earning assets and an increase in the average yield. The average yield on the Bank's interest-earning assets increased by 8 basis points to 7.70% for the year ended December 31, 1996 from 7.62% for the year ended December 31, 1995. The average balance of interest-earning assets increased by \$22.9 million, or 8.1%, to \$304.2 million for the year ended December 31, 1996 from \$281.3 million for the year ended December 31, 1995.

INTEREST EXPENSE

Interest expense increased by \$1.4 million, or 12.1%, to \$12.5 million for the year ended December 31, 1996 from \$11.1 million for the year ended December 31, 1995. This increase was primarily due to the combination of an increase in the average balance of deposits outstanding and an increase in the average rate paid on those deposits. The average rate paid on average interest-bearing liabilities increased to 4.64% for the year ended December 31, 1996 from 4.48% for the year ended December 31, 1995. This increase was primarily attributed to an increase in average rates paid on certificates of deposit, from 5.75% to 5.88%, even though most other categories of deposit accounts experienced rate decreases in average rates paid. An additional factor contributing to the increase in interest expense was the overall increase in total average deposits which increased \$11.2 million, or 4.8%, to \$244.4 million for the year ended December 31, 1996 from \$233.3 million for the year ended December 31, 1995. In addition, the average balance of FHLB-Chicago advances increased by \$8.2 million to \$19.7 million for the year ended December 31, 1996 from \$11.5 million for the year ended December 31, 1995.

NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES

Net interest income before provision for loan losses increased \$632,000, or 6.2%, to \$10.9 million for the year ended December 31, 1996 from \$10.3 million for the same period in 1995. The increase was due to a combination of an increase in average interest-earning assets in excess of interest-bearing liabilities of \$3.5 million, offset by the effect of a 10 basis point decline in interest rate spread.

PROVISION FOR LOAN LOSSES

The provision for loan losses decreased by \$18,000, or 25.0%, to \$54,000 for the year ended December 31, 1996 from \$72,000 for the same period in 1995. The ratio of the allowance for loan losses to non-performing loans was 156.6% and 95.6% at December 31, 1996 and 1995, respectively, and the ratio of the allowance for loan losses to total loans remained constant at .34% at such respective dates. Also, there were no charge-offs for the years ended December 31, 1996 and 1995.

NON-INTEREST INCOME

Non-interest income increased \$128,000, or 19.0%, to \$802,000 for the year ended December 31, 1996 from \$674,000 for the year ended December 31, 1995. This increase was primarily due to gains on the sale of foreclosed real estate amounting to \$121,000 for the year ended December 31, 1996. This represented a \$109,000 increase over 1995.

NON-INTEREST EXPENSE

Non-interest expense increased by \$2.1 million, or 33.2%, to \$8.5 million for the year ended December 31, 1996 from \$6.4 million for the year ended December 31, 1995. Federal deposit insurance premiums increased by \$1.5 million as a result of the SAIF Special Assessment of 65.7 cents per \$100 of assessable SAIF deposits effective September 30, 1996. Compensation and benefits expense increased \$427,000, or 14.3%, to \$3.4 million for the year ended December 31, 1996 from \$3.0 million for the year ended December 31, 1995. This was primarily attributable to normal salary increases, staff additions and general wage increases for non-officer employees. This increase was

initiated at the beginning of 1996 in an attempt to remain competitive and continue to attract qualified employees to serve the Bank's customer base. Collectively, the remaining non-interest expenses increased by \$259,000, to \$3.1 million for the year ended December 31, 1996 from \$2.8 million for the year ended December 31, 1995. Increases in this category were primarily in the areas of data processing, depreciation and occupancy. Data processing expense increased \$40,000, or 16.9%, to \$276,000 for the year ended December

31, 1996 from \$236,000 for the year ended December 31, 1995. This increase was due to service bureau costs associated with increased automation and improvements to the data processing system. Depreciation and repair expense increased \$80,000, or 19.0%, to \$501,000 for the year ended December 31, 1996 from \$421,000 for the year ended December 31, 1995. This increase was due to the Bank's efforts to continue to upgrade computer equipment and branch facilities. Overall occupancy expense increased by \$43,000, or 18.6%, to \$274,000 for the year ended December 31, 1996 from \$231,000 for the year ended December 31, 1995.

INCOME TAX EXPENSE

Income tax expense decreased \$614,000, or 35.1%, to \$1.1 million for the year ended December 31, 1996 from \$1.7 million for the year ended December 31, 1995, due to a combination of a decrease of earnings before income tax, as well as a decrease in the effective tax rate. Earnings before income taxes decreased by \$1.3 million. The effective tax rate was 35.7% for the year ended December 31, 1996 compared to an effective tax rate of 38.7% for 1995.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 1995 AND DECEMBER 31, 1994

GENERAL

Net income decreased \$195,000, or 6.6%, to \$2.8 million for the year ended December 31, 1995 from \$3.0 million for the year ended December 31, 1994. This decrease was due, in part, to a decrease of \$147,000 in net interest income before provision for loan losses and an increase of \$268,000 in non-interest expense. These changes were offset by an increase in non-interest income of \$105,000 and a decrease in income tax expense of \$97,000.

INTEREST INCOME

Interest income increased by \$1.9 million, or 9.7%, to \$21.4 million for the year ended December 31, 1995 from \$19.5 million for the year ended December 31, 1994. The increase primarily resulted from increases in both the yield and the average balance of interest-earning assets. The average yield on the Bank's interest-earning assets increased 26 basis points to 7.62% for the year ended December 31, 1995 from 7.36% for the year ended December 31, 1994. The average balance of interest-earning assets increased by \$15.9 million, or 6.0%, to \$281.3 million for the year ended December 31, 1995 from \$265.4 million for the year ended December 31, 1994, primarily as a result of a \$20.4 million increase in average mortgage loans, net.

INTEREST EXPENSE

Interest expense increased by \$2.1 million, or 22.5% to \$11.2 million for the year ended December 31, 1995 from \$9.1 million for the year ended December 31, 1994. The increase in interest expense was due primarily to a combination of increases in average rate and the average balance of interest-bearing liabilities. The average balance of interest-bearing liabilities increased \$9.0 million, or 3.8%, to \$244.7 million for the year ended December 31, 1995 from \$235.7 million for the year ended December 31, 1994. The average rate paid on average interest-bearing liabilities increased by 70 basis points to 4.56% for the year ended December 31, 1995 from 3.86% for the year ended December 31, 1994.

NET INTEREST INCOME BEFORE PROVISION FOR LOAN LOSSES

Net interest income before provision for loan losses decreased by \$147,000, or 1.4%, to \$10.3 million for the year ended December 31, 1995 from \$10.4 million for the year ended December 31, 1994. The decrease was primarily the result of a 44 basis point decrease in interest rate spread to 3.06% for the year ended December 31, 1995 from 3.50% for the year ended December 31, 1994 offset by a net increase of \$6.9 million in interest-bearing assets over interest-bearing liabilities to \$36.6 million for the year ended December 31, 1995 from \$29.7 million for the year ended December 31, 1994.

PROVISION FOR LOAN LOSSES

The provision for loan losses decreased by \$18,000, or 20.0%, to \$72,000 for the year ended December 31, 1995 from \$90,000 for the year ended December 31, 1994. The ratio of the allowance for loan losses to non-performing loans was 95.6% and 125.6% at December 31, 1995 and 1994, respectively, and the ratio of the allowance for loan losses to total loans was .34% for each of such respective dates.

NON-INTEREST INCOME

Non-interest income increased by \$105,000, or 18.4%, to \$674,000 for the year ended December 31, 1995 from \$569,000 for the year ended December 31, 1994. This increase was primarily due to a \$91,000 loss on the sale of mutual funds

occurring in 1994. The Bank did not incur any similar losses in 1995.

NON-INTEREST EXPENSE

Non-interest expense increased by \$268,000, or 4.4%, to \$6.4 million for the year ended December 31, 1995 from \$6.1 million for the year ended December 31, 1994. This increase was primarily the result of increases in compensation and benefits and depreciation and repairs. Compensation and benefits increased \$182,000, or 6.5%, to \$3.0 million for the year ended December 31, 1995 from \$2.8 million for the year ended December 31, 1994. This increase is primarily attributable to normal salary increases. Depreciation and repair expense also increased by \$88,000, or 26.4% to \$421,000 for the year ended December 31, 1995 from \$333,000 for the year ended December 31, 1994 reflecting the Bank's efforts to continue to upgrade computer equipment and branch facilities.

INCOME TAX EXPENSE

Income tax expense decreased by \$97,000, or 5.3%, to \$1.7 million for the year ended December 31, 1995 from \$1.8 million for the year ended December 31, 1994. This decrease was primarily due to a \$292,000 reduction in earnings before income tax to \$4.5 million for the year ended December 31, 1995 from \$4.8 million for the year ended December 31, 1994. The effective tax rate was 38.7% for the year ended December 31, 1995 compared to 38.4% for the year ended December 31, 1994.

LIQUIDITY AND CAPITAL RESOURCES

The Bank's primary sources of funds are savings deposits, proceeds from the principal and interest payments on loans and proceeds from the maturation of securities and, to a lesser extent, borrowings from FHLB-Chicago. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit outflows and mortgage prepayments are greatly influenced by general interest rates, economic conditions and competition.

The primary investing activities of the Bank are the origination of primarily residential one-to four-family loans and, to a lesser extent, multi-family and commercial real estate, construction and land, commercial and consumer loans and the purchase of mortgage-backed and mortgage-related securities. During the nine months ended September 30, 1997 and the years ended December 31, 1996, and 1995, the Bank's loan originations totalled \$47.6 million, \$73.5 million and \$59.3 million, respectively. Purchases of mortgage-backed securities totalled \$2.1 million, and \$2.6 million, for the nine months ended September 30, 1997 and the year ended December 31, 1996, respectively. These activities were funded primarily by deposit growth and principal repayments on loans and mortgage-backed securities. The Bank experienced a net increase in total deposits of \$10.5 million, \$5.0 million, \$8.7 million and \$163,000 for the nine months ended September 30, 1997 and the years ended December 31, 1996, 1995, and 1994, respectively. Deposit flows are affected by the level of interest rates, the interest rates and products offered by the local competitors, the Bank and other factors.

The Bank's most liquid assets are cash and interest-bearing demand accounts. The levels of these assets are dependent on the Bank's operating, financing, lending and investing activities during any given period. At September 30, 1997, cash and interest-bearing demand accounts totalled \$12.6 million, or 3.9% of total assets. The Bank closely monitors its liquidity position on a daily basis. On a longer-term basis, the Bank maintains a strategy of investing in various lending products as described in greater detail under "Business of the Bank--Lending

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Activities." In the event the Bank should require funds beyond its ability to generate them internally, additional sources of funds are available through FHLB advances. See "Business of the Bank--Sources of Funds--Borrowed Funds." At September 30, 1997, the Bank had \$24.0 million of outstanding FHLB borrowings.

Outstanding commitments to originate first mortgage loans totalled \$6.3 million at September 30, 1997. Management of the Bank anticipates that it will have sufficient funds available to meet its current loan commitments. Certificates of deposit which are scheduled to mature in one year or less from September 30, 1997 totalled \$83.6 million. From September 30, 1996 to September 30, 1997, the Bank experienced a 85.2% retention rate of funds maturing from certificates of deposit. It has been and will continue to be a priority of management to retain time deposits. The Bank relies primarily on competitive rates, customer service, and long-standing relationships with customers to retain deposits. From time to time, the Bank will also offer competitive special products to its customers to increase retention. Based upon the Bank's experience with deposit retention and current retention strategies, management believes that, although it is not possible to predict future terms and conditions upon renewal, a significant portion of such deposits will remain with the Bank.

At September 30, 1997, the Bank exceeded all of its regulatory capital requirements with a leverage capital level of \$31.0 million, or 9.59% of adjusted assets, which is above the required level of \$12.9 million, or 4.00%, and risk-based capital of \$32.0 million, or 17.73% of adjusted assets, which is above the required level of \$14.4 million, or 8.00%. See "Regulatory Capital Compliance."

During an OTS examination in 1993, it was noted that the Bank was incorrectly calculating certain annual percentage rate disclosures on certain adjustable-rate one-to four-family first mortgage loans. The OTS requested the Bank to make reimbursements to affected customers to adjust for the payments that they had made on these loans and, in certain cases, to reduce the amounts of future payments due on these loans to reflect the disclosed annual percentage rates. The Bank has thus far declined to make the adjustments for the loans originated prior to their 1992 OTS Report of Examination, in accordance with a 1993 United States Court of Appeals decision which would provide a successful defense to the OTS' request. It is reasonably possible that the OTS could seek an administrative or judicial ruling as to whether the Bank's defense is meritorious. The Bank's exposure in this matter is estimated to range from \$300,000 to \$350,000. As to certain adjustable-rate mortgage loans made subsequent to the Bank's 1992 Report of Examination, the Bank made reimbursements of approximately \$60,000 and is reducing total future interest payments on certain affected loans by an original estimate of approximately \$200,000, spread over a period of years. This future interest amount may be less if the affected loans are repaid prior to their scheduled repayment term. Cumulative reductions to date have totalled approximately \$95,000, including reductions of approximately \$13,000, \$14,000, \$45,000 and \$22,000 for the nine months ended September 30, 1997 and 1996 and during 1996 and 1995, respectively.

The capital injection resulting from the Conversion will significantly increase liquidity and capital resources. A portion of the net proceeds will initially be invested in marketable securities. Over time, the initial level of liquidity will be reduced as net proceeds are utilized for general corporate purposes, including the funding of lending activities and expansion of facilities. See "Use of Proceeds." The Bank's financial condition and the results of operations will be enhanced by the capital injection, resulting in increased net earning assets and net income. However, due to the large increase in equity resulting from the capital injection, return on equity will be adversely impacted immediately following the Conversion.

IMPACT OF INFLATION AND CHANGING PRICES

The Consolidated 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 dollar amounts 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 Bank's operations. Unlike industrial companies, nearly all of the assets and liabilities of the Bank are monetary in nature. As a result, interest rates have a greater impact on the Bank'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.

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IMPACT OF ACCOUNTING STANDARDS

The Bank will be required to account for the ESOP under SOP 93-6. SOP 93-6 measures compensation expense recorded by employers for leveraged ESOPs using the fair value of ESOP shares. Under SOP 93-6, the Company will recognize compensation cost equal to the fair value of the ESOP shares during the periods in which they become committed to be released. To the extent that the fair value of the Bank's ESOP shares differ from the cost of such shares, this differential will be charged or credited to equity. Employers with internally leveraged ESOPs will not report the loan receivable from the ESOP as an asset and will not report the ESOP debt as a liability. See "Management of the Bank--Benefit Plans--ESOP."

In November 1995, the FASB issued SFAS No. 123, "Accounting for Stock Based Compensation" ("SFAS No. 123"). This statement establishes financial accounting standards for stock-based employee compensation plans. SFAS No. 123 permits the Company to choose either the new fair value based method, or the current accounting prescribed by Accounting Principles Board ("APB") Opinion 25, using the intrinsic value based method of accounting for its stock-based compensation arrangements. SFAS No. 123 requires pro forma disclosures of net earnings and earnings per share computed as if the fair value based method had been applied in APB Opinion 25. SFAS No. 123 applies to all stock-based employee compensation plans in which an employer grants shares of its stock or other equity instruments to employees except for employee stock ownership plans. SFAS No. 123 also applies to plans in which the employer incurs liabilities to employees in

amounts based on the price of the employer's stock, (e.g., stock option plans, stock purchase plans, restricted stock plans, and stock appreciation rights). SFAS No. 123 also specifies the accounting for transactions in which a company issues stock options or other equity instruments for services provided by nonemployees or to acquire goods or services from outside suppliers or vendors. The recognition provisions of SFAS No. 123 for companies choosing to adopt the new fair value based method of accounting for stock-based compensation arrangements may be adopted immediately and will apply to all transactions entered into in fiscal years then beginning after December 15, 1995. The disclosure provisions of SFAS No. 123 are effective for fiscal years beginning after December 15, 1995, however, disclosure of the pro forma net earnings and earnings per share, as if the fair value method of accounting for stock-based compensation had been elected is required for all awards granted in fiscal years beginning after December 31, 1994. The Company expects to account for its stock-based compensation arrangements as prescribed in APB Opinion 25 upon the consummation of the Conversion.

In June 1996, the FASB issued SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" ("SFAS No. 125"), which supersedes FASB Statements No. 76, "Extinguishments of Debt," and No. 77, "Reporting by Transferors for Transfers of Receivables with Recourse." This statement amends FASB Statement No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and amends and extends to all servicing assets and liabilities, the accounting standards for mortgage servicing rights not set forth in SFAS No. 65, and supersedes SFAS No. 122. SFAS No. 125 provides accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. After a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial 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. A transfer of financial assets in which the transferor surrenders control over those assets is accounted for as a sale to the extent that consideration other than beneficial interests in the transferred assets is received in exchange.

SFAS No. 125 further requires that liabilities and derivatives incurred or obtained by transferors as part of a transfer of financial assets be initially measured at fair value, if practicable. It also requires that servicing assets and other retained interests in the transferred assets be measured by allocating the previous carrying amount between the assets sold, if any, and retained interest, if any, based on their relative fair values on the date of the transfer. SFAS No. 125 also requires that servicing assets and liabilities be subsequently measured by (a) amortization in proportion to and over the period of estimated net servicing income or loss and (b) assessment for asset impairment or increased obligation based on their fair values. SFAS No. 125 requires that debtors reclassify financial assets pledged as collateral and that secured parties recognize those assets and their obligation to return them to certain circumstances in which the secured party has taken control of those assets. SFAS No. 125 requires that a liability be derecognized if and only if either (i) the debtor pays the creditor and is relieved of its obligation or the liability of (ii) the debtor is legally released from being the primary obligor under the liability either judicially or by the creditor. Therefore, a liability is not considered extinguished by an in-substance defeasance.

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SFAS No. 125 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after December 31, 1996, and was adopted by the Bank on January 1, 1997. Such adoption was not material to the Bank.

In February 1997, the FASB issued SFAS Statement No. 128, "Earnings per Share" ("SFAS No. 128"). This Statement establishes standards for computing and presenting earnings per share ("EPS"). Basic EPS excludes dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities to issue common stock were exercised or converted into common stock and is computed similarly to fully diluted EPS pursuant to APB Opinion No. 15, "Earnings per Share." Dual presentation of basic and diluted earnings per share are required on the face of the income statement for all public entities with complex capital structures. This Statement supersedes Opinion No. 15, is effective for financial statements issued for periods ending after December 15, 1997 and is not expected to have a material impact on the Company.

In February 1997, the FASB issued SFAS No. 129, "Disclosure of Information about Capital Structure" ("SFAS No. 129") which establishes standards for disclosing information about an entity's capital structure. This Statement continues the previous disclosure requirements found in APB Opinions No. 10, "Omnibus Opinion--1996," and No. 15, "Earnings Per Share," and FASB Statement No. 47, "Disclosure of Long-Term Obligations" and eliminates the exemption of nonpublic entities from certain disclosure requirements of Opinion 15. Additionally, this Statement consolidates capital disclosure requirements for

ease of retrieval and greater visibility to nonpublic entities. This Statement is effective for financial statements for periods ending after December 15, 1997 and is not expected to have a material impact on the Company.

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income" ("Statement No. 130"). This Statement establishes standards for reporting and displaying comprehensive income and its components within the consolidated financial statements. Comprehensive income is defined in FASB Concepts Statement 6 as the "change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners." The Statement is effective for fiscal years beginning after December 15, 1997 and is not expected to have a material impact on the Company's results of operations.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information" which establishes standards for the way that public business enterprises report information about operating segments in annual financial statements. This Statement requires that those enterprises report selected information about operating segments in interim financial reports issued to shareholders. This Statement supersedes FASB Statement No. 14, "Financial Reporting for Segments of a Business Enterprise." Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. This Statement is effective for financial statements for periods beginning after December 15, 1997 and is not expected to have a material impact on the Company.

BUSINESS OF THE COMPANY

GENERAL

The Company was organized in October 1997 at the direction of the Board of Directors of the Bank for the purpose of becoming a holding company to own all of the outstanding capital stock of the Bank. Upon consummation of the Conversion, it is anticipated that the Bank will become a wholly-owned subsidiary of the Company. Upon the consummation of the Conversion, the Company will be a savings and loan holding company regulated by the OTS. See "Regulation and Supervision--Holding Company Regulation."

The Company is currently not an operating company. Following the Conversion, in addition to directing, planning and coordinating the business activities of the Bank, the Company will initially invest net proceeds it retains primarily in mortgage-backed and mortgage-related securities and other investment-grade marketable securities. In addition, the Company intends to fund the loan to the ESOP to enable the ESOP to subscribe for 8% of the Common

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Stock issued in connection with the Conversion, including shares issued to the Foundation; however, a third-party lender may be utilized to lend funds to the ESOP. See "Use of Proceeds." In the future, the Company may acquire or organize other operating subsidiaries, including other financial institutions and financial services companies. The Bank has recently acquired land in the neighboring community of Huntley upon which the Bank intends to construct a new full-service branch office. It is anticipated that such branch will be completed in late 1998. With the exception of the foregoing branch, there are presently no other agreements, understandings or plans for an expansion of the Company's operations. Initially, the Company will neither own nor lease any property from any third party, but will instead use the premises, equipment and furniture of the Bank. At the present time, the Company does not intend to employ any persons other than certain officers of the Bank, who will not be separately provided cash compensation by the Company. The Company may utilize the support staff of the Bank from time to time, if needed. Additional employees will be hired as appropriate to the extent the Company expands its business in the future.

BUSINESS OF THE BANK

GENERAL

The Bank is a community-oriented savings institution which was originally organized in 1924 as a federally-chartered mutual savings and loan association. The Bank reorganized in the 1980s to become Elgin Federal Financial Center, a federally-chartered mutual savings association, and again on July 1, 1996 to become Elgin Financial Center, S.B., an Illinois state-chartered mutual savings bank. The Bank's principal business consists of the acceptance of retail deposits from the general public in the areas surrounding its full-service branch offices and the investment of those deposits, together with funds generated from operations and borrowings, primarily in one- to four-family residential mortgage loans and, to a lesser extent, multi-family and commercial real estate loans, construction and land loans, commercial business loans, home equity loans, and automobile and passbook savings loans. The Bank originates all

of its loans for investment. The Bank also invests primarily in government insured or guaranteed mortgage-backed securities and U.S. Government obligations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -Management Strategy." The Bank's revenues are derived principally from the interest on its mortgage, consumer and commercial business loans and securities and from servicing fees. The Bank's primary sources of funds are retail savings deposits and, to a lesser extent, advances from the FHLB-Chicago.

MARKET AREA

Headquartered in largely suburban Kane County, Illinois, the Bank has been, and intends to continue to be, a community-oriented financial institution offering a variety of financial services to meet the needs of the communities it serves. The Bank currently operates four full-service banking facilities in Elgin and two full-service banking facilities in Algonquin and West Dundee, Illinois. The Bank also intends to expand its operations by constructing a new full-service branch facility in Huntley, Illinois which is expected to be operational in late 1998. See "--Lending Activities--Properties." The Bank's primary lending and deposit gathering area is concentrated around the areas where its full-service banking facilities are located which the Bank generally considers to be its primary market area.

Elgin is located on U.S. Interstate 90 (the Northwest tollway) in the Fox River Valley approximately 38 miles northwest of downtown Chicago and 25 miles west of O'Hare International Airport. Interstate 90 provides easy access to the City of Chicago and is a major corridor of suburban growth for Chicago. As the Chicago suburbs have expanded into Kane County, western Cook County and southern McHenry County, Elgin has experienced a positive influx of new residents and employers. The economy in the Bank's primary market area has also historically benefitted from the presence of well-known companies such as Motorola, Inc., First Card, Panasonic, Sears, Roebuck & Co., Safety Kleen Corp. and Ameritech Corp. Other employment and economic activity is provided by a variety of wholesale and retail trade, hospitals and a riverboat gambling facility located on the Fox River in Elgin.

COMPETITION

The Bank faces significant competition both in making loans and in attracting deposits. The State of Illinois has a high density of financial institutions, many of which are branches of significantly larger institutions which have greater financial resources than the Bank, all of which are competitors of the Bank to varying degrees. The Bank's competition for loans comes principally from savings banks, savings and loan associations, commercial banks, mortgage

banking companies, credit unions, insurance companies and other financial service companies. Its most direct competition for deposits has historically come from savings and loan associations, savings banks, commercial banks and credit unions. The Bank faces additional competition for deposits from non-depository competitors such as the mutual fund industry, securities and brokerage firms and insurance companies. Competition may also increase as a result of the lifting of restrictions on the interstate operations of financial institutions. There are approximately 15 financial institutions with operations in Elgin and approximately 30 financial institutions with operations in the Bank's primary market area.

LENDING ACTIVITIES

LOAN PORTFOLIO COMPOSITION. The types of loans that the Bank may originate are subject to federal and state laws and regulations. Interest rates charged by the Bank on loans are affected principally by the demand for such loans, the supply of money available for lending purposes and the rates offered by its competitors. These factors are, in turn, affected by general and economic conditions, monetary policies of the federal government, including the Federal Reserve Board ("FRB"), legislative tax policies and governmental budgetary matters.

The Bank's loan portfolio primarily consists of first mortgage loans secured by one- to four-family residences most of which are located in its primary market area and all of which are located in northern Illinois. At September 30, 1997, the Bank's gross loan portfolio totalled \$242.2 million, of which \$184.7 million were one- to four-family residential mortgage loans, or 76.3% of total loans. At such date, the remainder of the loan portfolio consisted of \$21.3 million of multi-family loans, or 8.8% of total loans; \$11.5 million of commercial real estate loans, or 4.7% of total loans; \$13.4 million of construction and land loans, or 5.5% of total loans; \$3.1 million of commercial loans, or 1.3% of total loans; and \$8.2 million of consumer loans, or 3.4% of total loans consisting of \$7.1 million of home equity lines of credit, \$536,000 of secured and unsecured personal loans and \$612,000 of automobile loans. The Bank has not sold loans in recent years and had no

mortgage loans held for sale at September 30, 1997 and at each of the five years ended December 31, 1996. At that same date, 58.4% of the Bank's mortgage loans had adjustable interest rates, most of which were indexed to the one year Constant Maturity Treasury ("CMT") Index.

The following table sets forth the composition of the Bank's loan portfolio in dollar amounts and in percentages of the respective portfolios at the dates indicated.

<TABLE>
<CAPTION>

		AT DECEMBER 31,							
		AT SEPTEMBER 30, 1997		1996		1995		1994	
	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL	
(DOLLARS IN THOUSANDS)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	
Mortgage loans:									
One- to four- family.....	\$184,732	76.3%	\$181,480	75.9%	\$165,956	74.5%	\$150,429	73.7%	
Multi-family....	21,318	8.8	22,040	9.2	23,290	10.5	21,083	10.3	
Commercial real estate...	11,483	4.7	9,953	4.2	9,750	4.4	12,981	6.4	
Construction and land.....	13,383	5.5	16,089	6.7	16,253	7.3	15,058	7.4	
Total mortgage loans.....	230,916	95.3	229,562	96.0	215,249	96.7	199,551	97.8	
Other loans:									
Home equity loans.....	7,059	2.9	5,759	2.4	4,337	1.9	1,878	.9	
Commercial.....	3,094	1.3	2,764	1.1	1,830	.8	1,449	.7	
Auto loans.....	612	.3	637	.3	658	.3	495	.2	
Loans on savings accounts.....	463	.2	393	.2	417	.2	480	.2	
Other.....	73	--	112	--	149	.1	307	.2	
Total other loans.....	11,301	4.7	9,665	4.0	7,391	3.3	4,609	2.2	
Total loans receivable....	242,217	100.0%	239,227	100.0%	222,640	100.0%	204,160	100.0%	
Less:									
Unearned discounts.....			--		109		98		
Deferred loan fees.....	557		741		840		837		
Allowance for loan losses...	1,002		808		754		682		
Loans receivable, net.....	\$240,658		\$237,678		\$220,937		\$202,543		

<CAPTION>

1993		1992	
AMOUNT	PERCENT OF TOTAL	AMOUNT	PERCENT OF TOTAL
<C>	<C>	<C>	<C>
\$133,711	75.7%	\$130,120	77.7%
21,285	12.1	20,105	12.0
10,407	5.9	9,132	5.5
8,247	4.6	6,588	3.9
173,650	98.3	165,945	99.1
--	--	--	--
1,958	1.1	584	.3
191	.1	156	.1
457	.3	606	.4
345	.2	242	.1
2,951	1.7	1,588	.9
176,601	100.0%	167,533	100.0%
279		350	
1,113		1,346	
592		500	
\$174,617		\$165,337	

</TABLE>

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LOAN ORIGINATIONS. The Bank's mortgage lending activities are conducted primarily by its loan personnel operating at its six branch offices. All loans originated by the Bank are underwritten by the Bank pursuant to the Bank's policies and procedures. The Bank originates both adjustable-rate and fixed-rate mortgage loans, commercial loans and consumer loans. The Bank's ability to originate fixed- or adjustable-rate loans is dependent upon the relative customer demand for such loans, which is affected by the current and expected future level of interest rates. It is the general policy of the Bank to retain all loans originated in its portfolio.

During the nine months ended September 30, 1997 and the years ended December 31, 1996 and December 31, 1995, the Bank originated \$18.8 million, \$21.0 million and \$17.0 million of fixed-rate one- to four-family residential mortgage loans, respectively, and during the nine months ended September 30, 1997 and for the years ended December 31, 1996 and December 31, 1995, the Bank originated \$11.6 million, \$24.0 million and \$21.3 million of adjustable-rate one- to four-family residential mortgage loans, respectively, all of which were retained by the Bank. Based upon the Bank's investment needs and market opportunities, the Bank participates in loans, primarily multi-family real estate mortgage loans, secured by property located in southern Wisconsin and, to a lesser extent, in Minnesota, and had \$12.0 million of purchased loan participation interests at September 30, 1997. See "--Multi-Family and Commercial Real Estate Lending."

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The following tables set forth the Bank's loan originations, purchases and principal repayments for the periods indicated. All loans originated by the Bank are held for investment. The Bank sold no loans during these periods.

<TABLE>
<CAPTION>

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE YEAR ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
Gross loans(1):					
Balance outstanding at beginning of period.....	\$ 239,227	\$ 222,640	\$ 222,640	\$ 204,160	\$ 176,601
Loans originated(2)					
One-to four-family.....	30,399	37,702	44,954	38,317	43,247
Multi-family.....	--	1,341	1,341	246	3,337
Commercial real estate.....	450	667	1,158	145	2,780
Construction and land.....	9,509	12,827	16,458	12,348	21,236
Home equity.....	3,208	4,297	5,274	4,674	4,100
Commercial business.....	3,306	2,503	3,381	2,351	801
Auto loans.....	325	220	346	545	573
Loans on savings accounts.....	372	280	472	386	394
Other.....	61	75	96	323	814
Total loans originated.....	47,630	59,912	73,480	59,335	77,282
Loans purchased.....	--	1,700	1,700	2,399	4,191
Total loans originated and purchased.....	47,630	61,612	75,180	61,734	81,473
Less:					
Principal repayments.....	(47,737)	(45,051)	(58,633)	(43,960)	(48,716)
Transfers to real estate owned.....	(120)	--	(66)	(115)	(12)
Change in loans in process.....	3,217	(941)	106	821	(5,186)
Total loans receivable at end of period.....	\$ 242,217	\$ 238,260	\$ 239,227	\$ 222,640	\$ 204,160

</TABLE>

(1) Gross loans exclude unearned discounts, deferred loan fees and the allowance for loan losses.

(2) Amounts for each period include loans in process at period end.

LOAN MATURITY AND REPRICING. The following table shows the contractual maturity of the Bank's loan portfolio at September 30, 1997. The table does not include prepayments or scheduled principal amortization. Prepayments and scheduled principal amortization on mortgage loans totalled \$47.7 million, \$45.1 million, \$58.6 million, \$43.9 million, and \$48.7 million for the nine months ended September 30, 1997 and September 30, 1996 and for the years ended December 31, 1996, 1995 and 1994, respectively. All loans originated by the Bank are held for investment.

<TABLE>
<CAPTION>

AT SEPTEMBER 30, 1997

ONE- TO FOUR- FAMILY	MULTI- FAMILY	COMMERCIAL REAL ESTATE	CONSTRUCTION AND LAND	HOME EQUITY	COMMERCIAL BUSINESS	AUTO LOANS	LOANS ON SAVINGS ACCOUNTS	OTHER	TOTAL LOANS RECEIVABLE
----------------------------	------------------	------------------------------	--------------------------	----------------	------------------------	---------------	---------------------------------	-------	------------------------------

	(IN THOUSANDS)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Amounts due:										
Within one year.....	\$ 355	\$ 21	\$ 43	\$ 4,368	\$ 59	\$1,798	\$ 49	\$216	\$ 14	\$ 6,923
After one year:										
More than one year to three years.....	285	--	1,327	6,834	2,938	239	352	247	27	12,249
More than three years to five years.....	1,785	122	389	5	3,445	689	211		32	6,678
More than five years to 10 years.....	10,622	1,714	2,658	397	63	341	--	--	--	15,795
More than 10 years to 20 years.....	46,218	6,080	4,534	1,730	554	27	--	--	--	59,143
More than 20 years...	125,467	13,381	2,532	49	--	--	--	--	--	141,429
Total due after September 30, 1998.....	184,377	21,297	11,440	9,015	7,000	1,296	563	247	59	235,294
Total amount due (gross).....	\$184,732	\$21,318	\$11,483	\$13,303	\$7,059	\$3,094	\$612	\$463	\$ 73	\$242,217
Less:										
Deferred loan fees, net.....										557
Allowance for loan losses.....										1,002
Total loans, net.....										\$240,658

</TABLE>

The following table sets forth at September 30, 1997, the dollar amount of gross loans receivable contractually due after September 30, 1998, and whether such loans have fixed interest rates or adjustable interest rates.

<TABLE>
<CAPTION>

	DUE AFTER SEPTEMBER 30, 1998		
	FIXED	ADJUSTABLE	TOTAL
	(IN THOUSANDS)		
<S>	<C>	<C>	<C>
Mortgage loans:			
One- to four-family.....	\$ 77,976	\$ 106,401	\$ 184,377
Multi-family.....	2,120	19,177	21,297
Commercial real estate.....	5,178	6,262	11,440
Construction and land.....	7,165	1,850	9,015
Total mortgage loans.....	92,439	133,690	226,129
Home equity.....	--	7,000	7,000
Commercial loans.....	1,001	295	1,296
Auto loans.....	563	--	563
Loans on savings accounts.....	247	--	247
Other.....	59	--	59
Total loans.....	\$ 94,309	\$ 140,985	\$ 235,294

</TABLE>

ONE- TO FOUR-FAMILY LENDING. The Bank currently offers both fixed-rate and adjustable-rate mortgage ("ARM") loans with maturities up to 30 years secured by one- to four-family residences substantially all of which are located in the Bank's primary market area. One- to four-family mortgage loan originations are generally obtained from the Bank's in-house loan representatives, from existing or past customers, through advertising, and through referrals from local builders, real estate brokers and attorneys. At September 30, 1997, the Bank's one- to four-family mortgage loans totalled \$184.7 million, or 76.3%, of total loans. Of the one- to four-family mortgage loans outstanding at that date, 42.3% were fixed-rate mortgage loans and 57.7% were ARM loans.

The Bank currently offers fixed-rate mortgage loans with terms from ten to 30 years. These loans have generally been priced at or slightly above current market rates for such loans. In order to increase its volume of originations, the Bank has recently revised its pricing strategies to price its fixed-rate mortgage loans more competitively and to eliminate the additional 50 basis points charged on loans with loan-to-value ("LTV") ratios between 80.0%--89.9%. See "Risk Factors--Interest Rate Risk." Management believes that the Bank may charge slightly above market rates of interest due to its competitive advantage of generally not charging finance fees, credit fees or appraisal fees associated with such loans. The Bank currently offers a number of ARM loans with terms of up to 30 years and interest rates which adjust every one, two or three years from the outset of the loan or which adjust annually after a three, five or seven year initial fixed period. The interest rates for the Bank's ARM loans are indexed to the one year CMT Index. The Bank originates ARM loans with initially discounted rates, often known as "teaser rates." The Bank's ARM loans generally provide for periodic (not more than 2 1/2%) and overall (not more than 7%) caps on the increase or decrease in the interest rate at any adjustment date and over the life of the loan. However, interest rates on the Bank's ARM loans may never adjust to be less than the initial rate of interest charged on any such loan.

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The origination of adjustable-rate residential mortgage loans, as opposed to fixed-rate residential mortgage loans, helps reduce the Bank's exposure to increases in interest rates. However, adjustable-rate loans generally pose credit risks not inherent in fixed-rate loans, primarily because as interest rates rise, the underlying payments of the borrower rise, thereby increasing the potential for default. Periodic and lifetime caps on interest rate increases help to reduce the risks associated with adjustable-rate loans but also limit the interest rate sensitivity of such loans.

The Bank originates all mortgage loans for its own portfolio. Generally, the Bank originates one- to four-family residential mortgage loans in amounts up to 95% of the appraised value or selling price of the property securing the loan. Private mortgage insurance ("PMI") may be required for loans with a LTV ratio of greater than 80% with the exception of certain loans in the Bank's "First-Time Home Buyer" and "American Dream Loan" programs, which allow for a 95% LTV ratio but do not require PMI. Mortgage loans originated by the Bank generally include due-on-sale clauses which provide the Bank with the contractual right to deem the loan immediately due and payable in the event the borrower transfers ownership of the property without the Bank's consent. Due-on-sale clauses are an important means of adjusting the yields on the Bank's fixed-rate mortgage loan portfolio and the Bank has generally exercised its rights under these clauses. The Bank requires fire, casualty, title and, in certain cases, flood insurance on all properties securing real estate loans made by the Bank.

In an effort to provide financing for first-time and moderate income home buyers, the Bank offers its own First-Time Home Buyer and American Dream Loan programs. These programs offer single-family residential mortgage loans to qualified individuals. These loans are offered with adjustable- and fixed-rates of interest and terms of up to 30 years. Such loans must be secured by a single family owner-occupied unit. These loans are originated using the same underwriting guidelines as are the Bank's other one- to four-family mortgage loans. Such loans are originated in amounts up to 95% of the lower of the property's appraised value or the sale price. Private mortgage insurance is not required on such loans.

MULTI-FAMILY AND COMMERCIAL REAL ESTATE LENDING. The Bank originates multi-family and commercial real estate loans that are generally secured by five or more unit apartment buildings and properties used for business purposes such as small office buildings or retail facilities located in the Bank's primary market area. The Bank's multi-family and commercial real estate underwriting policies provide that such real estate loans may be made in amounts up to 75% of the appraised value of the property, subject to the Bank's current loans-to-one-borrower limit, which at September 30, 1997 was \$6.3 million. The Bank's multi-family and commercial real estate loans may be made with terms up to 20 years and are offered with interest rates that adjust periodically. In reaching its decision on whether to make a multi-family or commercial real estate loan, the Bank considers the net operating income of the property, the borrower's expertise, credit history and profitability and the value of the underlying property. The Bank has generally required that the properties securing these real estate loans have debt service coverage ratios (the ratio of earnings before debt service to debt service) of at least 1.00x. Environmental impact surveys are generally required for all commercial real estate loans. Generally, all multi-family and commercial real estate loans made to corporations, partnerships and other business entities require personal guarantees by the principals. On an exception basis, the Bank may not require a personal guarantee on such loans depending on the creditworthiness of the borrower and the amount of the downpayment and other mitigating circumstances. The Bank's multi-family real estate loan portfolio at September 30, 1997 was \$21.3 million, or 8.8% of total loans, and the Bank's commercial real estate loan portfolio at such

date was \$11.5 million, or 4.7% of total loans. The largest multi-family or commercial real estate loan in the Bank's portfolio (excluding loan participation interests) at September 30, 1997 was a performing \$1.8 million commercial real estate loan secured by a strip shopping center located in South Elgin, Illinois.

The Bank also purchases up to 90% participation interests in multi-family loans secured by real estate, most of which is located outside of the Bank's primary market area in southern Wisconsin and Minnesota. When determining whether to participate in such loans, the Bank will underwrite its participation interest according to its own underwriting standards. The Bank will generally hedge against participating in problematic loans by participating in those loans which have been in existence for one to two years and, accordingly, possess a positive payment history. At September 30, 1997, the Bank had \$8.5 million in multi-family real estate loan participation interests, or 40.0% of multi-family loans and 3.5% of total loans.

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Loans secured by multi-family and commercial real estate properties generally involve larger principal amounts and a greater degree of risk than one- to four-family residential mortgage loans. Because payments on loans secured by multi-family and commercial real estate properties are often dependent on 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 through its underwriting standards. See "Risk Factors--Increased Lending Risks Associated with Commercial Real Estate, Multi-Family, Construction and Land and Commercial Business Lending."

CONSTRUCTION AND LAND LENDING. The Bank originates fixed-rate construction loans for the development of residential property primarily located in the Bank's market area. Construction loans are offered primarily to experienced local developers operating in the Bank's primary market area and, to a lesser extent, to individuals for the construction of their residence. The majority of the Bank's construction loans are originated primarily to finance the construction of one- to four-family, owner-occupied residential real estate and, to a lesser extent, multi-family real estate properties located in the Bank's primary market area. Construction loans are generally offered with terms up to 12 months and may be made in amounts up to 80% of the appraised value of the property, as improved. Construction loan proceeds are disbursed periodically in increments as construction progresses and as inspections by the Bank's lending officers warrant.

The Bank also originates fixed-rate land loans to local developers for the purpose of developing the land for sale. Such loans are secured by a lien on the property, are limited to 75% of the appraised value of the secured property and have terms of up to three years. The principal of the loan is reduced as lots are sold and released. The Bank's land loans are generally secured by properties located in its primary market area. Generally, if the borrower is a corporation, partnership or other business entity, personal guarantees by the principals are required.

At September 30, 1997, the Bank's largest construction or land loan was a performing loan with a \$2.5 million carrying balance secured by land for the development of single-family residences located in Elgin. At September 30, 1997, the Bank had \$13.4 million of construction and land loans which amounted to 5.5% of the Bank's total loans.

Construction and land financing is generally considered to involve a higher degree of credit risk than long-term financing on improved, owner-occupied real estate. Risk of loss on a construction loan is dependent largely upon the accuracy of the initial estimate of the property's value at completion of construction or development compared to the estimated cost (including interest) of construction and other assumptions, including the estimated time to sell residential properties. If the estimate of value proves to be inaccurate, the Bank may be confronted with a project, when completed, having a value which is insufficient to assure full repayment. See "Risk Factors--Increased Lending Risks Associated with Commercial Real Estate, Multi-Family, Construction and Land and Commercial Lending."

COMMERCIAL BUSINESS LENDING. The Bank also originates commercial business loans in the forms of term loans and lines of credit to small- and medium-sized businesses operating in the Bank's primary market area. Such loans are generally secured by equipment, leases, inventory, accounts

receivable and marketable securities; however, the Bank also makes unsecured commercial business loans. The maximum amount of a commercial business loan is limited by the Bank's loans-to-one-borrower limit which, at September 30, 1997, was \$6.3 million. Depending on the collateral used to secure the loans, commercial loans are made in amounts up to 80% of the value of the property securing the loan. Term loans are generally offered with fixed rates of interest and terms of up to five years. All term loans fully amortize during the term of such loan. Business lines of credit have adjustable rates of interest and terms of up to one year. Business lines of credit adjust on a daily basis and are indexed to the prime rate as published in The Wall Street Journal. The Bank also issues both secured and unsecured letters of credit to business customers of the Bank. Acceptable collateral includes an assigned deposit account with the Bank, real estate or marketable securities. Letters of credit have a maximum term of 36 months.

In making commercial business loans, the Bank considers primarily the financial resources of the borrower, the borrower's ability to repay the loan out of net operating income, the Bank's lending history with the borrower and the value of the collateral. Generally, if the borrower is a corporation, partnership or other business entity, personal guarantees by the principals are required. However, personal guarantees may not be required on such loans depending on the creditworthiness of the borrower and other mitigating circumstances. The Bank's largest commercial loan at September 30, 1997 was \$237,000. At such date, the Bank had \$948,000 of unadvanced commercial

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lines of credit. At September 30, 1997, the Bank had \$3.1 million of commercial loans which amounted to 1.3% of the Bank's total loans. In an effort to increase its emphasis on commercial business loans, the Bank has recently hired two experienced commercial loan originators with the primary responsibility of increasing commercial business loan volume.

Unlike mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment or other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial loans are of higher risk and typically are made on the basis of the borrower's ability to make repayment from the cash flow of the borrower's business. As a result, the availability of funds for the repayment of commercial loans may be substantially dependent on the success of the business itself. Further, any collateral securing such loans may depreciate over time, may be difficult to appraise and may fluctuate in value. See "Risk Factors--Increased Lending Risks Associated with Commercial Real Estate, Multi-Family, Construction and Land and Commercial Business Lending."

CONSUMER LENDING. Consumer loans at September 30, 1997 amounted to \$8.2 million, or 3.4% of the Bank's total loans, and consisted primarily of home equity lines of credit and, to a significantly lesser extent, secured and unsecured personal loans and new and used automobile loans. Such loans are generally originated in the Bank's primary market area and generally are secured by real estate, deposit accounts, personal property and automobiles.

Substantially all of the Bank's home equity lines of credit are secured by second mortgages on owner-occupied single-family residences located in the Bank's primary market area. At September 30, 1997, these loans totalled \$7.1 million, or 2.9% of the Bank's total loans and 86.0% of consumer loans. Home equity lines of credit generally have adjustable-rates of interest which adjust on a monthly basis. The adjustable-rate of interest charged on such loans is indexed to the prime rate as reported in The Wall Street Journal. Home equity lines of credit generally have an 18% lifetime limit on interest rates. Generally, the maximum combined LTV ratio on home equity lines of credit is 89.9% if the Bank holds the first mortgage lien on the property and 80% if the Bank does not hold the first mortgage lien. The underwriting standards employed by the Bank for home equity lines of credit include a determination of the applicant's credit history and an assessment of the applicant's ability to meet existing obligations and payments on the proposed loan and the value of the collateral securing the loan. The stability of the applicant's monthly income may be determined by verification of gross monthly income from primary employment and, additionally, from any verifiable secondary income. Creditworthiness of the applicant is of primary consideration.

The Bank also originates other types of consumer loans consisting of secured and unsecured personal loans and new and used automobile loans.

Secured personal loans are generally secured by deposit accounts. Unsecured personal loans generally have a maximum borrowing limitation of \$25,000 and generally require a debt ratio of 38%. Automobile loans have a maximum borrowing limitation of 80% of the sale price of the automobile, except that existing customers of the Bank who meet certain underwriting criteria may borrow up to 100% of the sale price of the automobile. At September 30, 1997, personal loans (both secured and unsecured) totalled \$536,000, or 0.2% of the Bank's total loans and 6.5% of consumer loans; and automobile loans totalled \$612,000, or 0.3% of total loans and 7.5% of consumer loans.

With respect to automobile loans, full-time employees of the Bank, other than executive officers and directors, who satisfy certain lending criteria and the general underwriting standards of the Bank receive an interest rate 1% less than that which is offered to the general public; provided, however, that the discounted interest rate is at no time less than 75 basis points above the Bank's overall cost of funds, rounded to the highest quarter percentage point.

Loan secured by rapidly depreciable assets such as automobiles or that are unsecured entail greater risks than one- to four-family residential mortgage loans. In such cases, repossessed collateral for a defaulted loan may not provide an adequate source of repayment of the outstanding loan balance, since there is a greater likelihood of damage, loss or depreciation of the underlying collateral. Further, consumer loan collections on these loans are dependent on the borrower's continuing financial stability and, therefore, are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Finally, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount which can be recovered on such loans in the event of a default.

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LOANS-TO-ONE BORROWER LIMITATIONS. The Illinois Savings Bank Act imposes limitations on the aggregate amount of loans that an Illinois chartered savings bank can make to any one borrower. Under the Illinois Savings Bank Act the permissible amount of loans-to-one borrower is the greater of \$500,000 (for a savings bank meeting its minimum capital requirements) or 20% of a savings bank's total capital plus general loan loss reserves. In addition, a savings bank may make loans in an amount equal to an additional 10% of the savings bank's capital plus general loan loss reserves if the loans are 100% secured by readily marketable collateral. Under Illinois law, a savings bank's capital consists of capital stock and noncumulative perpetual preferred stock, related paid-in capital, retained earnings and other forms of capital deemed to be qualifying capital by the FDIC. Illinois law also permits an institution with capital in excess of 6% of assets to request permission of the Commissioner to lend up to 30% of the institution's total capital and general loan loss reserves to one borrower for the development of residential housing properties within Illinois. The Bank has received the approval of the Commissioner to utilize the 30% limitation with respect to three current borrowers. At September 30, 1997, the Bank's ordinary limit on loans-to-one borrower under the Illinois Savings Bank Act was \$6.3 million. The 30% limitation equaled \$9.5 million at that date. At September 30, 1997, the Bank's five largest groups of loans-to-one borrower ranged from \$3.0 million to \$4.9 million, with the largest single loan in such groups being a \$2.5 million loan secured by land for the development of single-family residences, located in Elgin. At September 30, 1997, there were no loans exceeding the 20% limitation. A substantial portion of each large group of loans is secured by real estate. At September 30, 1997, all of such loans were performing in accordance with their terms.

LOAN APPROVAL PROCEDURES AND AUTHORITY. The Board of Directors establishes the lending policies and loan approval limits of the Bank. The Board of Directors has established the Loan Committee (the "Committee") of the Board which considers and approves all loans within its designated authority as established by the Board. In addition, the Board of Directors has authorized certain officers of the Bank (the "designated officers") to consider and approve all loans within their designated authority as established by the Board.

The Board of Directors has authorized the following persons and groups of persons to approve loans up to the amounts indicated: one- to four-family mortgage loans up to \$150,000 and home equity lines of credit ("HELOC") up to \$50,000 may be approved by any of the designated officers; one- to four-family mortgage loans in excess of \$150,000 and up to \$250,000 and HELOCs in excess of \$50,000 and up to \$100,000 may be approved by two of the designated officers; one- to four-family mortgage loans in excess of \$250,000 and up to \$500,000 and HELOCs in excess of \$100,000 must be approved by the

Committee; and one- to four-family mortgage loans in excess of \$500,000 must be approved by the Board of Directors. Multi-family real estate loans secured by five to 16 units and having less than a 50% LTV may be approved by two of the designated officers; any multi-family real estate loan with a LTV greater than 50% must be approved by the Committee; and all other multi-family real estate loans, including purchasing a participation interest from another lender, must be approved by either the Committee or the Board of Directors. All commercial real estate loans must be approved by either the Committee or the Board of Directors.

Construction loans in amounts up to \$150,000 may be approved by any of the designated officers; construction loans in excess of \$150,000 and up to \$250,000 and loans on building lots up to \$50,000 may be approved by two of the designated officers; construction loans in excess of \$250,000 and up to \$500,000 and loans of building lots in excess of \$50,000 must be approved by the Committee; all construction loans in excess of \$500,000 and all vacant land loans must be approved by either the Committee or the Board of Directors.

Commercial loans in amounts up to \$10,000 may be approved by any of the designated officers; commercial loans in excess of \$10,000 and up to \$25,000 may be approved by two of the designated officers; commercial loans in excess of \$25,000 and up to \$500,000 require the approval of the Committee; and commercial loans in excess of \$500,000 require the approval of the Board of Directors.

With respect to consumer loans (except for the Bank's HELOCs), unsecured loans in amounts up to \$10,000 and automobile loans up to \$30,000 may be approved by any of the designated officers; unsecured loans in excess of \$10,000 and up to \$25,000 and secured loans in amounts up to \$25,000 may be approved by two of the designated officers; unsecured loans in excess of \$25,000, automobile loans in excess of \$30,000 and secured loans in excess of \$25,000 and up to \$250,000 must be approved by the Committee; and secured loans in excess of \$250,000 as well as any loan secured by a leasehold interest must be approved by the Board of Directors.

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UNDERWRITING. With respect to all loans originated by the Bank, it is the general policy of the Bank to retain all such loans in its portfolio. Upon receipt of a completed loan application from a prospective borrower, a credit report is ordered and certain other information is verified by an independent credit agency. If necessary, additional financial information may be required. An appraisal of real estate intended to secure a proposed loan generally is required to be performed by the Bank's "in-house" appraisers or outside appraisers approved by the Bank. For proposed mortgage loans, the Board annually approves independent appraisers used by the Bank and approves the Bank's appraisal policy. The Bank's policy is to obtain title and hazard insurance on all mortgage loans and flood insurance when necessary and the Bank may require borrowers to make payments to a mortgage escrow account for the payment of property taxes.

In an effort to increase its volume of one- to four-family loan originations, the Bank recently adopted certain changes to its underwriting standards and loan pricing strategies which may expose it to increased interest rate risk. Based upon the Bank's review of its existing underwriting standards, its minimal charge-off experience and the gain on the sale of foreclosed real estate experienced in recent periods, management recently determined to increase its debt to equity ratios required on one-to four-family mortgage loans. At September 30, 1997, the Bank's ratio of nonperforming loans to total loans was .86%, and its ratio of nonperforming assets to total assets was .68%. The Bank had \$120,000 of real estate owned as of September 30, 1997, and had \$67,000 of real estate owned at December 31, 1996. There have been no charge-offs in the last five years. See "--Delinquent Loans, Classified Assets and Real Estate Owned."

Previously, the Bank's one- to four-family lending policy permitted the investment in mortgage loans where the borrower's monthly mortgage and prorated real estate tax payments were less than 28% of the borrower's gross income, and where the borrower's total monthly obligations did not exceed 38% of the borrower's gross income. Under the Bank's revised policy and in order to qualify more borrowers, the Bank will invest in loans with the threshold ratios of 32% and 43%, respectively. It is also the general practice of the Bank not to require private mortgage insurance, although the Bank retains the right to require such insurance on any loan with a loan to value ratio in excess of 89.9%, with the exception of its "First-Time Home Buyer" and "American Dream Loan" programs. In addition, the Bank had historically priced its one- to four- family loans with loan to value ratios of between 80.0% and 89.9% at 50 basis points higher than loans with loan to value ratios of less than 80.0%, again in an effort to control the origination of such loans. The Bank has recently eliminated the price differential between loans with loan to value ratios of less than 80.0% and between 80.0% and 89.90% as a means of

attracting more borrowers. The Bank believes that its underwriting standards, as revised, are sufficient to allow it to adequately assess the creditworthiness of prospective borrowers. There can be no assurances, however, that increasing the permissible debt coverage ratios and loan-to-value ratios permitted for borrowers will not result in the Bank experiencing increased delinquencies and defaults on loans. Further, although the Bank has no current plans to sell loans, it may do so in the future if management deems it prudent to do so. For a further discussion concerning the Bank's one- to four-family lending practices and policies, see "--One- to Four-Family Lending."

DELINQUENT LOANS, CLASSIFIED ASSETS AND REAL ESTATE OWNED

DELINQUENCIES, CLASSIFIED ASSETS AND REAL ESTATE OWNED. Reports listing all delinquent accounts are generated and reviewed by management on a monthly basis and the Board of Directors performs a monthly review of all loans or lending relationships delinquent 45 days or more. The procedures taken by the Bank with respect to delinquencies vary depending on the nature of the loan, period and cause of delinquency and whether the borrower is habitually delinquent. When a borrower fails to make a required payment on a loan, the Bank takes a number of steps to have the borrower cure the delinquency and restore the loan to current status. The Bank generally sends the borrower a written notice of non-payment after the loan is first past due. The Bank's guidelines provide that telephone, written correspondence and/or face-to-face contact will be attempted to ascertain the reasons for delinquency and the prospects of repayment. When contact is made with the borrower at any time prior to foreclosure, the Bank will attempt to obtain full payment, offer to work out a repayment schedule with the borrower to avoid foreclosure or, in some instances, accept a deed in lieu of foreclosure. In the event payment is not then received or the loan not otherwise satisfied, additional letters and telephone calls generally are made. If the loan is still not brought current or satisfied and it becomes necessary for the Bank to take legal action, which typically occurs after a loan is 90 days or more delinquent, the Bank will commence foreclosure proceedings against any real property that secured the loan. If a foreclosure action is instituted and the loan is not brought current, paid in full, or refinanced before the foreclosure sale, the property securing the loan generally is sold at foreclosure and, if purchased by the Bank, becomes real estate owned.

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Federal regulations and the Bank's internal policies require that the Bank utilize an internal asset classification system as a means of reporting problem and potential problem assets. The Bank currently classifies problem and potential problem assets as "Substandard," "Doubtful" or "Loss" assets. 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 Bank will sustain some loss if the deficiencies are not corrected. Assets classified as Doubtful have all of the weaknesses inherent in those classified Substandard with the added characteristic that the weaknesses present make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable. Assets classified as Loss are those considered uncollectible and of such little value that their continuance as assets, without the establishment of a specific loss reserve, is not warranted. Assets which do not currently expose the Bank to a sufficient degree of risk to warrant classification in one of the aforementioned categories but possess weaknesses are required to be designated "Special Mention."

When the Bank classifies one or more assets, or portions thereof, as Substandard or Doubtful, it is required to establish an allowance for possible loan losses in an amount deemed prudent by management unless the loss of principal appears to be remote. When the Bank classifies one or more assets, or portions thereof, as Loss, it is required either to establish a specific allowance for losses equal to 100% of the amount of the assets so classified or to charge off such amount.

The Bank's determination as to the classification of its assets and the amount of its valuation allowances is subject to review by the FDIC and Commissioner, which can order the establishment of additional general or specific loss allowances. The FDIC, in conjunction with the other federal banking agencies, recently adopted an interagency policy statement on the allowance for loan and lease losses. The policy statement provides guidance for financial institutions on both the responsibilities of management for the assessment and establishment of adequate allowances and guidance for banking agency examiners to use in determining the adequacy of general valuation guidelines. Generally, the policy statement recommends that institutions have effective systems and controls to identify, monitor and address asset quality problems; that management has analyzed all significant factors that affect the collectibility of the portfolio in a reasonable manner; and that

management has established acceptable allowance evaluation processes that meet the objectives set forth in the policy statement. While the Bank believes that it has established an adequate allowance for possible loan losses, there can be no assurance that regulators, in reviewing the Bank's loan portfolio, will not request the Bank to materially increase at that time its allowance for possible loan losses, thereby negatively affecting the Bank's financial condition and earnings at that time. Although management believes that adequate specific and general loan loss allowances have been established, future provisions are dependent upon future events such as loan growth and portfolio diversification and, as such, further additions to the level of specific and general loan loss allowances may become necessary.

The Bank reviews and classifies its assets on a quarterly basis and the Board of Directors reviews the results of the reports on a quarterly basis. The Bank classifies its assets in accordance with the management guidelines described above. At September 30, 1997, the Bank had \$2.3, or 0.70%, of assets designated as Substandard, consisting of one mortgage loan secured by a 32-unit multi-family apartment building (as further described below), ten mortgage loans secured by single-family owner-occupied residences, two mortgage loans secured by two-family residences and two consumer loans; no loans classified as Doubtful; and \$36,000 of assets classified as Loss consisting of one unsecured consumer loan. At September 30, 1997, the Bank had \$1.2 million, or 0.38%, of assets designated as Special Mention, consisting of five construction loans all to the same builder/borrower which loans are secured by real estate for the development of single-family town homes. At September 30, 1997, these classified assets totalled \$3.5 million, representing 1.5% of loans receivable.

At September 30, 1997, the Bank had only one loan with a balance of \$500,000 or more which had been adversely classified or identified as a problem loan. In 1994, the Bank made a \$1.2 million first mortgage loan secured by a 32-unit multi-family apartment building located in Elgin. As of September 30, 1997 the outstanding carrying balance of this loan was \$1.2 million. Vacancy rates have negatively impacted the property's cash flow and, accordingly, have affected the borrower's ability to pay real estate taxes. In August 1997, the Bank paid the municipal real estate taxes for the property and classified the entire \$1.2 million principal balance of the loan as substandard and non-performing. However, as the borrower is current with respect to principal and interest payments, the Bank continues to accrue interest. Based on an internal Bank appraisal performed in October 1997, the property was valued at \$1.5 million.

The following tables set forth delinquencies in the Bank's loan portfolio past due 60 days or more:

<TABLE>
<CAPTION>

	AT SEPTEMBER 30, 1997				AT DECEMBER 31, 1996	
	60-89 DAYS		90 DAYS OR MORE		60-89 DAYS	
	NUMBER OF LOANS	PRINCIPAL BALANCE OF LOANS	NUMBER OF LOANS	PRINCIPAL BALANCE OF LOANS	NUMBER OF LOANS	PRINCIPAL BALANCE OF LOANS
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
One- to four-family.....	6	\$ 542	10	\$ 878	6	\$ 589
Multi-family.....	--	--	1	1,151	--	--
Commercial real estate.....	--	--	--	--	1	159
Construction and land.....	--	--	--	--	--	--
Home equity.....	2	57	1	10	--	--
Commercial business.....	1	51	1	36	1	46
Auto loans.....	--	--	--	--	1	1
Loans on savings accounts.....	--	--	--	--	--	--
Other.....	--	--	--	--	--	--
Total.....	9	\$ 650	13	\$ 2,075	9	\$ 795
	--	-----	--	-----	--	-----
	--	-----	--	-----	--	-----
Delinquent loans to total loans(1).....		.27%		.86%		.33%
		-----		-----		-----
		-----		-----		-----

<CAPTION>

(1) Total loans represent gross loans receivable less deferred loan fees and unearned discounts.

NONPERFORMING ASSETS. The following table sets forth information regarding nonperforming loans and REO. At September 30, 1997, the Bank had \$120,000 of REO in its portfolio. It is the general policy of the Bank to cease accruing interest on loans 90 days or more past due and to fully reserve for all previously accrued interest. For the nine months ended September 30, 1997 and September 30, 1996 and for each of the five years ended December 31, 1996, the amount of additional interest income that would have been recognized on non-accrual loans if such loans had continued to perform in accordance with their contractual terms was \$17,000, \$30,000, \$35,000, \$60,000, \$46,000, \$27,000, and \$93,000, respectively.

<TABLE>
<CAPTION>

	AT SEPTEMBER 30,		AT DECEMBER 31,				
	1997	1996	1996	1995	1994	1993	1992
	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	(DOLLARS IN THOUSANDS)						
Nonperforming loans:							
Mortgage loans:							
One- to four-family.....	\$ 878	\$781	\$428	\$ 787	\$ 440	\$ 266	\$ 155
Multi-family.....	1,151	--	--	--	--	--	--
Commercial real estate.....	--	--	--	--	88	--	--
Construction and land.....	--	--	--	--	15	818	--
Total mortgage loans.....	2,029	781	428	787	543	1,084	155
Other loans:							
Home equity.....	10	--	--	--	--	--	--
Commercial business loans.....	36	--	22	--	--	--	--
Auto loans.....	--	--	--	2	--	--	--
Other.....	--	--	66	--	--	4	--
Total other loans.....	46	--	88	2	--	4	--
Total nonperforming loans.....	2,075	781	516	789	543	1,088	155
Real estate owned, net(1).....	120	--	67	477	581	770	1,125
Total nonperforming assets.....	\$2,195	\$781	\$583	\$1,266	\$1,124	\$1,858	\$1,280
Nonperforming loans as a percent of loans(2).....	.86%	.33%	.22%	.36%	.27%	.62%	.09%
Nonperforming assets as a percent of total assets(3).....	.68%	.25%	.19%	.43%	.41%	.70%	.51%

</TABLE>

(1) REO balances are shown net of related loss allowances.

(2) Loans receivable, net, excluding the allowance for loan losses.

(3) Nonperforming assets consist of nonperforming loans and REO.

Nonperforming loans totalled \$2.1 million as of September 30, 1997, and included ten one- to four-family loans, with an aggregate balance of \$878,000, one multi-family loan with a balance of \$1.2 million and \$46,000 in consumer loans.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is maintained through provisions for loan losses based on management's on-going evaluation of the risks inherent in its loan portfolio in consideration of the trends in its loan portfolio, the national and regional economies and the real estate market in the Bank's primary

lending area. The allowance for loan losses is maintained at an amount management considers adequate to cover estimated losses in its loan portfolio which are deemed probable and estimable based on information currently known to management. The Bank's loan loss allowance determinations also incorporate factors and analyses which consider the potential principal loss associated with the loan, costs of acquiring the property securing the loan through foreclosure or deed in lieu thereof, the periods of time involved with the acquisition and sale of such property, and costs and expenses associated with maintaining and holding the property until sale and the costs associated with the Bank's inability to utilize funds for other income producing activities during the estimated holding period of the property.

Management periodically calculates a loan loss allowance sufficiency analysis based upon the loan portfolio composition, asset classifications, loan-to-value ratios, potential impairments in the loan portfolio and other factors. The analysis is compared to actual losses, peer group comparisons and economic conditions. Management considered an increase to the allowance for loan losses to be appropriate during the third quarter of 1997 based on a change in the reserve methodology employed by management, as well as to bring the level of the Bank's allowance for loan losses closer to that of its peers. As of September 30, 1997, the Bank's allowance for loan losses was \$1.0 million, or 0.41% of total loans and 48.3% of nonperforming loans as compared to \$808,000, or 0.34% of total loans and 156.6% of nonperforming loans as of December 31, 1996. The Bank had total nonperforming loans of \$2.1 million and \$516,000 at September 30, 1997 and December 31, 1996, respectively, and nonperforming loans to total loans of 0.86% and 0.22%, respectively. The Bank will continue to monitor and modify its allowance for loan losses as conditions dictate. Management believes that, based on information available at September 30, 1997, the Bank's allowance for loan losses was sufficient to cover losses inherent in its loan portfolio at that time. Based upon the Bank's plan to increase its emphasis on non-one- to four-family mortgage lending, the Bank expects to further increase its allowance for loan losses over future periods depending upon the then current conditions. See "Risk Factors." However, no assurances can be given that the Bank's level of allowance for loan losses will be sufficient to cover future loan losses incurred by the Bank or that further future adjustments to the allowance for loan losses will not be necessary if economic and other conditions differ substantially from the economic and other conditions used by management to determine the current level of the allowance for loan losses. In addition, the FDIC and the Commissioner, as an integral part of their examination processes, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to make additional provisions for estimated loan losses based upon judgments different from those of management.

The following table sets forth activity in the Bank's allowance for loan losses for the periods set forth in the table.

<TABLE>
<CAPTION>

	AT OR FOR THE NINE MONTHS ENDED SEPTEMBER 30,		AT OR FOR THE YEAR ENDED DECEMBER 31,				
	1997	1996	1996	1995	1994	1993	1992
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
	(DOLLARS IN THOUSANDS)						
Balance at beginning of period.....	\$ 808	\$ 754	\$ 754	\$ 682	\$ 592	\$ 500	\$ 319
Provision for loan losses.....	194	45	54	72	90	92	206
Total charge-offs.....	--	--	--	--	--	--	(25)
Balance at end of period.....	\$1,002	\$ 799	\$ 808	\$ 754	\$ 682	\$ 592	\$ 500
Allowance for loan losses as a percent of loans(1).....	.41%	.34%	.34%	.34%	.34%	.34%	.31%
Allowance for loan losses as a percent of nonperforming loans.....	48.3%	102.3%	156.6%	95.6%	125.6%	54.4%	322.6%

</TABLE>

(1) Loans receivable, net, excluding the allowance for loan losses.

The following tables set forth the Bank's percent of allowance for loan losses to total allowance and the percent of loans to total loans in each of the categories listed at the dates indicated.

<TABLE>
<CAPTION>

AT SEPTEMBER 30,						
1997			1996			
	AMOUNT	PERCENT OF ALLOWANCE TO TOTAL ALLOWANCE	PERCENT OF LOANS IN EACH CATEGORY TO TOTAL LOANS	AMOUNT	PERCENT OF ALLOWANCE TO TOTAL ALLOWANCE	PERCENT OF LOANS IN EACH CATEGORY TO TOTAL LOANS
(DOLLARS IN THOUSANDS)						
One- to four-family.....	\$ 396	39.6%	76.3%	\$102	12.8%	75.7%
Multi-family.....	107	10.6	8.8	20	2.5	8.3
Commercial real estate.....	115	11.5	4.7	142	17.8	5.2
Construction and land.....	177	17.7	5.5	183	22.9	6.9
Home equity.....	76	7.6	2.9	116	14.5	2.3
Commercial business.....	86	8.5	1.3	57	7.1	1.1
Auto loans.....	12	1.2	.3	12	1.5	.2
Loans on savings accounts.....	--	--	.2	--	--	.2
Other.....	8	.8	--	10	1.3	.1
Unallocated.....	25	2.5	--	157	19.6	--
Total allowance for loan losses.....	\$1,002	100.0%	100.0%	\$799	100.0%	100.0%

</TABLE>

(CONTINUED ON NEXT PAGE)

<TABLE>
<CAPTION>

AT DECEMBER 31,									
1996			1995				1994		
	AMOUNT	PERCENT OF ALLOWANCE TO TOTAL ALLOWANCE	PERCENT OF LOANS IN EACH CATEGORY TO TOTAL LOANS	AMOUNT	PERCENT OF ALLOWANCE TO TOTAL ALLOWANCE	PERCENT OF LOANS IN EACH CATEGORY TO TOTAL LOANS	AMOUNT	PERCENT OF ALLOWANCE TO TOTAL ALLOWANCE	PERCENT OF LOANS IN EACH CATEGORY TO TOTAL LOANS
(DOLLARS IN THOUSANDS)									
One- to four- family.....	\$ 99	12.3%	75.9%	\$100	13.3%	74.5%	\$ 91	13.4%	73.7%
Multi-family.....	20	2.5	9.2	21	2.8	10.5	21	3.1	10.3
Commercial real estate.....	149	18.4	4.2	120	15.9	4.4	138	20.2	6.3
Construction and land.....	205	25.4	6.7	156	20.7	7.3	138	20.2	7.4
Home equity.....	115	14.2	2.4	87	11.5	1.9	38	5.6	0.9
Commercial business loans.....	61	7.5	1.1	29	3.8	0.8	24	3.5	0.7
Auto loans.....	13	1.6	0.3	14	1.9	0.3	11	1.6	0.3
Loans on savings accounts.....	--	--	0.2	--	--	0.2	--	--	0.2
Other.....	19	2.4	--	97	12.9	0.1	84	12.3	0.2
Unallocated.....	127	15.7	--	130	17.2	--	137	20.1	--
Total allowance for loan losses.....	\$808	100.0%	100.0%	\$754	100.0%	100.0%	\$682	100.0%	100.0%

<CAPTION>

1993			1992		
	PERCENT OF ALLOWANCE TO TOTAL	PERCENT OF LOANS IN EACH CATEGORY TO		PERCENT OF ALLOWANCE TO TOTAL	

	AMOUNT	ALLOWANCE	TOTAL LOANS	AMOUNT	ALLOWANCE
<S>	<C>	<C>	<C>	<C>	<C>
One- to four-					
family.....	\$ 74	12.5%	75.7%	\$ 69	13.8%
Multi-family.....	21	3.5	12.1	20	4
Commercial real					
estate.....	104	17.6	5.9	91	18.2
Construction and					
land.....	109	18.4	4.6	46	9.2
Home equity.....	--	--	--	--	--
Commercial business					
loans.....	35	5.9	1.1	9	1.8
Auto loans.....	4	0.7	0.1	3	0.6
Loans on savings					
accounts.....	--	--	0.3	--	--
Other.....	141	23.8	0.2	228	45.6
Unallocated.....	104	17.6	--	34	6.8
	-----	-----	-----	-----	-----
Total allowance for					
loan losses.....	\$592	100.0%	100.0%	\$500	100.0%
	-----	-----	-----	-----	-----
	-----	-----	-----	-----	-----

</TABLE>

REAL ESTATE OWNED. At September 30, 1997, the Bank had \$120,000 of REO in its portfolio. When the Bank acquires property through foreclosure or deed in lieu of foreclosure, it is initially recorded at the lower of the recorded investment in the corresponding loan or the fair value of the related assets at the date of foreclosure, less costs to sell. Thereafter, if there is a further deterioration in value, the Bank provides for a specific valuation allowance and charges operations for the diminution in value.

INVESTMENT ACTIVITIES

The Board of Directors sets the investment policy and procedures of the Bank. This policy generally provides that investment decisions will be made based on the safety of the investment, liquidity requirements of the Bank and, to a lesser extent, potential return on the investments. In pursuing these objectives, the Bank considers the ability of an investment to provide earnings consistent with factors of quality, maturity, marketability and risk diversification. While the Board of Directors has final authority and responsibility for the securities investment portfolio, the Bank has established an Investment Committee comprised of six Directors to supervise the Bank's investment activities. The Bank's Investment Committee meets monthly and evaluates all investment activities for safety and soundness, adherence to the Bank's investment policy, and assurance that authority levels are maintained.

The Bank currently does not participate in hedging programs, interest rate swaps, or other activities involving the use of off-balance sheet derivative financial instruments. Similarly, the Bank does not invest in mortgage-related securities which are deemed to be "high risk," or purchase bonds which are not rated investment grade.

MORTGAGE-BACKED SECURITIES. The Bank currently purchases mortgage-backed securities in order to: (i) generate positive interest rate spreads with minimal administrative expense; and (ii) lower its credit risk as a result of the guarantees provided by FHLMC, FNMA, and GNMA. The Bank invests in mortgage-backed securities insured or guaranteed by FNMA, FHLMC and GNMA. At September 30, 1997, mortgage-backed securities totalled \$19.1 million, or 5.9%, of total assets and 6.0% of total interest earning assets, all of which was classified as available-for-sale. At September 30, 1997, 53.5% of the mortgage-backed securities were backed by adjustable-rate loans and 46.5% were backed by fixed-rate loans. The mortgage-backed securities portfolio had coupon rates ranging from 6.50% to 8.00% and had a weighted average yield of 7.13% at September 30, 1997. The estimated fair value of the Bank's mortgage-backed securities at September 30, 1997, was \$19.1 million, which is \$100,000 more than the amortized cost of \$19.0 million.

Mortgage-backed securities are created by the pooling of mortgages and issuance of a security with an interest rate which is less than the interest rate on the underlying mortgage. Mortgage-backed securities typically represent a participation interest in a pool of single-family or multi-family mortgages,

although the Bank focuses its investments on mortgage-backed securities backed by single-family mortgages. The issuers of such securities (generally U.S. Government agencies and government sponsored enterprises, including FNMA, FHLMC and GNMA) pool and resell the participation interests in the form of securities to investors such as the Bank and guarantee the payment of principal and interest to investors. Mortgage-backed securities generally yield less than the loans that underlie such securities because of the cost of payment guarantees and credit enhancements. In addition, mortgage-backed securities are usually more liquid than individual mortgage loans and may be used to collateralize certain liabilities and obligations of the Bank. Investments in mortgage-backed securities involve a risk that actual prepayments will be greater than estimated prepayments over the life of the security, which may require adjustments to the amortization of any premium or accretion of any discount relating to such instruments thereby reducing the net yield on such securities. There is also reinvestment risk associated with the cash flows from such securities or in the event such securities are redeemed by the issuer. In addition, the market value of such securities may be adversely affected by changes in interest rates. The Bank estimates prepayments for its mortgage-backed securities at purchase to ensure that prepayment assumptions are reasonable considering the underlying collateral for the mortgage-backed securities at issue and current mortgage interest rates and to determine the yield and estimated maturity of its mortgage-backed security portfolio. Of the Bank's \$19.1 million mortgage-backed securities portfolio at September 30, 1997, \$3.2 million with a weighted average yield of 6.98% had contractual maturities within five years and \$15.8 million with a weighted average yield of 7.16% had contractual maturities over five years. However, the actual maturity of a mortgage-backed security may be less than its stated maturity due to prepayments of the underlying mortgages. Prepayments that are faster than anticipated may shorten the life of the security and may result in a loss of any premiums paid and thereby reduce the net yield on such securities. Although prepayments of underlying mortgages depend on many factors, the difference between the interest rates on the underlying mortgages and the prevailing mortgage interest rates generally is the most significant determinant of the rate of prepayments. During periods of declining mortgage interest rates, refinancing generally increases and accelerates the prepayment of the underlying mortgages and the related security. Under such

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circumstances, the Bank may be subject to reinvestment risk because, to the extent that the Bank's mortgage-backed securities prepay faster than anticipated, the Bank may not be able to reinvest the proceeds of such repayments and prepayments at a comparable rate.

U.S. GOVERNMENT OBLIGATIONS. At September 30, 1997, the Bank's U.S. Government securities portfolio totalled \$43.3 million, all of which were classified as available-for-sale. Such portfolio primarily consists of short- to medium-term (maturities of one to five years) securities.

The following table sets forth the composition of the Bank's investment and mortgage-backed and mortgage-related securities portfolios in dollar amounts and in percentages at the dates indicated:

<TABLE>
<CAPTION>

		AT DECEMBER 31,							
		AT SEPTEMBER 30,		1996		1995		1994	
		1997							
		PERCENT		PERCENT		PERCENT		PERCENT	
		OF		OF		OF		OF	
		TOTAL		TOTAL		TOTAL		TOTAL	
		AMOUNT		AMOUNT		AMOUNT		AMOUNT	
		-----		-----		-----		-----	
		(DOLLARS IN THOUSANDS)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investment securities:									
U.S. Government obligations.....	\$43,270	69.4%	\$37,543	63.1%	\$30,707	55.6%	\$29,782	52.7%	
	-----	-----	-----	-----	-----	-----	-----	-----	-----
Mortgage-backed securities:									
FHLMC.....	5,553	8.9	6,474	10.9	9,021	16.3	10,031	17.8	
GNMA.....	9,110	14.6	10,369	17.4	11,876	21.5	12,663	22.4	

FNMA.....	4,408	7.1	5,132	8.6	3,623	6.6	4,031	7.1
Total mortgage-backed securities....	19,071	30.6	21,975	36.9	24,520	44.4	26,725	47.3
Total securities....	\$62,341	100.0%	\$59,518	100.0%	\$55,227	100.0%	\$56,507	100.0%

</TABLE>

The following table sets forth the Bank's securities activities for the periods indicated. All investment securities in the Bank's portfolio are classified as available-for-sale.

<TABLE>
<CAPTION>

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE YEAR ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	<C>	<C>	<C>	<C>	<C>
	(IN THOUSANDS)				
BEGINNING BALANCE.....	\$59,518	\$55,227	\$55,227	\$56,508	\$61,132
Investment securities purchased.....	16,903	16,435	24,596	11,517	14,495
Mortgage-backed securities purchased.....	2,093	2,550	2,550	--	4,100
LESS:					
Sale of investment securities.....	--	--	--	1,999	3,000
Principal repayments on mortgage-backed securities....	5,053	3,749	5,042	4,005	5,693
Maturities of investment securities.....	11,135	10,111	17,150	10,500	11,000
Realized losses received on sales of mortgage-backed securities.....	--	--	--	(3)	--
Net amortization of premium.....	(26)	(23)	(49)	(861)	(314)
Change in net unrealized gains (losses) on available-for-sale securities.....	11	989	712	(2,842)	3,840
ENDING BALANCE.....	\$62,341	\$59,386	\$59,518	\$55,227	\$56,508

</TABLE>

The following table sets forth at the dates indicated certain information regarding the amortized cost and market values of the Bank's investment and mortgage-backed and mortgage-related securities, all of which was classified as available-for-sale.

<TABLE>
<CAPTION>

	AT DECEMBER 31,							
	AT SEPTEMBER 30, 1997		1996		1995		1994	
	AMORTIZED COST	MARKET VALUE	AMORTIZED COST	MARKET VALUE	AMORTIZED COST	MARKET VALUE	AMORTIZED COST	MARKET VALUE
	(IN THOUSANDS)							
	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Investment securities:								
U.S. Government obligations...	\$42,309	\$43,270	\$36,519	\$37,543	\$29,070	\$30,707	\$29,506	\$29,781

56.9%, as compared to core deposits representing 43.0% of total deposits and certificate accounts representing 57.2% of deposits for the year ended December 31, 1995. See "Risk Factors--Sensitivity to Increases in Interest Rates."

Although the Bank has a significant portion of its deposits in core deposits, management monitors activity on the Bank's core deposits and, based on historical experience and the Bank's current pricing strategy, believes it will continue to retain a large portion of such accounts. The Bank is not limited with respect to the rates it may offer on deposit products.

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 predominantly from the areas in which its branch offices are located. The Bank relies primarily on customer service and long-standing relationships with customers to attract and retain these deposits; however, market interest rates and rates offered by competing financial institutions affect the Bank's ability to attract and retain deposits. The Bank uses traditional means of advertising its deposit products, including radio and print media and generally does not solicit deposits from outside its market area. While certificate accounts in excess of \$100,000 are accepted by the Bank, and may be subject to preferential rates, the Bank does not actively solicit such deposits as such deposits are more difficult to retain than core deposits. The Bank's policies do not permit the use of brokered deposits.

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

<TABLE>
<CAPTION>

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,		FOR THE YEAR ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
Net deposits (withdrawals).....	\$ 2,895	\$ (6,836)	\$ (4,834)	\$ (418)	\$ (7,855)
Interest credited on deposit accounts.....	7,559	7,370	9,806	9,137	8,018
Total increase in deposit accounts.....	\$ 10,454	\$ 534	\$ 4,972	\$ 8,719	\$ 163

</TABLE>

The increase in net deposits for the nine months ended September 30, 1997 is primarily attributable to the Bank's receipt of \$4.0 million in municipal deposits from a local County government body. Such deposits are placed for bid every 30 days and there is, therefore, no assurance that the Bank will retain the deposits. While the Bank has not in the past aggressively sought such municipal deposits, it may do so in the future. The receipt of such deposits may be used as an alternative to borrowing from FHLB-Chicago in the event that rates charged are competitive.

At September 30, 1997, the Bank had outstanding \$9.5 million in certificate of deposit accounts in amounts of \$100,000 or more, maturing as follows:

<TABLE>
<CAPTION>

MATURITY PERIOD	AMOUNT	WEIGHTED AVERAGE RATE
	(DOLLARS)	IN THOUSANDS)
<S>	<C>	<C>
Three months or less.....	\$ 3,206	5.73%
Over three through six months.....	2,160	5.32
Over six through 12 months.....	3,483	6.09
Over 12 months.....	635	6.26
Total.....	\$ 9,486	5.81%

</TABLE>

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The following table sets forth the distribution of the Bank's deposit accounts for the periods indicated and the weighted average interest rates on each category of deposits presented.

<TABLE>
<CAPTION>

	AT SEPTEMBER 30, 1997			AT DECEMBER 31, 1996		
	BALANCE	PERCENT OF TOTAL DEPOSITS	WEIGHTED AVERAGE RATE	BALANCE	PERCENT OF TOTAL DEPOSITS	WEIGHTED AVERAGE RATE
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Money market accounts.....	\$ 26,530	10.0%	3.41%	\$ 28,102	11.01%	3.40%
Passbook savings accounts.....	50,584	19.2	3.20	45,868	18.35	3.00
NOW accounts.....	24,878	9.4	1.82	26,809	10.62	1.86
Non-interest-bearing accounts.....	9,147	3.5	--	7,594	2.65	--
Total.....	111,139	42.1	2.68	108,373	42.63	2.64
Certificates of deposit.....	152,429	57.9	5.92	144,741	57.37	5.90
Total deposits.....	\$263,568	100.0%	4.55%	\$253,114	100.00%	4.50

<CAPTION>

	AT DECEMBER 31, 1995			AT DECEMBER 31, 1994		
	BALANCE	PERCENT OF TOTAL DEPOSITS	WEIGHTED AVERAGE RATE	BALANCE	PERCENT OF TOTAL DEPOSITS	WEIGHTED AVERAGE RATE
	(DOLLARS IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Money market accounts.....	\$ 29,663	13.54%	3.45%	\$ 37,770	17.26%	3.41%
Passbook savings accounts.....	46,059	20.07	3.03	52,816	22.52	3.06
NOW accounts.....	28,106	10.87	1.96	27,849	11.38	2.20
Non-interest-bearing accounts.....	5,912	2.32	--	6,506	2.30	--
Total.....	109,740	46.80	2.76	124,941	53.46	2.76
Certificates of deposit.....	138,402	53.2	6.15	114,482	46.54	5.32
Total deposits.....	\$248,142	100.00%	4.63	\$239,423	100.00%	4.01

</TABLE>

The following table presents, by various rate categories, the amount of certificate of deposit accounts outstanding at the dates indicated.

<TABLE>
<CAPTION>

	PERIOD TO MATURITY FROM SEPTEMBER 30, 1997						AT DECEMBER 31,		
	LESS THAN ONE YEAR	ONE TO TWO YEARS	TWO TO THREE YEARS	THREE TO FOUR YEARS	FOUR TO FIVE YEARS	TOTAL SEPTEMBER 30, 1997	1996	1995	1994
	(DOLLARS IN THOUSANDS)								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Certificate accounts:									
0 to 4.00%.....	\$ 547	\$ --	\$ --	\$ --	\$ --	547	\$ 443	\$ 839	\$14,294
4.01 to 5.00%.....	1,890	--	25	--	--	1,915	2,680	7,100	31,552
5.01 to 6.00%.....	70,408	22,194	6,755	3,032	375	102,764	106,101	69,248	45,724
6.01 to 7.00%.....	10,803	22,607	8,013	4,609	1,041	47,073	35,382	60,609	18,636
7.01 to 8.00%.....	--	6	124	--	--	130	129	606	4,276
8.01 to 9.00%.....	--	--	--	--	--	--	6	--	--
Over 9.01%.....	--	--	--	--	--	--	--	--	--
Total at September 30, 1997.....	\$83,648	\$44,807	\$14,917	\$7,641	\$1,416	\$152,429	\$144,741	\$138,402	\$114,482

</TABLE>

BORROWED FUNDS. The following table sets forth certain information regarding the Bank's borrowed funds at or for the periods ended on the dates indicated:

<TABLE>
<CAPTION>

	AT OR FOR THE NINE MONTHS ENDED SEPTEMBER 30,		AT OR FOR THE YEAR ENDED DECEMBER 31,		
	1997	1996	1996	1995	1994
	(DOLLARS IN THOUSANDS)				
<S>	<C>	<C>	<C>	<C>	<C>
FHLB advances:					
Average balance outstanding.....	\$ 25,275	\$ 16,241	\$ 19,683	\$ 11,451	\$ 1,503
Maximum amount outstanding at any month-end during the period.....	\$ 30,000	\$ 28,000	\$ 32,000	\$ 16,500	\$ 8,000
Balance outstanding at end of period.....	\$ 24,000	\$ 28,000	\$ 29,000	\$ 15,000	\$ 6,500
Weighted average interest rate during the period.....	5.77%	5.95%	5.90%	6.24%	5.53%
Weighted average interest rate at end of period.....	5.70%	5.77%	5.67%	5.97%	6.35%

</TABLE>

SUBSIDIARY ACTIVITIES

FOX VALLEY SERVICE CORPORATION OF ELGIN. Fox Valley Service Corporation of Elgin ("Fox Valley") is the Bank's wholly-owned subsidiary which was incorporated in March 1974 for the purpose of entering into joint-venture real estate development projects. Fox Valley is currently inactive.

ELGIN AGENCY, INC. Elgin Agency, Inc. ("EAI") is the wholly-owned subsidiary of Fox Valley. EAI is a service corporation that sells tax-deferred annuity products on an agency basis. EAI has one outside salesperson who is employed on a commission basis.

PROPERTIES

The Bank conducts its business through an executive and full-service branch office located in Elgin and five other full-service branch offices. In addition, in early 1998, the Bank plans to purchase vacant land located in neighboring Huntley, Illinois for a new full-service branch office which office is expected to become operational in late 1998. This plan is contingent upon the expansion of certain real estate development projects in the Huntley area. The Company believes that the Bank's current facilities are adequate to meet the present and immediately foreseeable needs of the Bank and the Company.

<TABLE>
<CAPTION>

LOCATION	LEASED OR OWNED	ORIGINAL YEAR LEASED OR ACQUIRED	DATE OF LEASE EXPIRATION	NET BOOK VALUE OF PROPERTY OR LEASEHOLD IMPROVEMENTS AT SEPTEMBER 30, 1997
				(IN THOUSANDS)
<S>	<C>	<C>	<C>	<C>
EXECUTIVE/MAIN/BRANCH OFFICE:				
1695 Larkin Avenue Elgin, Illinois 60123	Owned	1973	--	\$ 882
BRANCH OFFICES:				
850 Summit Street Elgin, Illinois 60120	Owned	1983	--	387
176 East Chicago Avenue Elgin, Illinois 60120	Owned	1953	--	191
1000 S. McLean Boulevard Elgin, Illinois 60123	Leased	1996	2011	176
390 South Eighth Street	Owned	1980	--	1,130

Route 31 & Village Quarter Road
West Dundee, Illinois 60118

123 South Randall Road Algonquin, Illinois 60102	Leased	1993	1998	122
OTHER PROPERTIES:				
44 South Lyle Street Elgin, Illinois 60123(1)	Owned	1986	--	72
1665 Larkin Avenue Elgin, Illinois 60123(2)	Owned	1996	--	773

</TABLE>

-
- (1) The Property consists of one commercial retail unit and a parking lot. The property is located across the street from the Bank's main office and the parking lot is utilized by Bank customers and employees.
 - (2) The property is located immediately adjacent to the Bank's main office and consists of commercial office space and a parking lot. A portion of the property has been utilized by the Bank in the expansion of its "drive-through" teller operations.

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LEGAL PROCEEDINGS

The Bank is not involved in any pending legal proceedings other than routine legal proceedings occurring in the ordinary course of business. Such routine legal proceedings, in the aggregate, are believed by management to be immaterial to the financial condition and results of operations of the Bank.

PERSONNEL

As of September 30, 1997, the Bank had 93 full-time employees and 28 part-time employees. The employees are not represented by a collective bargaining unit and the Bank considers its relationship with its employees to be good. See "Management of the Bank--Benefit Plans" for a description of certain compensation and benefit programs offered to the Bank's employees.

FEDERAL AND STATE TAXATION

FEDERAL TAXATION

GENERAL. The Company and the Bank will report their income on a consolidated basis, using a calendar year and the accrual method of accounting and will be subject to federal income taxation in the same manner as other corporations with some exceptions, including particularly the Bank's treatment of its reserve for bad debts discussed below. The following discussion of tax matters is intended only as a summary and does not purport to be a comprehensive description of the tax rules applicable to the Bank or the Company. The Bank had been last audited by the IRS for the five-year period ended 1984. The Bank was also audited by the State of Illinois for the three-year period ended 1994. Both audits resulted in adjustments which were immaterial to the Bank's financial statements.

BAD DEBT RESERVES. The Small Business Job Protection Act of 1996 (the "1996 Act"), which was enacted on August 20, 1996, made significant changes to provisions of the Code relating to a savings institution's use of bad debt reserves for federal income tax purposes and requires such institutions to recapture (i.e. take into income) certain portions of their accumulated bad debt reserves. The effect of the 1996 Act on the Bank is discussed below. Prior to the enactment of the 1996 Act, the Bank was permitted to establish tax reserves for bad debts and to make annual additions thereto, which additions, within specified formula limits, were deducted in arriving at the Bank's taxable income. The Bank's deduction with respect to "qualifying loans," which are generally loans secured by certain interests in real property, could be computed using an amount based on a six-year moving average of the Bank's actual loss experience (the "Experience Method"), or a percentage equal to 8% of the Bank's taxable income (the "PTI Method"), computed without regard to this deduction and with additional modifications and reduced by the amount of any permitted addition to the non-qualifying reserve. The Bank's deduction with respect to non-qualifying loans was required to be computed under the Experience Method.

THE 1996 ACT. Under the 1996 Act, for its current and future taxable years, as a "Small Bank" the Bank is permitted to make additions to its tax bad debt reserves under an Experience Method based on total loans. However, the Bank is required to recapture (i.e. take into income) over a six year period the excess of the balance of its tax bad debt reserves as of December 31, 1995 over the

balance of such reserves as of December 31, 1987. The recapture was suspended for 1996 because the Bank met certain residential loan requirements. If the Bank continues to meet the residential loan requirements in 1997, the six-year recapture period will begin in 1998. As of December 31, 1995, the Bank's tax bad debt reserve exceeded the balance of such reserve as of December 31, 1987 by \$2.2 million. However, the Bank will not incur an additional tax liability related to its tax bad debt reserves as the Bank has previously provided deferred taxes on the recapture amount.

DISTRIBUTIONS. Under the 1996 Act, if the Bank makes "non-dividend distributions" to the Company, such distributions will be considered to have been made from the Bank's unrecaptured tax bad debt reserves (including the balance of its reserves as of December 31, 1987) to the extent thereof, and an amount based on the amount distributed (but not in excess of the amount of such reserves) will be included in the Bank's income. The term "non-dividend distributions" is defined as distributions in excess of the Bank's current and accumulated earnings and profits, as calculated for federal income tax purposes, distributions in redemption of stock, and distributions in partial or complete liquidation. Dividends paid out of the Bank's current or accumulated earnings and profits will not cause this pre-1988 reserve to be included in the Bank's income.

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The amount of additional taxable income created from a non-dividend distribution is an amount that, when reduced by the tax attributable to the income, is equal to the amount of the distribution. Thus, if, after the Conversion, the Bank makes a non-dividend distribution to the Company, approximately one and one-half times the amount of such distribution (but not in excess of the amount of such reserves) would be includable in income for federal income tax purposes, assuming a 35% federal corporate income tax rate. See "Regulation and Supervision" and "Dividend Policy" for limits on the payment of dividends by the Bank. The Bank does not intend to pay dividends that would result in a recapture of any portion of its tax bad debt reserves.

CORPORATE ALTERNATIVE MINIMUM TAX. The Code imposes a tax on alternative minimum taxable income ("AMTI") at a rate of 20%. Only 90% of AMTI can be offset by net operating loss carryforwards. The adjustment to AMTI based on book income will be an amount equal to 75% of the amount by which a corporation's adjusted current earnings exceeds its AMTI (determined without regard to this adjustment and prior to reduction for net operating losses). In addition, for taxable years beginning after December 31, 1986 and before January 1, 1996, an environmental tax of .12% of the excess of AMTI (with certain modifications) over \$2 million, is imposed on corporations, including the Bank, whether or not an Alternative Minimum Tax ("AMT") is paid. The Bank does not expect to be subject to the AMT.

DIVIDENDS RECEIVED DEDUCTION AND OTHER MATTERS. The Company may exclude from its income 100% of dividends received from the Bank as a member of the same affiliated group of corporations. The corporate dividends received deduction is generally 70% in the case of dividends received from unaffiliated corporations with which the Company and the Bank will not file a consolidated tax return, except that if the Company and the Bank own more than 20% of the stock of a corporation distributing a dividend, then 80% of any dividends received may be excluded.

STATE TAXATION

ILLINOIS STATE TAXATION. The Bank and its subsidiaries are required to file Illinois income tax returns and pay tax at an effective tax rate of 7.18% of Illinois taxable income. For these purposes, Illinois taxable income generally means federal taxable income subject to certain modifications the primary one of which is the exclusion of interest income on United States obligations.

The Bank and its subsidiaries file one combined corporation return for State of Illinois income tax purposes.

DELAWARE STATE TAXATION. As a Delaware holding company not earning income in Delaware, the Company is exempted from Delaware Corporate income tax but is required to file an annual report with and pay an annual franchise tax to the State of Delaware.

REGULATION AND SUPERVISION

GENERAL

The Bank is an Illinois State chartered mutual savings bank and its deposit accounts are insured up to applicable limits by the FDIC under the SAIF. The Bank is subject to extensive regulation by the Commissioner, as its chartering authority, and by the FDIC, as the deposit insurer. The Bank must file reports with the Commissioner and the FDIC concerning its activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions such as establishing branches and mergers with, or acquisitions of, other depository institutions. There are periodic examinations by the Commissioner and the FDIC to assess the Bank's compliance with various regulatory requirements and financial condition. This regulation and supervision

establishes a framework of activities in which a savings bank can engage and is intended primarily for the protection of the insurance fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulation, whether by the Commissioner, the FDIC or through legislation, could have a material adverse impact on the Company and the Bank and their operations and stockholders. The Holding Company will also be required to file certain reports with, and otherwise comply with the rules and regulations, of the OTS, the Commissioner and of the Securities and Exchange Commission ("SEC") under the federal securities laws. Certain of the regulatory requirements applicable to the Bank and to the Holding Company are referred to below or elsewhere herein.

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The Commissioner has established a schedule for the assessment of "supervisory fees" upon all Illinois savings banks to fund the operations of the Commissioner. These supervisory fees are computed on the basis of each savings bank's total assets (including consolidated subsidiaries) and are payable at the end of each calendar quarter. A schedule of fees has also been established for certain filings made by Illinois savings banks with the Commissioner. The Commissioner also assesses fees for examinations conducted by the Commissioner's staff, based upon the number of hours spent by the Commissioner's staff performing the examination. During the year ended December 31, 1996, the Bank paid approximately \$66,000 in supervisory fees and expenses.

REGULATIONS

CAPITAL REQUIREMENTS. Under the Illinois Savings Bank Act ("ISBA") and the regulations of the Commissioner, an Illinois savings bank must maintain a minimum level of total capital equal to the higher of 3% of total assets or the amount required to maintain insurance of deposits by the FDIC. The Commissioner has the authority to require an Illinois savings bank to maintain a higher level of capital if the Commissioner deems such higher level necessary based on the savings bank's financial condition, history, management or earnings prospects. The FDIC has also adopted risk-based capital guidelines to which the Bank is subject. The guidelines establish a systematic analytical framework that makes regulatory capital requirements more sensitive to differences in risk profiles among banking organizations. The Bank is required to maintain certain levels of regulatory capital in relation to regulatory risk-weighted assets. The ratio of such regulatory capital to regulatory risk-weighted assets is referred to as the Bank's "risk-based capital ratio." Risk-based capital ratios are determined by allocating assets and specified off-balance sheet items to four risk-weighted categories ranging from 0% to 100%, with higher levels of capital being required for the categories perceived as representing greater risk.

These guidelines divide a savings bank's capital into two tiers. The first tier ("Tier I") includes common equity, retained earnings, certain non-cumulative perpetual preferred stock (excluding auction rate issues) and minority interests in equity accounts of consolidated subsidiaries, less goodwill and other intangible assets (except mortgage servicing rights and purchased credit card relationships subject to certain limitations). At September 30, 1997, the Bank's Tier I Capital was \$31,024, or 9.57%. Supplementary ("Tier II") capital includes, among other items, cumulative perpetual and long-term limited-life preferred stock, mandatory convertible securities, certain hybrid capital instruments, term subordinated debt and the allowance for loan and lease losses, subject to certain limitations, less required deductions. Savings banks are required to maintain a total risk-based capital ratio of 8%, of which at least 4% must be Tier I capital. At September 30, 1997, the Bank's Tier II Capital was \$31,991, or 17.73%

In addition, the FDIC has established regulations prescribing a minimum Tier I leverage ratio (Tier I capital to adjusted total assets as specified in the regulations). These regulations provide for a minimum Tier I leverage ratio of 3% for banks that meet certain specified criteria, including that they have the highest examination rating and are not experiencing or anticipating significant growth. All other banks are required to maintain a Tier I leverage ratio of 3% plus an additional cushion of at least 100 to 200 basis points. The FDIC may, however, set higher leverage and risk-based capital requirements on individual institutions when particular circumstances warrant. Savings banks experiencing or anticipating significant growth are expected to maintain capital ratios, including tangible capital positions, well above the minimum levels.

The following is a summary of the Bank's regulatory capital at September 30, 1997:

<TABLE>
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GAAP Capital to Total Assets.....	9.79%
Total Capital to Risk-Weighted Assets.....	17.73%
Tier I Leverage Ratio.....	9.57%
Tier I to Risk-Weighted Assets.....	17.19%

</TABLE>

In August 1995, the FDIC, along with the other federal banking agencies, adopted a regulation providing that the agencies will take account of the exposure of a bank's capital and economic value to changes in interest rate risk in assessing a bank's capital adequacy. According to the agencies, applicable considerations include the quality of the bank's interest rate risk management process, the overall financial condition of the bank and the level of other risks at the bank for which capital is needed. Institutions with significant interest rate risk may be required to hold additional capital. The agencies also have issued a joint policy statement providing guidance on interest rate risk management, including a discussion of the critical factors affecting the agencies' evaluation of interest rate risk in connection with

capital adequacy. The agencies have determined not to proceed with a previously issued proposal to develop a supervisory framework for measuring interest rate risk and an explicit capital component for interest rate risk.

STANDARDS FOR SAFETY AND SOUNDNESS. Federal law requires each federal banking agency to prescribe for depository institutions under its jurisdiction standards relating to, among other things: internal controls; information systems and audit systems; loan documentation; credit underwriting; interest rate risk exposure; asset growth; compensation; fees and benefits; and such other operational and managerial standards as the agency deems appropriate. The federal banking agencies adopted final regulations and Interagency Guidelines Establishing Standards for Safety and Soundness (the "Guidelines") to implement these safety and soundness standards. The Guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. The Guidelines address internal controls and information systems, internal audit system, credit underwriting, loan documentation, interest rate risk exposure, asset growth, asset quality, earnings and compensation, and fees and benefits. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the Guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard, as required by the Federal Deposit Insurance Act, as amended, ("FDI Act"). The final regulation establishes deadlines for the submission and review of such safety and soundness compliance plans.

LENDING RESTRICTIONS. Under the ISBA, the Bank is prohibited from making secured or unsecured loans for business, corporate, commercial or agricultural purposes representing in the aggregate an amount in excess of 15% of its total assets, unless the Commissioner authorizes in writing a higher percentage limit for such loans upon the request of an institution.

The Bank is also subject to a loans-to-one borrower limitation. Under the ISBA, the total loans and extensions of credit, both direct and indirect, by the Bank to any person (other than the United States or its agencies, the State of Illinois or its agencies, and any municipal corporation for money borrowed) outstanding at one time must not exceed the greater of \$500,000 or 20% of the Bank's total capital plus general loan loss reserves. In addition, the Bank may make loans in an amount equal to an additional 10% of the Bank's capital plus general loan loss reserves if the loans are 100% secured by readily marketable collateral. See "Business of the Bank--Lending Activities--Loans-to-One Borrower Limitations."

The FDIC and the other federal banking agencies have adopted regulations that prescribe standards for extensions of credit that (i) are secured by real estate or (ii) are made for the purpose of financing the construction or improvements on real estate. The FDIC regulations require each institution to establish and maintain written internal real estate lending standards that are consistent with safe and sound banking practices and appropriate to the size of the institution and the nature and scope of its real estate lending activities. The standards also must be consistent with accompanying FDIC guidelines, which include loan-to-value limitations for the different types of real estate loans. Institutions are also permitted to make a limited amount of loans that do not conform to the proposed loan-to-value limitations so long as such exceptions are reviewed and justified appropriately. The guidelines also list a number of lending situations in which exceptions to the loan-to-value standard are justified.

DIVIDEND LIMITATIONS. Under the ISBA, dividends may only be declared when the total capital of the Bank is greater than that required by Illinois law. Dividends may be paid by the Bank out of its net profits (i.e., earnings from current operations, plus actual recoveries on loans, investments, and other assets after deducting all current expenses, including dividends or interest on deposit accounts, additions to reserves as may be required by the Commissioner,

actual losses, accrued dividends on preferred stock, if any, and all state and federal taxes). The written approval of the Commissioner must be obtained, however, before a savings bank having total capital of less than 6% of total assets may declare dividends in any year in an amount in excess of 50% of its net profits for that year. A savings bank may not declare dividends in excess of its net profits in any year without the approval of the Commissioner. Finally, the Bank will be unable to pay dividends in an amount which would reduce its capital below the greater of (i) the amount required by the FDIC capital regulations or otherwise specified by the FDIC, (ii) the amount required by the Commissioner or (iii) the amount required for the liquidation account to be established by the Bank in connection with the Conversion. The Commissioner and the FDIC also have the authority to prohibit the payment of any dividends by the Bank if the Commissioner or the FDIC determines that the distribution would

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constitute an unsafe or unsound practice. For the year ended December 31, 1996, the Bank's net income was \$2.0 million, and the Bank could have paid dividends with the written approval of the Commissioner.

PROMPT CORRECTIVE REGULATORY ACTION

Federal law requires, among other things, that federal bank regulatory authorities take "prompt corrective action" with respect to banks that do not meet minimum capital requirements. For these purposes, the law establishes five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized.

The FDIC has adopted regulations to implement the prompt corrective action legislation. Among other things, the regulations define the relevant capital measures for the five capital categories. An institution is deemed to be "well capitalized" if it has a total risk-based capital ratio of 10% or greater, a Tier I risk-based capital ratio of 6% or greater, and a leverage ratio of 5% or greater, and is not subject to a regulatory order, agreement or directive to meet and maintain a specific capital level for any capital measure. An institution is deemed to be "adequately capitalized" if it has a total risk-based capital ratio of 8% or greater, a Tier I risk-based capital ratio of 4% or greater, and generally a leverage ratio of 4% or greater. An institution is deemed to be "undercapitalized" if it has a total risk-based capital ratio of less than 8%, a Tier I risk-based capital ratio of less than 4%, or generally a leverage ratio of less than 4%. An institution is deemed to be "significantly undercapitalized" if it has a total risk-based capital ratio of less than 6%, a Tier I risk-based capital ratio of less than 3%, or a leverage ratio of less than 3%. An institution is deemed to be "critically undercapitalized" if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2%. At the time of its last FDIC examination, the Bank was categorized as "well capitalized."

"Undercapitalized" banks are subject to growth, capital distribution (including dividend) and other limitations and are required to submit a capital restoration plan. A bank's compliance with such plan is required to be guaranteed by any company that controls the undercapitalized institutions in an amount equal to the lesser of 5.0% of the Bank's total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. If an "undercapitalized" bank fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized." "Significantly undercapitalized" banks are subject to one or more of a number of additional restrictions, including but not limited to an order by the FDIC to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cease receipt of deposits from correspondent banks or dismiss directors or officers, and restrictions on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent

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holding company. "Critically undercapitalized" institutions also may not, beginning 60 days after becoming "critically undercapitalized," make any payment of principal or interest on certain subordinated debt or extend credit for a highly leveraged transaction or enter into any material transaction outside the ordinary course of business. In addition, "critically undercapitalized" institutions are subject to appointment of a receiver or conservator. Generally, subject to a narrow exception, the appointment of a receiver or conservator is required for a "critically undercapitalized" institution within 270 days after it obtains such status.

TRANSACTIONS WITH AFFILIATES

Under current federal law, transactions between depository institutions and their affiliates are governed by Sections 23A and 23B of the Federal Reserve Act. An affiliate of a savings bank is any company or entity that controls, is

controlled by, or is under common control with the savings bank, other than a subsidiary. In a holding company context, at a minimum, the parent holding company of a savings bank and any companies which are controlled by such parent holding company are affiliates of the savings bank. Generally, Section 23A limits the extent to which the savings bank or its subsidiaries may engage in "covered transactions" with any one affiliate to an amount equal to 10% of such savings bank's capital stock and surplus, and contains an aggregate limit on all such transactions with all affiliates to an amount equal to 20% of such capital stock and surplus. The term "covered transaction" includes the making of loans or other extensions of credit to an affiliate; the purchase of assets from an affiliate, the purchase of, or an investment in, the securities of an affiliate; the acceptance of securities of an affiliate as collateral for a loan or extension of credit to any person; or issuance of a guarantee, acceptance, or letter of credit on behalf of an affiliate. Section 23A also establishes specific collateral requirements for loans or extensions of credit to, or guarantees, acceptances on letters of credit issued on behalf of an affiliate. Section 23B requires that covered transactions and a broad list of other specified transactions be on terms substantially the same, or no less favorable, to the savings bank or its subsidiary as similar transactions with nonaffiliates.

Further, Section 22(h) of the Federal Reserve Act restricts a savings bank with respect to loans to directors, executive officers, and principal stockholders. Under Section 22(h), loans to directors, executive officers and stockholders who control, directly or indirectly, 10% or more of voting securities of a savings bank, and certain related interests of any of the foregoing, may not exceed, together with all other outstanding loans to such persons and affiliated entities, the savings bank's total capital and surplus. Section 22(h) also prohibits loans above amounts prescribed by the appropriate federal banking agency to directors, executive officers, and shareholders who control 10% or more of voting securities of a stock savings bank, and their respective related interests, unless such loan is approved in advance by a majority of the board of directors of the savings bank. Any "interested" director may not participate in the voting. The loan amount (which includes all other outstanding loans to such person and their related interests) as to which such prior board of director approval is required, is the greater of \$25,000 or 5% of capital and surplus or any loans over \$500,000. Further, pursuant to Section 22(h), loans to directors, executive officers and principal shareholders must be made on terms substantially the same as offered in comparable transactions to other persons, except that such insiders may receive preferential loans made pursuant to a benefit or compensation program that is widely available to the Bank's employees and does not give preference to the insider over the employees. Section 22(g) of the Federal Reserve Act places additional limitations on loans to executive officers.

ENFORCEMENT

The Commissioner and FDIC have extensive enforcement authority over Illinois-chartered savings banks, including the Bank. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease and desist orders and to remove directors and officers. In general, these enforcement actions may be initiated in response to violations of laws and regulations and to unsafe or unsound practices.

The Commissioner is given authority by Illinois law to appoint a conservator or receiver for an Illinois savings bank under certain circumstances including, but not limited to, insolvency, a substantial dissipation of assets due to violation of law, regulation, order of the Commissioner or unsafe or unsound practice or the occurrence of an unsafe or unsound condition likely to cause insolvency or a substantial dissipation of assets or earnings that will weaken the condition of the savings bank and prejudice the interests of depositors. The FDIC also has authority under federal law to appoint a conservator or receiver for an insured savings bank under certain circumstances. The FDIC is required, with certain exceptions, to appoint a receiver or conservator for an insured state savings bank if that savings bank was

"critically undercapitalized" on average during the calendar quarter beginning 270 days after the date on which the savings bank became "critically undercapitalized." For this purpose, "critically undercapitalized" means having a ratio of tangible capital to total assets of less than 2%. See "---Prompt Corrective Regulatory Action." The FDIC may also appoint itself as conservator or receiver for a state savings bank under certain circumstances on the basis of the institution's financial condition or upon the occurrence of certain events, including: (i) insolvency (whereby the assets of the savings bank are less than its liabilities to depositors and others); (ii) substantial dissipation of assets or earnings through violations of law or unsafe or unsound practices; (iii) existence of an unsafe or unsound condition to transact business; (iv) likelihood that the savings bank will be unable to meet the demands of its depositors or to pay its obligations in the normal course of business; and (v)

insufficient capital, or the incurring or likely incurring of losses that will deplete substantially all of the institution's capital with no reasonable prospect of replenishment of capital without federal assistance.

INSURANCE OF DEPOSIT ACCOUNTS

Deposits of the Bank are presently insured by the SAIF. Both the SAIF and the BIF (the deposit insurance fund that covers most commercial bank deposits), are statutorily required to be recapitalized to a 1.25% of insured reserve deposits ratio. Until recently, members of the SAIF and BIF were paying average deposit insurance premiums of between 24 and 25 basis points. The BIF met the required reserve in 1995, whereas the SAIF was not expected to meet or exceed the required level until 2002 at the earliest. This situation was primarily due to the statutory requirement that SAIF members make payments on bonds issued in late 1980s by the Financing Corporation ("FICO") to recapitalize the predecessor to the SAIF.

In view of the BIF's achieving the 1.25% ratio, the FDIC ultimately adopted a new assessment rate schedule of from 0 to 27 basis points under which 92% of BIF members paid an annual premium of only \$2,000. With respect to SAIF member institutions, the FDIC adopted a final rule retaining the previously existing assessment rate schedule applicable to SAIF member institutions of 23 to 31 basis points. As long as the premium differential continued, it may have had adverse consequences for SAIF members, including reduced earnings and an impaired ability to raise funds in the capital markets. In addition, SAIF members, such as the Bank could have been placed at a substantial competitive disadvantage to BIF members with respect to pricing of loans and deposits and the ability to achieve lower operating costs.

On September 30, 1996, the President of the United States signed into law the Deposit Insurance Funds Act of 1996 (the "Funds Act") which, among other things, imposed a special one-time assessment on SAIF member institutions, including the Bank, to recapitalize the SAIF. As required by the Funds Act, the FDIC imposed a special assessment of 65.7 basis points on SAIF assessable deposits held as of March 31, 1995, payable November 27, 1996 (the "SAIF Special Assessment"). The SAIF Special Assessment was recognized by the Bank as an expense in the quarter ended December 31, 1996 and is generally tax deductible. The SAIF Special Assessment paid by the Bank amounted to \$1.5 million.

The Funds Act also spread the obligations for payment of the FICO bonds across all SAIF and BIF members. Beginning on January 1, 1997, BIF deposits were assessed for a FICO payment of 1.3 basis points, while SAIF deposits pay 6.48 basis points. Full pro rata sharing of the FICO payments between BIF and SAIF members will occur on the earlier of January 1, 2000 or the date of the BIF and SAIF are merged. The Funds Act specifies that the BIF and SAIF will be merged on January 1, 1999, provided no savings associations remain as of that time.

As a result of the Funds Act, the FDIC voted to effectively lower SAIF assessments to 0 to 27 basis points as of January 1, 1997, a range comparable to that of BIF members. SAIF members will also continue to make the FICO payments described above. The FDIC also lowered the SAIF assessment schedule for the fourth quarter of 1996 to 18 to 27 basis points. Management cannot predict the level of FDIC insurance assessments on an on-going basis, whether the savings association charter will be eliminated or whether the BIF and SAIF will eventually be merged.

The Bank's assessment rate for the year ended December 31, 1996 ranged from 6.5 to 23 basis points, excluding the SAIF Special Assessment rate of 65.7 basis points, and the regular premium paid was \$2.0 million. A significant increase in SAIF insurance premiums would likely have an adverse effect on the operating expenses and results of operations of the Bank.

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Under the FDI Act, insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. The management of the Bank does not know of any practice, condition or violation that might lead to termination of deposit insurance.

FEDERAL RESERVE SYSTEM

The Federal Reserve Board regulations require depository institutions to maintain non-interest-earning reserves against their transaction accounts (primarily NOW and regular checking accounts). The Federal Reserve Board regulations generally require that reserves be maintained against aggregate transaction accounts as follows: for that portion of transaction accounts aggregating \$47.8 million or less (subject to adjustment by the Federal Reserve Board) the reserve requirement is 3%; and for accounts greater than \$47.8 million, the reserve requirement is \$1.43 million plus 10% (subject to adjustment by the Federal Reserve Board between 8% and 14%) against that portion of total transaction accounts in excess of \$47.8 million. The first \$4.7 million of otherwise reservable balances (subject to adjustments by the Federal Reserve

Board) are exempted from the reserve requirements. The Bank is in compliance with the foregoing requirements. Because required reserves must be maintained in the form of either vault cash, a non-interest-bearing account at a Federal Reserve Bank or a pass-through account as defined by the Federal Reserve Board, the effect of this reserve requirement is to reduce the Bank's interest-earning assets. Federal Home Loan Bank ("FHLB") System members are also authorized to borrow from the Federal Reserve "discount window," but Federal Reserve Board regulations require institutions to exhaust all FHLB sources before borrowing from a Federal Reserve Bank.

COMMUNITY REINVESTMENT ACT

Under the Community Reinvestment Act, as amended ("CRA"), as implemented by FDIC regulations, a savings bank has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The CRA does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community, consistent with the CRA. The CRA requires the FDIC, in connection with its examination of a savings institution, to assess the institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution. The FIRREA amended the CRA to require, effective July 1, 1990, public disclosure of an institution's CRA rating and require the FDIC to provide a written evaluation of an institution's CRA performance utilizing a four-tiered descriptive rating system which replaced the five-tiered numerical rating system. The Bank's latest CRA rating, received from the FDIC was "Satisfactory."

FEDERAL HOME LOAN BANK SYSTEM

The Bank is a member of the FHLB System, which consists of 12 regional FHLBs. The FHLB provides a central credit facility primarily for member institutions. The Bank, as a member of the FHLB, is required to acquire and hold shares of capital stock in the FHLB in an amount at least equal to 1% of the aggregate principal amount of its unpaid residential mortgage loans and similar obligations at the beginning of each year, or 1/20 of its advances (borrowings) from the FHLB, whichever is greater. The Bank was in compliance with this requirement with an investment in FHLB stock at September 30, 1997 of \$2.1 million. FHLB advances must be secured by specified types of collateral and all long-term advances may only be obtained for the purpose of providing funds for residential housing finance. At September 30, 1997, the Bank had \$24.0 million in FHLB advances.

The FHLBs are required to provide funds for the resolution of insolvent thrifts and to contribute funds for affordable housing programs. These requirements could reduce the amount of dividends that the FHLBs pay to their members and could also result in the FHLBs imposing a higher rate of interest on advances to their members. For the nine months ended September 30, 1997 and 1996 and the years ended December 31, 1996, 1995 and 1994, cash dividends from the FHLB to the Bank amounted to approximately \$103,000, \$90,000, \$137,000, \$125,000 and \$112,000, respectively. Further, there can be no assurance that the impact of recent or future legislation on the FHLBs will not also cause a decrease in the value of the FHLB stock held by the Bank.

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HOLDING COMPANY REGULATION

Federal law allows a state savings bank that qualifies as a "qualified thrift lender" ("QTL"), discussed below, to elect to be treated as a savings association for purposes of the savings and loan holding company provisions of the Home Owners' Loan Act, as amended ("HOLA"). Such election would result in its holding company being regulated as a savings and loan holding company by the OTS rather than as a bank holding company by the Federal Reserve Board. The Bank has made such election and has received approval from the OTS to become a savings and loan holding company. The Company will be regulated as a non-diversified unitary savings and loan holding company within the meaning of the HOLA. As such, the Company will be required to register with the OTS and will be subject to OTS regulations, examinations, supervision and reporting requirements. In addition, the OTS has enforcement authority over the Company and its non-savings institution subsidiaries. Among other things, this authority permits the OTS to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings institution. Additionally, the Bank will be required to notify the OTS at least 30 days before declaring any dividend to the Company. Because the Bank is chartered under Illinois law, the Company will also be subject to registration with and regulation by the Commissioner under the ISBA.

As a unitary savings and loan holding company, the Company generally will not be restricted under existing laws as to the types of business activities in

which it may engage. Upon any non-supervisory acquisition by the Company of another savings association as a separate subsidiary, the Company would become a multiple savings and loan holding company and would be subject to extensive limitations on the types of business activities in which it could engage. The HOLA limits the activities of a multiple savings and loan holding company and its non-insured institution subsidiaries primarily to activities permissible for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, as amended ("BHC Act"), subject to the prior approval of the OTS, and to other activities authorized by OTS regulation. Multiple savings and loan holding companies are prohibited from acquiring or retaining, with certain exceptions, more than 5% of a non-subsi-dary company engaged in activities other than those permitted by the HOLA.

The HOLA prohibits a savings and loan holding company, directly or indirectly, or through one or more subsidiaries, from acquiring more than 5% of the voting stock of another savings institution or holding company thereof or from acquiring such an institution or company by merger, consolidation or purchase of its assets, without prior written approval of the OTS. In evaluating applications by holding companies to acquire savings institutions, the OTS must consider the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on the risk to the insurance funds, the convenience and needs of the community and competitive factors.

The OTS is prohibited from approving any acquisition that would result in a multiple savings and loan holding company controlling savings institutions in more than one state, except: (i) interstate supervisory acquisitions by savings and loan holding companies; and (ii) the acquisition of a savings institution in another state if the laws of the state of the target savings institution specifically permit such acquisitions. The states vary in the extent to which they permit interstate savings and loan holding company acquisitions.

In order to elect and continue to be regulated as a savings and loan holding company by the OTS (rather than as a bank holding company by the Federal Reserve Board), the Bank must continue to qualify as a QTL. In order to qualify as a QTL, the Bank must maintain compliance with the test for a "domestic building and loan association," as defined in the Code, or with a Qualified Thrift Lender Test ("QTL Test"). Under the QTL Test, a savings institution is required to maintain at least 65% of its "portfolio assets" (total assets less: (i) specified liquid assets up to 20% of total assets; (ii) intangibles, including goodwill; and (iii) the value of property used to conduct business) in certain "qualified thrift investments" (primarily residential mortgages and related investments, including certain mortgage-backed and related securities) in at least 9 months out of each 12 month period. A holding company of a savings institution that fails to qualify as a QTL must either convert to a bank holding company and thereby become subject to the regulation and supervision of the Federal Reserve Board or operate under certain restrictions. As of September 30, 1997, the Bank maintained in excess of 65% of its portfolio assets in qualified thrift investments. The Bank also met the QTL test in each of the prior 12 months and, therefore, met the QTL test. Recent legislative

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amendments have broadened the scope of "qualified thrift investments" that go toward meeting the QTL test to fully include credit card loans, student loans and small business loans.

INTERSTATE BANKING AND BRANCHING

The Company, as a savings and loan holding company, will be limited under HOLA with respect to its acquisition of a savings association located in a state other than Illinois. In general, a savings and loan holding company may not acquire an additional savings association subsidiary that is located in a state other than the home state of its first savings association subsidiary unless such an interstate acquisition is permitted by the statutes of such other state. Many states permit such interstate acquisitions if the statutes of the home state of the acquiring savings and loan holding company satisfy various reciprocity conditions. Illinois is one of a number of states that permit, subject to the reciprocity conditions of the ISBA, out-of-state bank and savings and loan holding companies to acquire Illinois savings institutions.

In contrast, bank holding companies are generally authorized to acquire banking subsidiaries in more than one state irrespective of any state law restrictions on such acquisitions. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Interstate Banking Act"), which was enacted on September 29, 1994, permits approval under the BHC Act of the acquisition of a bank located outside of the holding company's home state regardless of whether the acquisition is permitted under the law of the state of the acquired bank. The Federal Reserve Board may not approve an acquisition under the BHC Act that would result in the acquiring holding company controlling more than 10% of the deposits in the United States or more than 30% of the deposits in any particular state.

In the past, branching across state lines was not generally available to a state bank such as the Bank. The Interstate Banking Act permitted, beginning June 1, 1997, the responsible federal banking agencies to approve merger transactions between banks located in different states. The Interstate Banking Act also permitted a state to "opt in" to the provisions of the Interstate Banking Act prior to June 1, 1997, and permits a state to "opt out" of the provisions of the Interstate Banking Act by adopting appropriate legislation before that date. Accordingly, the Interstate Banking Act permits a bank, such as the Bank, to acquire branches in a state other than Illinois unless the other state has opted out of the Interstate Banking Act. The Interstate Banking Act also authorizes de novo branching into another state if the host state enacts a law expressly permitting out of state banks to establish such branches within its borders.

The Interstate Banking Act may facilitate the further consolidation of the banking industry. The effect of the Interstate Banking Act on the Bank, if any, is likely to occur as banking institutions, state legislators, and bank regulators respond to the new federal regulatory structure. The states will have to establish appropriate corporate law, tax and regulatory structures to adjust to the growth of new interstate banks.

THRIFT RECHARTERING

The Bank is subject to extensive regulation and supervision as a savings bank. In addition, the Company, as a savings and loan holding company, will be subject to extensive regulation and supervision. Such regulations, which affect the Bank on a daily basis, may be changed at any time, and the interpretation of the relevant law and regulations is also subject to change by the authorities who examine the Bank and interpret those laws and regulations. Any change in the regulatory structure or the applicable statutes or regulations, whether by the Commissioner, the OTS, the FDIC or the Congress, could have a material impact on the Company, the Bank, its operations or the Conversion.

Recently enacted legislation provides that the Bank Insurance Fund ("BIF") and the SAIF will merge on January 1, 1999 if there are no more savings associations as of that date. Several bills have been introduced in the current Congress that would eliminate the federal thrift charter and the OTS. A bill passed by the House Banking Committee would require all federal savings associations to convert to a national or state bank charter within two years of enactment or they would automatically become national banks. The bill, as currently drafted, would not require state savings banks, such as the Bank, to change their charter. However, the bill would require all savings and loan holding companies, such as the Company, to become bank holding companies. A grandfathering provision would allow former savings and loan holding companies to continue to engage in activities permitted as a savings and loan holding company even if not permitted for a bank holding company. Existing regulation of savings and loan holding company capital would also be grandfathered. The grandfathering would be lost under certain circumstances, however, such

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as a change in control of the holding company, upon certain acquisitions and upon the subsidiary bank's failure to meet the QTL test as in effect upon the legislation's enactment. Subject to a narrow grandfathering provision, all savings and loan holding companies would become subject to the same regulation and activities restrictions as bank holding companies under the pending legislative proposals. The legislative proposals would also abolish the OTS and transfer its functions to the federal bank regulators with respect to the institutions and to the Board of Governors of the Federal Reserve Board with respect to the regulation of holding companies. The Bank is unable to predict whether the legislation will be enacted or, given such uncertainty, determine the extent to which the legislation, if enacted, would affect its business. The Bank is also unable to predict whether the SAIF and BIF will eventually be merged.

FEDERAL SECURITIES LAWS

The Company has filed with the SEC a registration statement under the Securities Act for the registration of the Common Stock to be issued pursuant to the Conversion. Upon completion of the Conversion, the Company's Common Stock will be registered with the SEC under the Exchange Act. The Company will then be subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Exchange Act.

The registration under the Securities Act of shares of the Common Stock to be issued in the Conversion does not cover the resale of such shares. Shares of the Common Stock purchased by persons who are not affiliates of the Company may be resold without registration. Shares purchased by an affiliate of the Company will be subject to the resale restrictions of Rule 144 under the Securities Act. If the Company meets the current public information requirements of Rule 144

under the Securities Act, each affiliate of the Company who complies with the other conditions of Rule 144 (including those that require the affiliate's sale to be aggregated with those of certain other persons) would be able to sell in the public market, without registration, a number of shares not to exceed, in any three-month period, the greater of (i) 1% of the outstanding shares of the Company or (ii) the average weekly volume of trading in such shares during the preceding four calendar weeks. Provision may be made in the future by the Company to permit affiliates to have their shares registered for sale under the Securities Act under certain circumstances.

MANAGEMENT OF THE COMPANY

DIRECTORS OF THE COMPANY

The Board of Directors of the Company is divided into three classes, each of which contains one-third of the Board. The directors shall be elected by the stockholders of the Company for staggered three year terms, or until their successors are elected and qualified. One class of directors, consisting of Messrs. James J. Kovac, Ralph W. Helm and Vincent C. Norton, has a term of office expiring at the first annual meeting of stockholders, a second class, consisting of Messrs. Leo M. Flanagan, Jr., Peter A. Traeger and Scott H. Budd, has a term expiring at the second annual meeting of stockholders and a third class, consisting of Messrs. John J. Brittain, Barrett J. O'Connor and Thomas I. Anderson, has a term of office expiring at the third annual meeting of stockholders. The biographical information of each Director is set forth under "Management of the Bank--Biographical Information." It is currently intended that Directors of the Company will receive no additional fees for their services as Directors of the Company.

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EXECUTIVE OFFICERS OF THE COMPANY

The following individuals are executive officers of the Company and hold the offices set forth below opposite their names. The biographical information for each executive officer is set forth under "Management of the Bank--Biographical Information."

NAME	POSITION(S) HELD WITH THE COMPANY
John J. Brittain.....	Chairman of the Board
Leo M. Flanagan, Jr.....	Vice Chairman of the Board
Barrett J. O'Connor.....	President and Chief Executive Officer
James J. Kovac.....	Senior Vice President and Chief Financial Officer
Ursula Wilson.....	Corporate Secretary

The executive officers of the Company are elected annually and hold office until their respective successors have been elected and qualified or until death, resignation, retirement or removal by the Board of Directors.

Since the formation of the Company, none of the executive officers, Directors or other personnel has received remuneration from the Company. Information concerning the principal occupations, employment and other information concerning the directors and officers of the Company during the past five years is set forth under "Management of the Bank--Biographical Information."

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MANAGEMENT OF THE BANK

DIRECTORS OF THE BANK

The Directors of the Company are also Directors of the Bank. Upon consummation of the Conversion, the current Directors of the Bank will become Directors of the stock chartered Bank. The following table sets forth certain information regarding the Board of Directors of the Bank.

NAME	AGE(1)	POSITION(S) HELD WITH THE BANK	DIRECTOR SINCE	TERM EXPIRES
John J. Brittain.....	66	Director and Chairman of the Board	1962	2000
Leo M. Flanagan, Jr....	54	Director and Vice Chairman of the Board	1980	1999
Barrett J. O'Connor....	56	Director, President and Chief Executive	1984	2000

Officer

James J. Kovac.....	48	Director, Senior Vice President and Chief Financial Officer	1986	1998
Vincent C. Norton.....	64	Director and Vice President-Loan Origination	1974	1998
Thomas I. Anderson.....	60	Director	1986	2000
Ralph W. Helm, Jr.....	65	Director	1991	1998
Peter A. Traeger.....	39	Director	1994	1999
Scott H. Budd.....	40	Director	1995	1999

</TABLE>

 (1) As of September 30, 1997.

EXECUTIVE OFFICERS OF THE BANK WHO ARE NOT DIRECTORS

The following table sets forth certain information regarding the executive officers of the Bank who are not also directors.

<TABLE>
 <CAPTION>

NAME	AGE(1)	POSITION(S) HELD WITH THE BANK
<S>	<C>	<C>
Jerry L. Gosse.....	61	Vice President and Compliance Officer
James R. Schneff.....	45	Vice President-Lending
Sandra L. Sommers.....	55	Vice President-Savings
Joseph E. Stanczak....	45	Vice President and Treasurer

</TABLE>

 (1) As of September 30, 1997.

The executive officers of the Bank are elected annually and will hold office in the converted Bank until the annual meeting of the Board of Directors of the Bank held immediately after the first annual meeting of stockholders of the Bank subsequent to Conversion, and until their successors are elected and qualified or until death, resignation, retirement or removal by the Board of Directors. Officers are re-elected by the Board of Directors annually.

BIOGRAPHICAL INFORMATION

DIRECTORS OF THE BANK

JOHN J. BRITTAIN is Chairman of the Board of Directors and an officer of the Bank. Mr. Brittain was elected to the Board of Directors in 1962 and has served as Chairman of the Board since 1980. Mr. Brittain is a partner in the law firm of Brittain & Ketcham, P.C., located in Elgin, Illinois. Brittain & Ketcham, P.C. serves as the Bank's legal counsel. Mr. Brittain is a member of the Asset/Liability, Investment, Loan, Executive and Compensation Committees.

LEO M. FLANAGAN, JR., is Vice Chairman of the Board of Directors and an officer of the Bank. Mr. Flanagan has been a member of the Board of Directors since 1980 and has served as Vice Chairman of the Board since 1996. Mr. Flanagan is a partner in the law firm of Brittain & Ketcham, P.C., located in Elgin, Illinois. Brittain & Ketcham, P.C., serves as the Bank's legal counsel. Mr. Flanagan is a member of the Asset/Liability, Audit, Compliance, CRA, Investment, Loan and Executive Committees.

BARRETT J. O'CONNOR is President and Chief Executive Officer of the Bank. Mr. O'Connor has been employed by the Bank since 1978. From 1978 to 1992, Mr. O'Connor held various positions with the Bank. In 1992, Mr. O'Connor became Chief Executive Officer and, in 1994, became President. He has been a Director of the Bank since 1984. Mr. O'Connor is a member of the Asset/ Liability,

Investment, Loan, Executive and Compensation Committees.

JAMES J. KOVAC, a certified public accountant, has been Senior Vice President and Chief Financial Officer of the Bank since 1992. He has also been a Director of the Bank since 1986. Mr. Kovac is a member of the Asset/Liability, Compliance, CRA, Investment, Loan and Executive Committees.

VINCENT C. NORTON has served as a Director of the Bank since 1974. In 1993, Mr. Norton was named Vice President-Loan Origination. Prior to becoming an officer of the Bank, he was Finance Manager for an Elgin-based automobile dealership. Mr. Norton is a member of the Asset/Liability, CRA and Loan Committees.

THOMAS I. ANDERSON has served on the Bank's Board of Directors since 1986. Mr. Anderson is President of W.J. Dennis & Company. W.J. Dennis & Company packages and distributes weather stripping and related products. He is a member of Asset/ Liability, Audit, Compliance, Investment, Loan and Compensation Committees.

RALPH W. HELM, JR., has served on the Bank's Board of Directors since 1991. Mr. Helm is President of Ralph Helm Inc., a retail seller and service of outdoor power equipment. He is a member of the Asset/Liability, Audit, Loan and Compensation Committees.

PETER A. TRAEGER has been a member of the Bank's Board of Directors since 1994. Mr. Traeger is President and Chief Executive Officer of Artistic Carton Company, a manufacturer of recycled paperboard and folding cartons. He is a member of the Asset/ Liability, Audit, Compliance, Compensation, CRA and Loan Committees.

SCOTT H. BUDD has been a member of the Bank's Board of Directors since 1995. Mr. Budd is a representative of the investment and consulting firm of Edward Jones. He is a member of the Asset/Liability, Audit, Investment and Loan Committees.

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EXECUTIVE OFFICERS OF THE BANK WHO ARE NOT DIRECTORS

JERRY L. GOSSE joined the Bank in 1994 as Vice President and Compliance Officer. He is primarily responsible for monitoring the Bank's compliance with applicable laws and regulations. Prior to joining the Bank, Mr. Gosse was employed, for a combined 28 years, with the Federal Home Loan Bank Board (the predecessor to the OTS), the FHLB-Chicago and the OTS.

JAMES R. SCHNEFF has been employed by the Bank since 1974. He was named Vice President-Lending in 1983. Mr. Schneff operates as the chief lending officer of the Bank overseeing all mortgage and consumer lending operations. Mr. Schneff is a member of the Asset/Liability and CRA Committees.

SANDRA L. SOMMERS joined the Bank in 1960. She was named Vice President-Savings in 1977. Ms. Sommers is responsible for the Bank's retail savings department and is a member of the Asset/Liability Committee.

JOSEPH E. STANCZAK has been employed by the Bank since 1973. From 1973 to 1985, Mr. Stanczak held various positions with the Bank. In 1985, he was named Vice President-Treasurer of the Bank and is primarily responsible for data processing and branch operations. Mr. Stanczak is a member of the Asset/Liability Committee.

MEETINGS AND COMMITTEES OF THE BOARDS OF DIRECTORS OF THE BANK AND THE COMPANY

The Bank's Board of Directors meets monthly and may have additional special meetings as may be called in the manner specified in the Bylaws. During the year ended December 31, 1996, the Board held 14 meetings. For the year ended December 31, 1996, no Director attended fewer than 75% in the aggregate of the total number of meetings of the Board or Committees on which such Director served.

The Board of Directors of the Bank has established the following committees:

The Executive Committee consists of Messrs. Brittain, Flanagan, O'Connor and Kovac. The purposes of this committee are to evaluate issues of major importance to the Bank and to approve the Bank's annual budget. The committee meets weekly or on an as-needed basis and met 20 times in 1996.

The Audit Committee consists of Messrs. Flanagan, Anderson, Helm, Traeger and Budd. The Bank's internal auditor reports to this committee. This committee is responsible for reviewing audit reports and management's actions regarding the implementation of audit findings. The committee generally meets on an as-needed basis and met three times in 1996.

The Compliance Committee consists of Messrs. Flanagan, Kovac, Anderson and Traeger. The Bank's Compliance Officer reports to this Committee. This committee is responsible for reviewing internal and regulatory agency reports regarding compliance with all relevant laws and regulations and monitoring management's

response to such reports. The committee generally meets on an as-needed basis and met four times in 1996.

The Investment Committee consists of Messrs. Brittain, Flanagan, O'Connor, Kovac, Anderson and Budd. This committee is responsible for all matters regarding the Bank's investment activities. The committee meets monthly and met 13 times in 1996.

The Loan Committee consists of the entire Board of Directors of the Bank. This committee establishes the Bank's lending policies and approves large loans within its delegated authority. See "Business of the Bank--Lending Activities--Loan Approval Procedures and Authority." The committee meets weekly or on an as-needed basis and met 28 times in 1996.

The Asset/Liability Committee consists of the entire Board of Directors, Ms. Sommers and Messrs. Schneff, Stanczak and Robert W. Mogler, a Vice President of the Bank. This committee reviews the workout solutions of problem loans, and approves the classification of assets and the establishment of adequate valuation allowances. The committee meets on a quarterly basis and met four times in 1996.

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The Compensation Committee consists of Messrs. Anderson, Helm, Traeger and Budd as voting members and Messrs. Brittain and O'Connor as ex-officio members. This Committee is responsible for all matters regarding compensation and fringe benefits. The Committee meets on an as-needed basis.

The CRA Committee consists of Messrs. Flanagan, Kovac, Norton, Traeger and Schneff. This committee is responsible for monitoring the Bank's compliance with the Community Reinvestment Act of 1977 and ensuring that the Bank serves the various credit needs of individuals and businesses in its delineated market area. The committee generally meets on an as-needed basis.

The Board of Directors of the Company has established the following committees: the Audit Committee consisting of Messrs. Anderson, Helm, Traeger and Budd; the Pricing Committee consisting of the entire Board of Directors; and the Compensation Committee consisting of Messrs. Anderson, Helm, Traeger and Budd.

COMPENSATION OF DIRECTORS

All Directors of the Bank receive a fee of \$2,000 for each regular and special Board meeting which they attend. All outside Directors of the Bank receive a fee of \$200 to \$250 (depending on the committee) for each committee meeting attended, except that no fees are paid for attending a meeting of the Executive, Compensation or CRA Committees.

ADVISORY DIRECTORS

The Bank maintains a Board of Advisory Directors which consists of former Directors of the Bank. Pursuant to the Bank's bylaws, Directors must retire in the year they reach age 70 and any Director who retires because of such age limitation is eligible to be elected as an Advisory Director. Advisory Directors have no vote and receive meeting fees as determined by resolution of the Directors of the Bank, currently \$750 for each Board meeting attended.

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EXECUTIVE COMPENSATION

SUMMARY COMPENSATION TABLE. The following table sets forth the cash compensation paid by the Bank as well as certain other compensation paid or accrued for services rendered in all capacities during the year ended December 31, 1996, to the Chief Executive Officer and the three highest paid executive officers of the Bank who received salary and bonus in excess of \$100,000 ("Named Executive Officers").

<TABLE>
<CAPTION>

NAME AND PRINCIPAL POSITIONS	YEAR	ANNUAL COMPENSATION (1)		LONG-TERM COMPENSATION				
		SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSATION (\$ (2))	RESTRICTED STOCK AWARDS (\$ (3))	SECURITIES UNDERLYING OPTIONS/SARS (# (4))	LTIIP PAYOUTS (\$ (5))	ALL OTHER COMPENSATION (\$ (6))
Barrett J. O'Connor, President and Chief Executive Officer	1996	\$ 150,500	\$ 30,000	--	--	--	--	\$ 9,500

James J. Kovac..... Senior Vice President and Chief Financial Officer	1996	133,000	25,000	--	--	--	--	9,500
John J. Brittain.... Chairman of the Board	1996	118,000	20,000	--	--	--	--	8,271
Vincent C. Norton... Vice President- Loan Origination	1996	91,000	16,000	--	--	--	--	5,790

</TABLE>

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- (1) Under Annual Compensation, the column titled "Salary" includes directors' fees and amounts deferred by the Named Executive Officer under the Bank's 401(k) Plan.
 - (2) For 1996, there were no (a) perquisites over the lesser of \$50,000 or 10% of the individual's total salary and bonus for the year; (b) payments of above-market preferential earnings on deferred compensation; (c) payments of earnings with respect to long-term incentive plans prior to settlement or maturation; (d) tax payment reimbursements; or (e) preferential discounts on stock. For 1996, the Bank had no restricted stock or stock related plans in existence.
 - (3) Does not include awards pursuant to the Stock Program, which may be granted in conjunction with a meeting of shareholders of the Company, subject to regulatory and shareholder approval, as such awards were not earned, vested or granted in 1996. For a discussion of the terms of the Stock Program which is intended to be adopted by the Company, see "--Benefit Plans--Stock Program." For 1996, the Bank had no stock plans in existence.
 - (4) No stock options or SARs were earned or granted in 1996. For a discussion of the Stock Option Plan which is intended to be adopted by the Company, see "Benefit Plans--Stock Option Plan."
 - (5) For 1996, there were no payouts or awards under any long-term incentive plan.
 - (6) Other compensation includes the Bank's matching contribution under the Bank's 401(k) Plan.

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EMPLOYMENT AGREEMENTS

Upon the Conversion, the Bank and the Company each intend to enter into employment agreements with Messrs. O'Connor and Kovac (individually, the "Executive") (collectively, the "Employment Agreements"). The Employment Agreements are intended to ensure that the Bank and the Company will be able to maintain a stable and competent management base after the Conversion. The continued success of the Bank and the Company depends to a significant degree on the skills and competence of the above referenced officers.

The Employment Agreements provide for three-year terms for each Executive. The term of the Employment Agreements shall be extended on a daily basis unless written notice of non-renewal is given by the Board of Directors. The Employment Agreements provide that the Executive's base salary will be reviewed annually. The base salaries which will be effective for such Employment Agreements for Messrs. O'Connor and Kovac will be \$165,000 and \$135,000, respectively. In addition to the base salary, the Employment Agreements provide for, among other things, participation in stock benefits plans and other fringe benefits applicable to executive personnel. The Employment Agreements provide for termination by the Bank or the Company for cause, as defined in the Employment Agreements, at any time. In the event the Bank or the Company chooses to terminate the Executive's employment for reasons other than for cause, or in the event of the Executive's resignation from the Bank and the Company upon: (i) failure to re-elect the Executive to his current offices; (ii) a material change in the Executive's functions, duties or responsibilities; (iii) a relocation of the Executive's principal place of employment by more than 25 miles; (iv) a reduction in the benefits and perquisites being provided to the Executive in the Employment Agreement; (v) liquidation or dissolution of the Bank or the Company; or (vi) a breach of the Employment Agreement by the Bank or the Company, the Executive or, in the event of death, his beneficiary would be entitled to receive an amount equal to the remaining base salary payments due to the Executive for the remaining term of the Employment Agreement and the contributions that would have been made on the Executive's behalf to any employee benefit plans of the Bank and the Company during the remaining term of the Employment Agreement. The Bank and the Company would also continue and pay for the Executive's life, health, dental and disability coverage for the remaining term of the Employment Agreement. Upon any termination of the

Executive, the Executive is subject to a one year non-competition agreement.

Under the Employment Agreements, if voluntary or involuntary termination follows a change in control of the Bank or the Company, the Executive or, in the event of the Executive's death, his beneficiary, would be entitled to a severance payment equal to the greater of: (i) the payments due for the remaining terms of the agreement; or (ii) three times the average of the five preceding taxable years' annual compensation. The Bank and the Company would also continue the Executive's life, health, and disability coverage for thirty-six months. Notwithstanding that both the Bank and Company Employment Agreements provide for a severance payment in the event of a change in control, the Executive would only be entitled to receive a severance payment under one agreement.

Payments to the Executive under the Bank's Employment Agreement will be guaranteed by the Company in the event that payments or benefits are not paid by the Bank. Payment under the Company's Employment Agreement would be made by the Company. All reasonable costs and legal fees paid or incurred by the Executive pursuant to any dispute or question of interpretation relating to the Employment Agreements shall be paid by the Bank or Company, respectively, if the Executive is successful on the merits pursuant to a legal judgment, arbitration or settlement. The Employment Agreements also provide that the Bank and Company shall indemnify the Executive to the fullest extent allowable under Illinois and Delaware law, respectively. In the event of a change in control of the Bank or the Company, the total amount of payments due under the Agreements, based solely on cash compensation paid to the officers who will receive Employment Agreements over the past five fiscal years and excluding any benefits under any employee benefit plan which may be payable, would be approximately \$706,000.

CHANGE IN CONTROL AGREEMENTS

Upon Conversion, the Bank intends to enter into three-year Change in Control Agreements with Messrs. Brittain and Flanagan and four other executive officers of the Bank, none of whom will be covered by employment contracts. The Company intends to enter into three-year Change in Control Agreements with Mr. Brittain and one other executive officer. The Change in Control Agreements shall be extended on a daily basis unless written notice of non-renewal is given by the Board of Directors. The Change in Control Agreements will provide that in the event that voluntary or involuntary termination follows a change in control of the Company or the

Bank, the officer would be entitled to receive a severance payment equal to three times the officer's average annual compensation for the five most recent taxable years. The Bank would also continue and pay for the officer's life, health and disability coverage for thirty-six months following termination. In the event of a change in control of the Company or the Bank, the total payments that would be due under the Change in Control Agreements, based solely on the current annual compensation paid to the officers covered by the Change in Control Agreements and excluding any benefits under any employee benefit plan which may be payable, would be approximately \$1.1 million.

EMPLOYEE SEVERANCE COMPENSATION PLAN

The Bank's Board of Directors intends to, upon Conversion, establish the Elgin Financial Center, S.B. Employee Severance Compensation Plan ("Severance Plan") which will provide eligible employees with severance pay benefits in the event of a change in control of the Bank or the Company following Conversion. Management personnel with Employment Agreements or Change in Control Agreements are not eligible to participate in the Severance Plan. Generally, employees are eligible to participate in the Severance Plan if they have completed at least one year of service with the Bank. The Severance Plan vests in each participant a contractual right to the benefits such participant is entitled to thereunder. Under the Severance Plan, in the event of a change in control of the Bank or the Company, eligible employees who are terminated from or terminate their employment within one year (for reasons specified under the Severance Plan), will be entitled to receive a severance payment. If the participant, whose employment has terminated, has completed at least one year of service, the participant will be entitled to a cash severance payment equal to one-twelfth of annual compensation for each year of service up to a maximum of 199% of annual compensation. Such payments may tend to discourage takeover attempts by increasing costs to be incurred by the Bank in the event of a takeover. In the event the provisions of the Severance Plan are triggered, the total amount of payments that would be due thereunder, based solely upon current salary levels, would be approximately \$1.1 million. However, it is management's belief that substantially all of the Bank's employees would be retained in their current

positions in the event of a change in control, and that any amount payable under the Severance Plan would be considerably less than the total amount that could possibly be paid under the Severance Plan.

BENEFIT PLANS

RETIREMENT PLAN. The Bank sponsors a defined benefit pension plan known as the Elgin Federal Financial Center Retirement Trust ("Retirement Plan"). The Retirement Plan is intended to satisfy the tax qualification requirements of Section 401(a) of the Code. On September 9, 1997, the Board of Directors of the Bank terminated its noncontributory pension plan effective November 4, 1997. Plan benefits ceased to accrue on September 30, 1997. Upon termination, all benefits became 100% vested, and all persons entitled to benefits were eligible to request an immediate lump sum settlement of the benefit entitlement. The Bank recorded a pension curtailment expense of \$104,000 in 1997, in conjunction with the termination of the plan. The plan is expected to be liquidated in January 1998.

Employees are eligible to participate in the Retirement Plan on the January 1 coincident with or otherwise next following the later of an employee's 21st birthday and the six month anniversary of the employee's date of employment, regardless of the number of hours of service credited. The Retirement Plan defines "Employee" as any individual employed by the Bank or its affiliates or any leased employee who is deemed to be an employee under Section 414(n) of the Code.

The Retirement Plan provides for a normal retirement benefit to participants upon retirement at or after the later of (i) attainment of age 65 or (ii) the fifth anniversary of initial participation in the plan. The annual normal retirement benefit for a participant under the Retirement Plan equals (i) 1.15% of a participant's "Final Average Compensation" (as defined in the plan) plus .605% of the participant's "Final Average Compensation" in excess of "Covered Compensation" (as defined in the plan) multiplied by the "Benefit Service" (as defined in the plan) plus (ii) the greater of 2% of a participant's "Final Average Compensation" times his "Benefit Service" minus 50% of a participant's primary Social Security Benefit or \$100, multiplied by a fraction, the numerator of which is a participant's service as of December 31, 1988 and the denominator of which is a participant's service on his normal retirement date.

A participant may also become eligible to receive an early retirement benefit upon the (i) attainment of age 55; and (ii) completion of 10 years of service. Early retirement benefits are generally calculated in the same manner as a participant's normal retirement benefits but may be actuarially reduced if paid prior to the participant's "Normal Retirement Date" (as defined by the plan). Participants generally become vested in their benefits under the Retirement Plan upon completing at least five years of Service.

The plan generally pays benefits in the form of a straight life annuity with respect to unmarried participants and in the form of a 50% qualified joint and survivor annuity (with the spouse as designated beneficiary) for married participants. Other forms of benefit payments, including a lump sum, are available under the Retirement Plan.

The following table sets forth the estimated annual benefits payable under the Retirement Plan for participants who attain normal retirement age during 1997, expressed in the form of a straight life annuity. Covered compensation under the Retirement Plan basically includes the base salary for participants, and does not consider any cash bonus amounts. The benefits listed in the table below for the Retirement Plan are not subject to a deduction for social security benefits or any other offset amount.

<TABLE>
<CAPTION>

FINAL AVERAGE COMPENSATION	YEARS OF SERVICE					
	15	20	25	30	35	40
<S>	<C>	<C>	<C>	<C>	<C>	<C>
\$50,000.....	9,797	13,328	17,956	22,831	27,849	24,896
100,000.....	23,876	33,270	43,203	53,407	63,765	57,149
150,000.....	38,939	53,704	69,007	84,581	100,310	90,057
200,000.....	40,674	55,977	71,691	87,610	103,645	93,316
250,000.....	41,391	56,900	72,736	88,737	104,831	94,546

300,000.....	45,313	63,590	82,187	100,943	119,790	110,058
350,000.....	49,764	71,220	92,995	114,930	120,000	120,000
400,000.....	54,215	78,850	103,805	120,000	120,000	120,000
450,000.....	58,665	86,481	114,615	120,000	120,000	120,000
500,000.....	63,117	94,111	120,000	120,000	120,000	120,000
550,000.....	67,568	101,741	120,000	120,000	120,000	120,000

The approximate years of service, as of January 1, 1997, for the named executive officers are as follows:

NAMED EXECUTIVE OFFICER	YEARS OF SERVICE
John J. Brittain.....	10
Barrett J. O'Connor.....	18
James J. Kovac.....	7
Vincent C. Norton.....	4

401(k) PLAN. The Bank also sponsors the Elgin Financial Center, S.B. 401(k) Employee Benefit Plan ("401(k) Plan"), a tax-qualified profit sharing and salary reduction plan under Sections 401(a) and 401(k) of the Code. Generally, employees other than (i) employees who are collective bargaining unit employees and employees who are non-resident aliens or (ii) leased employees, become eligible to participate in the 401(k) Plan upon the attainment of age 20 and the completion of six months of service. Under the 401(k) Plan, participants may make salary reduction contributions equal to 2% to 10% of their compensation or the legally permissible limit (currently \$9,500). The Bank matches 100% of the compensation deferred by a participant.

Participants are always 100% vested in their salary reduction contributions. Participants become 20% vested in Bank matching contributions after the completion of two years of service with the Bank. Participants' vested interest in Bank matching contribution increase by 20% for each additional year of service completed, so that after the completion of 6 years of service, participants are 100% vested in Bank matching contributions. A participant who terminates employment due to death, disability, or retirement immediately becomes fully vested in the Bank's matching contributions credited to his or her account regardless of the participant's years of service. A participant's vested portion of his or her 401(k) Plan account is distributable from the 401(k) Plan upon the termination of the participant's employment, death, disability or retirement. In addition, a participant may be eligible for hardship withdrawals and loans under the 401(k) Plan. Any distribution made to a participant prior to the participant's attainment of age 59 1/2 is subject to a 10% excise tax in addition to federal income taxes. The Board of Directors may at any time discontinue the Bank's contributions to employee accounts. For the years ended December 31, 1996, 1995 and 1994, the Bank's matching contributions to the 401(k) Plan were \$138,000, \$122,000 and \$117,000, respectively.

The 401(k) Plan currently permits participants to invest their 401(k) plan account balances in a single investment vehicle. The Bank intends to implement additional investment alternatives, including but not limited to, an employer stock fund (the "Employer Stock Fund.") The Employer Stock Fund will be invested primarily in shares of Common Stock. A participant's ability to direct all or some of his or her vested account to purchase Common Stock in the Offering will be dependent upon such individual being an Eligible Account Holder, Supplemental Eligible Account Holder, or Other Member. No 401(k) Plan participant may purchase more than \$200,000 in aggregate value of the Common Stock in the Conversion (subject to the overall purchase limitations) through 401(k) Plan Subscription Rights. The trustee may follow the voting directions of 401(k) Plan participants investing in the Employer Stock Fund; provided that the trustee determines such voting is consistent with its fiduciary duties.

ESOP. In connection with the Conversion, the Bank also intends to implement an employee stock ownership plan ("ESOP"). An ESOP is a tax-qualified retirement plan designed to invest primarily in employer securities. At the Bank's discretion, the Bank's matching contributions that otherwise would be made to the 401(k) Plan may be made to the ESOP. The Bank will make contributions to the ESOP on behalf of all ESOP participants. The ESOP will provide eligible employees with the opportunity to receive a Bank funded retirement benefit based on the value of the Common Stock. The Bank anticipates that the eligibility

requirements for the ESOP will be similar to those of the 401(k) Plan.

The ESOP intends to purchase 8.0% of the Common Stock issued in connection with the Conversion, including shares issued to the Foundation. As part of the Conversion and in order to fund the ESOP's purchase of the Common Stock to be issued in the Conversion, the ESOP intends to borrow funds from the Company equal to 100% of the aggregate purchase price of the Common Stock to be purchased by the ESOP. Alternatively, the Company and Bank may choose to fund the ESOP's purchase of stock through a loan from a third party financial institution. The Common Stock purchased by the ESOP with the loan proceeds will serve as collateral for the loan, as described below. The term of the ESOP loan will be 15 years and the trustee will repay the loan principally from the Company's or the Bank's contributions to the ESOP. The Bank may use matching contributions made with respect to ESOP participants' 401(k) salary reduction contributions and other discretionary contributions to meet the ESOP loan obligations. Additionally, any dividends that may be paid on unallocated stock held by the ESOP will also be used to repay the ESOP loan. Subject to receipt of any necessary regulatory approvals or opinions, the Bank may make additional contributions to the ESOP for repayment of the loan or to reimburse the Company for contributions made by it. The interest rate for the loan is expected to be at or near the prime rate.

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Shares of Common Stock purchased by the ESOP with the loan proceeds will initially be pledged as collateral for the loan, and will be held in a suspense account until released for allocation among participants as the loan is repaid. The trustee will release the pledged shares annually from the suspense account in an amount proportional to the repayment of the ESOP loan for each plan year. The released shares will then be allocated to the accounts of ESOP participants as follows: First, for each eligible ESOP participant, a portion of the shares released for the plan year will be allocated to a special "matching" account under the ESOP equal in value to the amount of matching contribution, if any, and/or if applicable, that such participant would be entitled to under the terms of the 401(k) Plan for the plan year. Second, the remaining shares which have been released for the plan year will be allocated to each eligible participant's general ESOP account based on the ratio of each such participant's base compensation to the total base compensation of all eligible ESOP participants. Participants will vest in their ESOP account at a rate of 20% annually commencing after the completion of two years of service, with 100% vesting upon the completion of 6 years of service. Participants will also become fully vested in their accounts if their service terminates due to death, retirement, disability, or upon the occurrence of a change in control. The ESOP may reallocate forfeitures among remaining participants, in the same proportion as contributions. Benefits under the ESOP will become payable upon death, retirement, early retirement, or separation from service. The annual contributions to the ESOP are not fixed, so benefits payable under the ESOP cannot be estimated.

In connection with the establishment of the ESOP, the Board of Directors will appoint a Committee of the Board of Directors and officers of the Bank to administer the ESOP (the "ESOP Committee"). The Bank anticipates that this Committee will appoint an unrelated trustee for the ESOP and the 401(k) Plan Employer Stock Fund prior to the Conversion. The ESOP Committee may instruct the trustee regarding investment of funds contributed to the ESOP and the 401(k) Plan Employee Stock Fund. The ESOP trustee, subject to its fiduciary duties, must vote all allocated shares held in the ESOP in accordance with the instructions of the participating employees. Subject to its fiduciary duties under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the trustee will vote unallocated shares and allocated shares for which participants provide no instructions in a manner calculated to most accurately reflect the instructions it has received from participants regarding the allocated stock for which it has received instructions.

MANAGEMENT SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN. The Bank intends to implement a non-tax qualified Management Supplemental Executive Retirement Plan ("Management SERP") to provide certain officers and highly compensated employees with additional retirement benefits. The Management SERP benefit is intended to make up benefits lost under the ESOP allocation procedures to participants who retire prior to the complete repayment of the ESOP loan. At the retirement of a participant, the benefits under the SERP are determined by first: (i) projecting the number of shares that would have been allocated to the participant under the ESOP if they had been employed throughout the period of the ESOP loan (measured from the participant's first date of ESOP participation); and (ii) reducing the number determined by (i) above by the number of shares actually allocated to the Participant's account under the ESOP; and second, by multiplying the number of shares that represent the difference between such figures by the average fair market value of the Common Stock over the preceding five years. Benefits under the Management SERP vest in 20% annual increments over a five-year period commencing as of the date of a Participant's participation in the Management SERP. The vested portion of the Management SERP Participant's benefits are payable upon the retirement of the Participant upon or after the attainment of age 65 or in accordance with the requirements of early retirement under the Retirement Plan.

The Bank anticipates establishing an irrevocable grantor's trust ("grantor's trust") to hold the assets of the Management SERP. This trust would be funded with contributions from the Bank for the purpose of providing the benefits promised under the terms of the Management SERP. The grantor's trust may hold a variety of assets including the Common Stock, other securities, insurance contracts and cash. The Management SERP participants have only the rights of unsecured creditors with respect to the trust's assets, and will not recognize income with respect to benefits provided by the Management SERP until such benefits are received by the participants. The assets of the grantor's trust are considered part of the general assets of the Bank and are subject to the claims of the Bank's creditors in the event of the Bank's insolvency. Earnings on the trust's assets are taxable to the Bank.

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SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN. The Code limits the amount of compensation that may be considered when determining benefits that are payable under tax-qualified plans, such as the ESOP (the "Code Limit"), and further limits the amount that can be contributed on behalf of any employee in any year with respect to tax-qualified defined contribution plans, such as the ESOP and 401(k) Plan. To provide benefits to make up for the reduction in benefits flowing from these limits, the Bank intends to implement a Supplemental Executive Retirement Plan ("SERP"). The SERP is an "unfunded" plan which is subject to the creditors of the employer. The Bank intends to establish a grantor trust to hold assets to satisfy the Bank's SERP obligations.

STOCK OPTION PLAN. Following the Conversion, the Board of Directors of the Company intends to adopt a stock-based benefit plan which would provide for the granting of options to purchase Common Stock to certain individuals. Currently, the Company anticipates granting stock options under a single stock-based incentive plan which will combine the features of the Stock Program and the Stock Option Plan ("Master Stock-based Benefit Plan") covering full-time employees and outside directors of the Company and its affiliates. However, it is possible that the Company may establish a separate option plan solely for outside directors. At a meeting of stockholders of the Company following the Conversion, which under applicable regulations may not be held earlier than six months after the completion of the Conversion, the Board of Directors intends to present the Stock Option Plan or the Master Stock-based Benefit Plan to stockholders for approval. The Company anticipates reserving an amount equal to 10% of the shares of Common Stock issued in the Conversion, including shares issued to the Foundation (or 651,429 shares based upon the issuance of 6,514,290 shares), for issuance under the Stock Option Plan or Master Stock-based Benefit Plan. If the Company implements an option plan within one year following completion of the Conversion, OTS regulations as applied by the FDIC provide that the vesting or the exercisability of any options granted under such plan may not be accelerated except upon death or disability.

The Company intends to design the stock option benefits provided under the Stock Option Plan to attract and retain qualified personnel in key positions, provide officers and key employees with a proprietary interest in the Company as an incentive to contribute to the success of the Company and reward key employees for outstanding performance. The Company may condition the granting or vesting of stock options on the achievement of individual or Company-wide performance goals, including the achievement by the Company or the Bank of specified levels of net income, asset growth, return on equity or other specific financial performance goals. The Company anticipates that the Stock Option Plan will provide for the grant of: (i) options for employees to purchase the Company's Common Stock intended to qualify as incentive stock options under Section 422 of the Code ("Incentive Stock Options"); (ii) options for all participants that do not qualify as incentive stock options ("Non-Statutory Stock Options"); and (iii) Limited Option Rights (discussed below) which participants may exercise only upon a change in control of the Bank or the Company. Unless sooner terminated, the Stock Option Plan will be in effect for a period of ten years from the earlier of adoption by the Board of Directors or approval by the Company's stockholders. Subject to shareholder approval, the Company intends to grant options with Limited Option Rights at an exercise price equal to the fair market value of the underlying Common Stock on the date of grant. Subject to any applicable regulations, upon exercise of "Limited Option Rights" in the event of a change in control, the employee will be entitled to receive a lump sum cash payment equal to the difference between the exercise price of any unexercised option, whether exercisable or unexercisable at such time, and the fair market value of the shares of common stock subject to the option on the date of exercise of the right in lieu of purchasing the stock underlying the option. The Company anticipates that all options granted contemporaneously with stockholder approval of the Incentive Option Plan will qualify as Incentive Stock Options to the extent permitted under Section 422 of the Code. A change in control would be defined in the plan document and would generally occur when a person or group of persons acting in concert acquires beneficial ownership of 20% or more of any class of equity security of the Company or the Bank or in the event of a tender or exchange offer, merger or other form of business combination, sale of all or substantially all of the assets of the Company or the Bank or contested election of directors which resulted in the replacement of a majority of the Board of Directors by persons not nominated by the directors in office prior to the contested election.

A committee of the Board of Directors will administer the Stock Option Plan and will determine which officers and employees may receive options and Limited Rights, whether such options will qualify as Incentive Stock Options, the number of shares subject to each option, the exercise price of each option, the manner of exercise of the options and the time when such options become exercisable.

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If the Company adopts an option plan in the form described above, an employee will not realize taxable income upon grant or exercise of any Incentive Stock Option, provided that the employee does not dispose of the shares received through the exercise of such option for at least one year after the date the employee receives the stock in connection with the option exercise and two years after the date of grant of the option (a "disqualifying disposition"). The Company may not take a compensation expense deduction with respect to the grant or exercise of Incentive Stock Options, unless the employee disposes of the shares in a disqualifying disposition. In the case of a Non-Statutory Stock Option and in the case of a disqualifying disposition of an Incentive Stock Option, an employee will be deemed to receive ordinary income upon exercise of the stock option in an amount equal to the amount by which the fair market value of the Common Stock on the date of exercise exceeds the exercise price of the option. The amount of taxable income realized by an optionee upon the exercise of a Non-Statutory Stock Option or due to a disqualifying disposition of shares acquired through the exercise of an Incentive Stock Option are a deductible expense for tax purposes by the Company. Upon the exercise of a Limited Option Right, the option holder realizes taxable income equal to the amount paid to him or her upon exercise of the right and the Company receives a deduction equal to that same amount.

Stock options under an option plan adopted by the Company would become vested and exercisable in the manner specified by the committee responsible for administering the plan, subject to applicable regulations. The Company anticipates options granted in connection with the Incentive Option Plan will remain exercisable for at least three months following the date on which the employee ceases to perform services for the Bank or the Company, except that in the event of death or disability, in which cases options accelerate and become fully vested and remain exercisable for up to one year thereafter, or such longer period as determined by the Company. However, any Incentive Stock Options exercised more than three months following the date the employee ceases to perform services as an employee, other than termination due to death or disability, would be treated for tax purposes as a Non-Statutory Stock Option. The Company also anticipates that in the event of retirement, if the optionee continues to perform services as a Director, Advisory Director, or consultant on behalf of the Bank, the Company or an affiliate, unvested options would continue to vest in accordance with their original vesting schedule until the optionee ceases to serve as a Director, Advisory Director or consultant. If the Stock Option Plan is adopted in the form described above, the Company, if requested by the optionee, could elect, in exchange for vested options, to pay the optionee, or beneficiary in the event of death, the amount by which the fair market value of the Common Stock exceeds the exercise price of the options on the date of the employee's termination of employment.

All options granted to outside directors under an option plan must, by law, be Non-Statutory Stock Options and would vest and become exercisable in a manner specified by the committee, subject to applicable regulations, and would expire upon the earlier of ten years following the date of grant or one year following the date the optionee ceases to be a Director, Director Emeritus, Advisory Director or consultant. In the event of the death or disability of a participant, all previously granted options would immediately vest and become fully exercisable.

Applicable regulations do not permit accelerated vesting, in the event of a change in control, of stock options or stock awards granted under a plan adopted within one year after Conversion. Subject to applicable regulatory requirements, the Stock option Plan described above may be amended subsequent to the expiration of the one year period to provide for accelerated vesting of previously granted options in the event of a change in control of the Company or the Bank. A change in control would be defined in the plan document and would generally occur when a person or group of persons acting in concert acquires beneficial ownership of 20% or more of any class of equity security of the Company or the Bank or, in the event of a tender or exchange offer, merger or other form of business combination, sale of all or substantially all of the assets of the Company or the Bank or contested election of directors which resulted in the replacement of a majority of the Board of Directors by persons not nominated by the directors in office prior to the contested election.

STOCK PROGRAM. Following the Conversion, the Company intends to establish the Stock Program which would provide for the grant of stock awards to officers,

employees and non-employee directors of the Bank and Company as a method of providing officers, employees and non-employee directors of the Bank and Company with a proprietary interest in the Company in a manner designed to encourage such persons to remain with the Bank. The benefits under the Stock Program may be provided for under either a separate plan for officers and employees and a separate plan for outside directors or under the Master Stock-based Benefit Plan which would combine the features of the Stock Program with the Stock Option Plan. The Company intends to present the Stock Program or the Master Stock-based Benefit

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Plan for stockholder approval at a meeting of stockholders, which pursuant to applicable regulations, the Company may hold no earlier than six months after the completion of the Conversion.

The Bank or Company expects to contribute funds to the Stock Program to enable such plan or a trust established for the Plan, to acquire, in the aggregate, an amount equal to 4% of the shares of Common Stock issued in the Conversion, including shares issued to the Foundation (or 260,571 shares based upon the issuance of 6,514,290 shares). The Company will acquire these shares through open market purchases or from authorized but unissued shares. Although no specific award determinations have been made, the Company anticipates that it will provide stock awards to the directors and employees of the Company or Bank or their affiliates to the extent permitted by applicable regulations. Shares of Common Stock granted pursuant to the Stock Program will be awarded at no cost to the recipients. OTS regulations, as applied by the FDIC, provide that with respect to any stock plan adopted within one year after conversion, the vesting or the exercisability of any options granted under such a plan, may not be accelerated except upon death or disability.

A committee of the Board of Directors will administer the Stock Program. Stock awards will not be transferable or assignable. The Board intends to appoint an independent fiduciary to serve as trustee of a trust established pursuant to the Stock Program. The Company may make allocations and grants to officers and employees under the Stock Program in the form of non performance-based grants and/or performance-based grants. The Company may make the granting or vesting of stock awards under the Stock Program conditioned upon the achievement of individual or Company-wide performance goals, including the Company's or Bank's achievement of specified levels of net income, return on assets, return on equity or other specified financial performance goals and will be subject to applicable regulations.

In the event of death, stock awards will become 100% vested. In the event of disability, stock awards would be 100% vested upon termination of employment of an officer or employee, or upon termination of service as a director. In the event of retirement, if the participant continues to perform services as a Director, Advisory Director or consultant on behalf of the Bank, the Company or an affiliate or, in the case of a retiring Director, Advisory Director or as a consulting director, unvested stock awards will continue to vest in accordance with their original vesting schedule until the recipient ceases to perform such services at which time any unvested stock awards would lapse.

The Company intends that, subject to any applicable regulations, the Stock Program may be amended subsequent to the expiration of the one-year period to provide for accelerated vesting of previously granted stock awards under the Stock Program in the event of a change in control of the Bank or Company. Limited Stock Rights would be exercisable by participants only upon a change in control of the Company or Bank as described in the Plan. Subject to any applicable Illinois or FDIC regulations, upon the exercise of a Limited Stock Right, the recipient will be entitled to receive a cash payment equal to the fair market value of all unvested stock awards in exchange for any rights to such unvested stock awards. A change in control is expected to be defined in the plan document, to generally occur when a person or group of persons acting in concert acquires beneficial ownership of 20% or more of a class of equity securities of the Company or the Bank or in the event of a tender or exchange offer, merger or other form of business combination, sale of all or substantially all of the assets of the Company or the Bank or contested election of directors which results in the replacement of a majority of the Board of Directors by persons not nominated by the directors in office prior to the contested election.

When shares become vested in accordance with the Stock Program described above, the participants will recognize taxable income equal to the fair market value of the Common Stock at that time. The Company may take a deduction equal to that amount for the year in which it becomes taxable to the individual. When shares become vested and are actually distributed in accordance with the Stock Program, the participants also receive amounts equal to any accrued dividends with respect thereto. Prior to vesting, recipients of grants may direct the voting of the shares awarded to them. Shares not subject to grants and shares allocated subject to the achievement of performance goals will be voted by the

trustee of the Stock Program in accordance to the directions provided by individuals with respect to shares subject to grants. Vested shares will be distributed to recipients as soon as practicable following the day on which they are vested.

In the event that additional authorized but unissued shares are acquired by the Stock Program after the Conversion, the interests of existing shareholders would be diluted. See "Pro Forma Data."

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TRANSACTIONS WITH CERTAIN RELATED PERSONS

Federal regulations require that all loans or extensions of credit to executive officers and directors must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with the general public and must not involve more than the normal risk of repayment or present other unfavorable features. In addition, loans made to a director or executive officer in excess of the greater of \$25,000 or 5% of the Bank's capital and surplus (up to a maximum of \$500,000) must be approved in advance by a majority of the disinterested members of the Board of Directors.

The Bank offers directors, officers and full-time employees of the Bank who satisfy certain criteria and the general underwriting standards of the Bank, ARM loans with interest rates which may be up to 1% below the rates offered to the Bank's other customers, the Employee Mortgage Rate ("EMR"). The EMR is limited to the purchase or refinance of a director's, officer's or employee's owner-occupied primary residence. Loan application fees are waived for all EMR loans. The EMR normally ceases upon termination of employment. Upon termination of the EMR, the interest rate reverts to the contract rate in effect at the time that the loan was originated. All other terms and conditions contained in the original mortgage and note continue to remain in effect. With the exception of EMR loans, the Bank currently makes loans to its executive officers, directors and employees on the same terms and conditions offered to the general public. Loans made by the Bank to its directors and executive officers are made in the ordinary course of business, on substantially the same terms (except for EMR loans), including collateral, as those prevailing at the time for comparable transactions with other persons and do not involve more than the normal risk of collectibility or present other unfavorable features. As of September 30, 1997, 19 of the Bank's executive officers or directors had loans with outstanding balances totalling \$2.0 million in the aggregate. All such loans were made by the Bank in the ordinary course of business, with no favorable terms (except for EMR loans) and such loans do not involve more than the normal risk of collectibility or present unfavorable features.

The Company intends that all transactions between the Company and its executive officers, directors, holders of 10% or more of the shares of any class of its Common Stock and affiliates thereof, will contain terms no less favorable to the Company than could have been obtained by it in arms-length negotiations with unaffiliated persons and will be approved by a majority of independent outside directors of the Company not having any interest in the transaction.

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SUBSCRIPTIONS OF EXECUTIVE OFFICERS AND DIRECTORS

The following table sets forth the number of shares of Common Stock that the executive officers and directors, and their associates, propose to purchase, assuming shares of Common Stock are issued at the minimum and maximum of the Estimated Price Range and that sufficient shares will be available to satisfy their subscriptions. The table also sets forth the total expected beneficial ownership of Common Stock as to all directors and executive officers as a group.

<TABLE>
<CAPTION>

NAME	AMOUNT	AT THE MINIMUM OF THE ESTIMATED PRICE RANGE (1)		AT THE MAXIMUM OF THE ESTIMATED PRICE RANGE (1)	
		NUMBER OF SHARES	AS A PERCENT OF SHARES OFFERED	NUMBER OF SHARES	AS A PERCENT OF SHARES OFFERED
<S>	<C>	<C>	<C>	<C>	<C>
John J. Brittain.....	\$ 200,000	20,000	0.45%	20,000	0.33%
Leo M. Flanagan, Jr.....	125,000	12,500	0.28	12,500	0.21
Barrett J. O'Connor.....	200,000	20,000	0.45	20,000	0.33

James J. Kovac.....	383,000	38,300	0.86	38,300	0.63
Vincent C. Norton.....	200,000	20,000	0.45	20,000	0.33
Thomas I. Anderson.....	300,000	30,000	0.67	30,000	0.50
Ralph W. Helm, Jr.....	400,000	40,000	0.90	40,000	0.66
Peter A. Traeger.....	200,000	20,000	0.45	20,000	0.33
Scott H. Budd.....	150,000	15,000	0.34	15,000	0.25
Jerry L. Gosse.....	250,000	25,000	0.56	25,000	0.41
James R. Schneff.....	200,000	20,000	0.45	20,000	0.33
Sandra L. Sommers.....	200,000	20,000	0.45	20,000	0.33
Joseph E. Stanczak.....	200,000	20,000	0.45	20,000	0.33
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All directors and executive officers as a group (13).....	\$ 3,008,000	300,800	6.76%	300,800	4.97%
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</TABLE>

(1) Includes proposed subscriptions, if any, by associates. Does not include orders by the ESOP. Intended purchases by the ESOP are expected to be 8% of the shares issued in the Conversion, including shares issued to the Foundation. Also does not include shares to be contributed to the Foundation equal to 8% of the Common Stock sold, Common Stock which may be awarded under the Stock Program to be adopted equal to 4% of the Common Stock issued in the Conversion, including shares issued to the Foundation, and Common Stock which may be purchased pursuant to options which may be granted under the Stock Option Plan equal to 10% of the number of shares of Common Stock issued in the Conversion, including shares issued to the Foundation.

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THE CONVERSION

THE BOARD OF DIRECTORS OF THE BANK AND THE COMMISSIONER OF BANKS AND REAL ESTATE OF THE STATE OF ILLINOIS HAVE APPROVED THE PLAN OF CONVERSION, SUBJECT TO APPROVAL BY THE MEMBERS OF THE BANK ENTITLED TO VOTE ON THE MATTER AND THE SATISFACTION OF CERTAIN OTHER CONDITIONS. HOWEVER, SUCH APPROVAL BY THE COMMISSIONER DOES NOT CONSTITUTE A RECOMMENDATION OR ENDORSEMENT OF THE PLAN OF CONVERSION BY SUCH AGENCY.

GENERAL

On August 12, 1997, the Bank's Board of Directors unanimously adopted the Plan of Conversion which was subsequently amended on December 16, 1997, pursuant to which the Bank will be converted from an Illinois-chartered mutual savings bank to an Illinois-chartered stock savings bank. It is currently intended that all of the capital stock of the Bank will be held by the Company, which is incorporated under Delaware law. The Plan has been approved by the Commissioner and the Bank has received a notice of intent not to object to the Plan from the FDIC, subject to, among other things, approval of the Plan by the Bank's members. A special meeting of the Bank's members has been called for this purpose to be held on _____, 1998 (the "Special Meeting").

The Company has received approval from the OTS to become a savings and loan holding company and to acquire all of the common stock of the Bank to be issued in the Conversion. The Company plans to retain 50% of the net proceeds from the sale of the Common Stock and to use the remaining 50% to purchase all of the common stock of the Bank to be issued in the Conversion. The Conversion will be effected only upon completion of the sale of all of the shares of Common Stock of the Company or all of the common stock of the Bank, if the holding company form of organization is not utilized, to be issued in the Conversion.

The Plan provides that the Board of Directors of the Bank, at any time prior to the issuance of the Common Stock and for any reason, may decide not to use the holding company form of organization in implementing the Conversion. Such reasons may include possible delays resulting from overlapping regulatory processing, or policies or conditions, which could adversely affect the Bank's or the Company's ability to consummate the

Conversion and transact its business after the Conversion as contemplated herein and in accordance with the Bank's operating policies. In the event that such a decision is made, the Bank will withdraw the Company's registration statement from the SEC and will take all steps necessary to complete the Conversion without the Company, including filing any necessary documents with the Commissioner, FDIC and any other appropriate regulatory authority. In such event, and provided there is no regulatory action, directive or other consideration upon which basis the Bank determines not to complete the Conversion, if permitted by the Commissioner, the Bank will issue and sell the common stock of the Bank and subscribers will be notified of the elimination of the Company and resolicited (i.e., be permitted to affirm their orders, in which case they will need to affirmatively reconfirm their subscriptions prior to the expiration of the resolicitation offering or their funds will be promptly refunded with interest, or be permitted to modify or rescind their subscriptions) and notified of the time period within which the subscriber must affirmatively notify the Bank of his intention to affirm, modify or rescind his subscription. The following description of the Plan assumes that a holding company form of organization will be used in the Conversion. In the event that a holding company form of organization is not used, all other pertinent terms of the Plan as described below will apply to the conversion of the Bank from the mutual to stock form of organization and the sale of the Bank's common stock.

The Plan provides generally that (i) the Bank will convert from a mutual savings bank to a capital stock savings bank and (ii) the Company will offer Common Stock for sale in the Subscription Offering to Eligible Account Holders, Employee Plans, including the ESOP, Supplemental Eligible Account Holders, and Other Voting Members. Concurrently, shares will be offered in the Community Offering to certain members of the general public, subject to the prior rights of holders of subscription rights. It is anticipated that all shares not subscribed for in the Subscription and Community Offerings will be offered for sale by the Company to the general public in a Syndicated Community Offering. The Bank and Company have the right to accept or reject, in whole or in part, any orders to purchase shares of the Common Stock received in the Community Offering or Syndicated Community Offering.

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The aggregate price of the shares of Common Stock to be sold in the Conversion will be determined based upon an independent appraisal prepared by FinPro of the estimated pro forma market value of the Common Stock giving effect to the Conversion. All shares of Common Stock to be issued and sold in the Conversion will be sold at the same price. FinPro's independent appraisal will be updated and the final price of the shares will be determined at the completion of the Subscription and Community Offerings, if all shares are subscribed for, or at the completion of the Syndicated Community Offering. The independent appraisal has been performed by FinPro, a consulting firm experienced in the valuation and appraisal of savings institutions. See "--Stock Pricing" for a determination of the estimated pro forma market value of the Common Stock.

The following is a brief summary of material aspects of the Conversion. The summary is qualified in its entirety by reference to the provisions of the Plan. A copy of the Plan is available upon written request from the Bank and is available for inspection at each branch office of the Bank. The Plan is also filed as an Exhibit to the Registration Statement of which this Prospectus is a part, copies of which may be obtained from the SEC. See "Additional Information."

ESTABLISHMENT OF THE CHARITABLE FOUNDATION

GENERAL. In furtherance of the Bank's commitment to its local community, the Plan of Conversion provides for the establishment of a charitable foundation in connection with the Conversion. The Plan provides that the Bank and the Company will establish the Foundation, which will be incorporated under Delaware law as a non-stock corporation, and will fund the Foundation with Common Stock of the Company, as further described below. The Company and the Bank believe that the funding of the Foundation with Common Stock of the Company is a means of establishing a common bond between the Bank and its community and thereby enables the Bank's community to share in the potential growth and success of the Company over the long-term. By further enhancing the Bank's visibility and reputation in its local community, the Bank believes that the Foundation will enhance the long-term value of the Bank's community banking franchise. The Foundation will be dedicated to charitable purposes within the Bank's local community, including community development activities.

PURPOSE OF THE FOUNDATION. The purpose of the Foundation is to provide funding to support charitable causes and community development activities. In recent years, the Bank has emphasized community lending and community development activities within the Bank's local community. The Bank received a

"satisfactory" Community Reinvestment Act ("CRA") rating in its last CRA examination. The Foundation is being formed as a complement to the Bank's existing community activities, not as a replacement for such activities. The Bank intends to continue to emphasize community lending and community development activities following the Conversion. However, such activities are not the Bank's sole corporate purpose. The Foundation, conversely, will be completely dedicated to community activities and the promotion of the charitable causes, and may be able to support such activities in manners that are not presently available to the Bank. Since the Bank has a satisfactory record of serving its community under the CRA and already engages in community development activities, the Bank believes that the Foundation will enable the Company and the Bank to assist their local community in areas beyond community development and lending. The Bank believes the establishment of the Foundation will enhance its current activities under the CRA. In this regard, the Board of Directors believes the establishment of a charitable foundation is consistent with the Bank's commitment to community service. The Board further believes that the funding of the Foundation with Common Stock of the Company is a means of enabling the Bank's community to share in the potential growth and success of the Company long after completion of the Conversion. The Foundation will accomplish that goal by providing for continued ties between the Foundation and Bank, thereby forming a partnership with the Bank's community. The establishment of the Foundation will also enable the Company and the Bank to develop a unified charitable donation strategy and will centralize the responsibility for administration and allocation of corporate charitable funds. Charitable foundations have been formed by other financial institutions for this purpose, among others. The Bank, however, does not expect the contribution to the Foundation to take the place of the Bank's traditional community lending and charitable activities.

STRUCTURE OF THE FOUNDATION. The Foundation will be incorporated under Delaware law as a non-stock corporation. Pursuant to the Foundation's Bylaws, the Foundation's Board of Directors will be comprised of nine members, all of whom are existing Directors of the Company or the Bank or officers of the Company or the Bank. A Nominating Committee of the Board will

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nominate individuals eligible for election to the board of directors. The members of the Foundation, who are comprised of its Board members, will elect the Directors at the annual meeting of the Foundation from those nominated by the Nominating Committee. Directors will be divided into three classes with each class appointed for three-year terms. The certificate of incorporation of the Foundation provides that the corporation is organized exclusively for charitable purposes, including community development, as set forth in Section 501(c)(3) of the Code. The Foundation's certificate of incorporation further provides that no part of the net earnings of the Foundation will inure to the benefit of, or be distributable to, its directors, officers or members.

The authority for the affairs of the Foundation will be vested in the Board of Directors of the Foundation. The Directors of the Foundation will be responsible for establishing the policies of the Foundation with respect to grants or donations by the Foundation, consistent with the purposes for which the Foundation was established. Although no formal policy governing Foundation grants exists at this time, the Foundation's Board of Directors will adopt such a policy upon establishment of the Foundation. As directors of a nonprofit corporation, directors of the Foundation will at all times be bound by their fiduciary duty to advance the Foundation's charitable goals, to protect the assets of the Foundation and to act in a manner consistent with the charitable purpose for which the Foundation is established. The Directors of the Foundation will also be responsible for directing the activities of the Foundation, including the management of the Common Stock of the Company held by the Foundation. However, all shares of Common Stock held by the Foundation will be voted in the same ratio as all other shares of the Company's Common Stock on all proposals considered by stockholders of the Company; provided, however, that the FDIC may waive the voting restriction under certain circumstances, such as if the restriction would result in the loss of the tax-exempt status of the Foundation. In the event that the FDIC were to waive the voting requirement or the voting restriction becomes unenforceable, the FDIC may, at that time, impose additional conditions relating to the control of the Common Stock held by the Foundation. There can be no assurances that the FDIC would grant a waiver of such voting restriction, unconditional or otherwise.

The Foundation's place of business will be located at the Company's administrative offices and initially the Foundation is expected to have no

employees but will utilize the members of the staff of the Company or the Bank. The Board of Directors of the Foundation will appoint such officers as may be necessary to manage the operations of the Foundation.

The Company intends to capitalize the Foundation with Common Stock of the Company in an amount equal to 8% of the total amount of Common Stock to be sold in connection with the Conversion. At the minimum, midpoint and maximum of the Estimated Price Range, the contribution to the Foundation would equal 356,660, 419,600 and 482,540 shares, which would have a market value of \$3.6 million, \$4.2 million and \$4.8 million, respectively, assuming the Purchase Price of \$10.00 per share. The Company and the Bank determined to fund the Foundation with Common Stock rather than cash because it desired to form a bond with its community in a manner that would allow the community to share in the potential growth and success of the Company and the Bank over the long-term. The funding of the Foundation with stock also provides the Foundation with a potentially larger endowment than if the Company contributed cash to the Foundation since, as a shareholder, the Foundation will share in the potential growth and success of the Company. As such, the contribution of stock to the Foundation has the potential to provide a self-sustaining funding mechanism which reduces the amount of cash that the Company, if it were not making the stock donation, would have to contribute to the Foundation in future years in order to maintain a level amount of the Charitable grants and donations.

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The Foundation will receive working capital from any dividends that may be paid on the Company's Common Stock in the future, and subject to applicable federal and state laws, loans collateralized by the Common Stock or from the proceeds of the sale of any of the Common Stock in the open market from time to time as may be permitted to provide the Foundation with additional liquidity. As a private foundation under Section 501(c)(3) of the Code, the Foundation will be required to distribute annually in grants or donations, a minimum of 5% of the average fair market value of its net investment assets. One of the conditions imposed on the gift of Common Stock by the Company is that the amount of Common Stock that may be sold by the Foundation in any one year shall not exceed 5% of the average market value of the assets held by the Foundation, except where the Board of Directors of the Foundation determines that the failure to sell an amount of common stock greater than such amount would result in a long-term reduction of the value of the Foundation's assets and as such would jeopardize the Foundation's capacity to carry out its charitable purposes. Upon completion of the Conversion and the contribution of shares to the Foundation immediately following the Conversion, the Company would have 4,814,910, 5,664,600 and 6,514,290 shares issued and outstanding at the minimum, midpoint and maximum of the Estimated Price Range. Because the Company will have an increased number of shares outstanding, the voting and ownership interests of shareholders in the Company's common stock would be diluted by 7.4%, as compared to their interests in the Company if the Foundation was not established. For additional discussion of the dilutive effect, see "Pro Forma Data."

TAX CONSIDERATIONS. The Company and the Bank have been advised by their independent tax advisors that an organization created for the above purposes will qualify as a Section 501(c)(3) exempt organization under the Code, and will be classified as a private foundation. The Foundation will submit a request to the IRS to be recognized as an exempt organization. As long as the Foundation files its application for tax-exempt status within 15 months from the date of its organization, and provided the IRS approves the application, the effective date of the Foundation's status as a Section 501(c)(3) organization will be the date of its organization. The Company's independent accountants, however, have not rendered any advice on the regulatory condition to the contribution agreed to by the Foundation which requires that all shares of Common Stock of the Company held by the Foundation must be voted in the same ratio as all other outstanding shares of Common Stock of the Company on all proposals considered by stockholders of the Company. See "--Regulatory Conditions Imposed on the Foundation."

Under Delaware law, the Company is authorized by statute to make charitable contributions and case law has recognized the benefits of such contributions to a Delaware corporation. In this regard, Delaware case law provides that a charitable gift must be within reasonable limits as to amount and purpose to be valid. Under the Code, the Company may deduct up to 10% of its taxable income before the charitable contribution deduction in any one year and any contributions made by the Company in excess of the deductible amount will be deductible over each of the five succeeding taxable years, subject to a 10% limitation each year. The Company and the Bank believe that

the Conversion presents a unique opportunity to establish and fund a charitable foundation given the substantial amount of additional capital being raised in the Conversion. In making such a determination, the Company and the Bank considered the dilutive impact of the contribution of Common Stock to the Foundation on the amount of Common Stock available to be offered for sale in the Conversion. Based on such consideration, the Company and Bank believe that the contribution to the Foundation in excess of the 10% annual limitation is justified given the Bank's capital position and its earnings, the substantial additional capital being raised in the Conversion and the potential benefits of the Foundation to the Bank's community. In this regard, assuming the sale of the Common Stock at the midpoint of the Estimated Price Range, the Company would have pro forma consolidated capital of \$77.5 million or 20.96% of pro forma consolidated assets and the Bank's pro forma leverage and risk-based capital ratios would be 14.54% and 27.21% respectively. See "Regulatory Capital Compliance," "Capitalization," and "Comparison of Valuation and Pro Forma Information with No Foundation." Thus, the amount of the contribution will not adversely impact the financial condition of the Company and the Bank and the Company and the Bank therefore believe that the amount of the charitable contribution is reasonable given the Company's and the Bank's pro forma capital positions. As such, the Company and the Bank believe that the contribution does not raise safety and soundness concerns.

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The Company and the Bank have received an opinion of their independent tax advisors that the Company's contribution of its own stock to the Foundation should not constitute an act of self-dealing, and that the Company will be entitled to a deduction in the amount of the fair market value of the stock at the time of the contribution less the nominal par value that the Foundation is required to pay the Company for such stock, subject to a limitation based on 10% of the Company's annual taxable income before the charitable contribution deduction. The Company, however, would be able to carry forward any unused portion of the deduction for five years following the contribution. If the Foundation had been established in 1996, assuming the sale of the Common Stock at the maximum Estimated Price Range, the Company would have received a charitable contribution deduction of approximately \$317,000 (based on the Bank's pre-tax income for 1996, an assumed tax rate of 37.0% and a contribution of Common Stock equal to \$4.8 million). The Company is permitted under the Code to carry over the excess contribution over the five year period following the contribution to the Foundation. Assuming the close of the Offerings at the midpoint of the Estimated Price Range, the Company estimates that all of the deduction should be deductible over the six-year period. Neither the Company nor the Bank expect to make any further contributions to the Foundation within the first five years following the initial contribution. After that time, the Company and the Bank may consider future contributions to the Foundation. Any such decisions would be based on an assessment of, among other factors, the financial condition of the Company and the Bank at that time, the interests of shareholders and depositors of the Company and the Bank, and the financial condition and operations of the Foundation.

Although the Company and the Bank have received an opinion of their independent tax advisors that the Company will be entitled to a deduction for the charitable contribution, there can be no assurances that the IRS will recognize the Foundation as a Section 501(c)(3) exempt organization or that the deduction will be permitted. In such event, the Company's tax benefit related to the contribution to the Foundation would be expensed without tax benefit, resulting in a reduction in earnings in the year in which the IRS makes such a determination. See "Risk Factors -Effects of the Establishment of the Charitable Foundation."

As a private foundation, earnings and gains, if any, from the sale of Common Stock or other assets are exempt from federal and state corporate taxation. However, investment income, such as interest, dividends and capital gains, will be subject to a federal excise tax of 2.0%. The Foundation will be required to make an annual filing with the IRS within four and one-half months after the close of the Foundation's fiscal year to maintain its tax-exempt status. The Foundation will be required to publish a notice that the annual information return will be available for public inspection for a period of 180 days after the date of such public notice. The information return for a private foundation must include, among other things, an itemized list of all grants made or approved, showing the amount of each grant, the recipient, any relationship between a grant recipient and the Foundation's managers and a concise statement of the purpose of each grant.

REGULATORY CONDITIONS IMPOSED ON THE FOUNDATION. Establishment of the

Foundation is subject to the following condition to be agreed to by the Foundation in writing as a condition to receiving the FDIC's non-objection to the Bank's Conversion: (i) the Foundation will be subject to examination by the FDIC; (ii) the Foundation must comply with supervisory directives imposed by the FDIC; (iii) the Foundation will operate in accordance with written policies adopted by the Foundation's board of directors, including a conflict of interest policy acceptable to the FDIC; (iv) the Foundation shall not engage in self-dealing and shall comply with all laws necessary to maintain its tax-exempt status under the Code; and (v) any shares of Common Stock of the Company held by the Foundation must be voted in the same ratio as all other shares of Common Stock of the Company voted on all proposals considered by stockholders of the Company; provided, however, the FDIC may waive this voting restriction under certain circumstances, such as in the event the restriction would result in the loss of the tax-exempt status of the Foundation, but may impose additional conditions as part of the granting of such waiver. There can be no assurances that the FDIC would grant a waiver, unconditional or otherwise, of the voting restriction. If the voting restriction is waived or becomes unenforceable, the FDIC may impose such other conditions relating to control of the Foundation's Common Stock as is determined by the FDIC to be appropriate at the time.

PURPOSES OF CONVERSION

The Bank, as an Illinois-chartered mutual savings bank, does not have stockholders and has no authority to issue capital stock. By converting to the capital stock form of organization, the Bank will be structured in the form used by commercial banks, most business entities and a growing number of savings institutions. The Conversion will

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be important to the future growth and performance of the Bank by providing a larger capital base on which the Bank may operate, enhanced future access to capital markets, enhanced ability to diversify into other financial services related activities and enhanced ability to render services to the public.

The holding company form of organization would provide additional flexibility to diversify the Bank's business activities through existing or newly formed subsidiaries, or through acquisitions of or mergers with both mutual and stock financial institutions, as well as other companies. Although there are no current arrangements, understandings or agreements regarding any such opportunities, the Company will be in a position after the Conversion, subject to regulatory limitations and the Company's financial position, to take advantage of any such opportunities that may arise. While there are benefits associated with the holding company form of organization, such form of organization may involve additional costs associated with its maintenance and regulation as a savings and loan company, such as additional administrative expenses, taxes and regulatory filings or examination fees.

The potential impact of Conversion upon the Bank's capital base is significant. At September 30, 1997, the Bank had Tier I Leverage capital of \$31.0 million, or 9.57% of total assets. Assuming that \$51.1 million (based on the \$52.5 million at the midpoint of the Estimated Price Range) of net proceeds are realized from the sale of Common Stock (see "Pro Forma Data" for the basis of this assumption) and assuming that 50% of the net proceeds are used by the Company to purchase the capital stock of the Bank, the Bank's Tier I Leverage capital would increase to \$49.8 million, resulting in a pro forma leverage capital ratio of 14.5% giving effect to the Conversion. In the event that the holding company form of organization is not utilized and all the net proceeds, at the midpoint of the Estimated Price Range, are retained by the Bank, the Bank's core capital would increase to \$77.5 million, resulting in a pro forma leverage capital ratio of 14.54% at September 30, 1997. The investment of the net proceeds from the sale of the Common Stock will provide the Bank with additional income to further increase its capital position.

After completion of the Conversion, the unissued Common Stock and preferred stock authorized by the Company's Certificate of Incorporation will permit the Company, subject to market conditions and applicable regulatory approvals, to raise additional equity capital through further sales of securities, and to issue securities in connection with possible acquisitions. At the present time, the Company has no plans with respect to additional offerings of securities, other than the issuance of additional shares upon exercise of stock options under the Stock Option Plan or Master Stock-Based Benefit Plan or the possible issuance of authorized but unissued shares to the Stock Program or Master Stock-Based Benefit Plan. Following the Conversion, the Company will also be able to use stock-based benefit plans to

attract and retain executive and other personnel for itself and its subsidiaries. See "Management of the Bank--Executive Compensation."

EFFECTS OF CONVERSION

GENERAL. Each depositor in a mutual savings bank has both a deposit account in the institution and a pro rata ownership interest in the net worth of the institution based upon the balance in his or her account, which interest may only be realized in the event of a liquidation of the institution. However, this ownership interest is tied to the depositor's account and has no tangible market value separate from such deposit account. Any depositor who opens a deposit account obtains a pro rata ownership interest in the net worth of the institution without any additional payment beyond the amount of the deposit. A depositor who reduces or closes his account receives a portion or all of the balance in the account but nothing for his ownership interest in the net worth of the institution, which is lost to the extent that the balance in the account is reduced.

Consequently, mutual savings bank depositors normally have no way to realize the value of their ownership interest, which may have realizable value only in the unlikely event that the mutual savings bank is liquidated. In such event, the depositors of record at that time, as owners, would have a claim to share pro rata in any residual surplus and reserves after other claims, including claims of depositors to the amounts of their deposits, are paid.

When a mutual savings bank converts to stock form, depositors lose all rights to the net worth of the mutual savings bank, except to the extent depositors have rights to claim a pro rata share of funds representing the liquidation account established in connection with the Conversion. Additionally, permanent nonwithdrawable capital stock is created and offered to depositors which represents the ownership of the institution's net worth.

THE COMMON STOCK

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IS SEPARATE AND APART FROM DEPOSIT ACCOUNTS AND CANNOT BE AND IS NOT INSURED BY THE FDIC OR ANY OTHER GOVERNMENTAL AGENCY. Certificates are issued to evidence ownership of the permanent stock. The stock certificates are transferable, and therefore the stock may be sold or traded if a purchaser is available with no effect on any deposit account the seller may hold in the institution.

No assets of the Company or the Bank will be distributed in connection with the Conversion other than pursuant to the payment of expenses incurred in connection therewith.

CONTINUITY. While the Conversion is being accomplished, the normal business of the Bank of accepting deposits and making loans will continue without interruption. The Bank will continue to be subject to regulation by the Commissioner and the FDIC. After Conversion, the Bank will continue to provide services for depositors and borrowers under current policies by its present management and staff.

The Directors of the Bank at the time of Conversion will serve as Directors of the Bank after the Conversion. The Directors of the Company will consist of the same individuals who will serve on the Board of Directors of the Bank. All officers of the Bank at the time of Conversion will retain their positions after the Conversion.

EFFECT ON DEPOSIT ACCOUNTS. Under the Plan, each depositor in the Bank at the time of Conversion will automatically continue as a depositor after the Conversion, and each deposit account will remain the same with respect to deposit balance, interest rate and other terms. Each such account will be insured by the FDIC to the same extent as before the Conversion. Depositors will continue to hold their existing passbooks and other evidences of their accounts.

EFFECT ON LOANS. No loan outstanding from the Bank will be affected by the Conversion, and the amount, interest rate, maturity and security for each loan will remain as it was contractually fixed prior to the Conversion.

EFFECT ON VOTING RIGHTS OF MEMBERS. At present, all depositors of the Bank are members of, and have voting rights in, the Bank as to all matters requiring membership action. Upon Conversion, depositors will cease to be members and will no longer be entitled to vote at meetings of the Bank. Upon Conversion, all voting rights in the Bank will be vested in the Company as the sole stockholder of the Bank. Exclusive voting rights with respect to the Company will be vested in the holders of Common Stock. Depositors of the Bank will not have voting rights after the Conversion except to the extent that they become stockholders of the Company through the purchase of Common Stock.

TAX EFFECTS. The Bank has received opinions with regard to Federal and Illinois income taxation which indicate that the adoption and implementation of the Plan of Conversion set forth herein will not be taxable for Federal or

Illinois income tax purposes to the Bank or its Eligible Account Holders or Supplemental Eligible Account Holders or the Company, subject to the limitations and qualifications in such opinions. See "--Tax Aspects."

EFFECT ON LIQUIDATION RIGHTS. If a mutual savings bank were to liquidate, all claims of creditors (including those of depositors, to the extent of deposit balances) would be paid first. Thereafter, if there were any assets remaining, depositors would have a claim to receive such remaining assets, pro rata, based upon the deposit balances in their deposit accounts immediately prior to liquidation. In the unlikely event that the Bank were to liquidate after Conversion, all claims of creditors (including those of depositors, to the extent of their deposit balances) would also be paid first, followed by distribution of the "liquidation account," if any, to certain depositors (as described in "-Liquidation Rights," below), with any assets remaining thereafter distributed to the Company as the holder of the Bank's capital stock. Pursuant to the rules and regulations of the Commissioner and the FDIC, a post-Conversion merger, consolidation, sale of bulk assets or similar combination or transaction with another insured savings institution would not be considered a liquidation and in such a transaction, the liquidation account would be required to be assumed by the surviving institution.

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STOCK PRICING

The Plan of Conversion requires that the purchase price of the Common Stock must be based on the appraised pro forma market value of the Common Stock, as determined on the basis of an independent appraisal. The Bank and the Company have retained FinPro to make such appraisal. For its services in making such appraisal, FinPro will receive a fee of \$40,000 including fees related to the preparation of a business plan for the Company and Bank, and will be reimbursed for certain of its expenses. The Bank and the Company have agreed to indemnify FinPro and its employees and affiliates against certain losses (including any losses in connection with claims under the federal securities laws) arising out of its services as the independent appraiser, except where FinPro's liability results from its negligence or willful misconduct.

An appraisal has been made by FinPro in reliance upon the information contained in this Prospectus, including the Consolidated Financial Statements. FinPro also considered the following factors, among others: the present and projected operating results and financial condition of the Company and the Bank, including liquidity, capitalization, asset composition, funding mix, amount of intangible assets owned, and level of interest rate risk; the economic, demographic and competitive aspects of the Bank's existing marketing area; the quality and depth of the Bank's management; certain historical, financial and other information relating to the Bank; a comparative evaluation of the operating and financial statistics of the Bank with those of other savings institutions; the aggregate size of the offering of the Common Stock; the impact of Conversion on the Bank's net worth and earnings potential; the proposed dividend policy of the Company and the Bank; the trading market for securities of comparable institutions and general conditions in the market for such securities; and recent regulatory matters. In particular, the appraisal considered the Bank's financial condition and projected and historical operating results, including income and expense trends, asset size, loan portfolio composition, non-performing loans and assets, interest rate sensitivity position, capital position, and yields on assets and costs of liabilities in comparison to other publicly-traded thrifts with assets greater than or equal to \$250 million and less than or equal to \$500 million located in the States of Illinois and Indiana. The Board of Directors of the Bank and Board of Directors of the Company have reviewed the appraisal of FinPro in determining the reasonableness and adequacy of such appraisal consistent with applicable regulations and have reviewed the methodology and reasonableness of assumptions utilized by FinPro in the preparation of such appraisal and established the Estimated Price in a manner consistent with this appraisal.

On the basis of the foregoing, FinPro has advised the Company and the Bank that, in its opinion dated as of October 20, 1997, as updated as of December 23, 1997, the estimated pro forma market value of the Common Stock being sold in connection with the Conversion ranged from a minimum of \$44.6 million to a maximum of \$60.3 million (the "Valuation Price Range") with a midpoint of \$52.5 million. The Board of Directors established the Estimated Price Range of \$44.6 million to \$60.3 million within the Valuation Price Range based on the issuance of 4,458,250 to 6,031,750 shares at the Purchase Price of \$10.00 per share. The Estimated Price Range may be amended with the

approval of the Commissioner and FDIC, if required, if necessitated by subsequent developments in the financial condition of the Company or the Bank or market conditions generally.

SUCH APPRAISAL, HOWEVER, IS NOT INTENDED, AND MUST NOT BE CONSTRUED, AS A RECOMMENDATION OF ANY KIND AS TO THE ADVISABILITY OF PURCHASING SUCH SHARES OF COMMON STOCK. FINPRO DID NOT INDEPENDENTLY VERIFY THE CONSOLIDATED FINANCIAL STATEMENTS AND OTHER INFORMATION PROVIDED BY THE BANK, NOR DID FINPRO VALUE INDEPENDENTLY THE ASSETS OR LIABILITIES OF THE BANK. THE APPRAISAL CONSIDERS THE BANK AS A GOING CONCERN AND SHOULD NOT BE CONSIDERED AS AN INDICATION OF THE LIQUIDATION VALUE OF THE BANK. MOREOVER, BECAUSE SUCH APPRAISAL IS NECESSARILY BASED UPON ESTIMATES AND PROJECTIONS OF A NUMBER OF MATTERS, ALL OF WHICH ARE SUBJECT TO CHANGE FROM TIME TO TIME, NO ASSURANCE CAN BE GIVEN THAT PERSONS PURCHASING SUCH SHARES IN THE CONVERSION WILL THEREAFTER BE ABLE TO SELL SUCH SHARES AT PRICES AT OR ABOVE THE PURCHASE PRICE OR IN THE RANGE OF THE FOREGOING VALUATION OF THE PRO FORMA MARKET VALUE THEREOF.

Following commencement of the Subscription and Community Offerings, the maximum of the Estimated Price Range may be increased up to 15% and the number of shares of Common Stock being sold in the Conversion may be increased to 6,936,513 shares due to regulatory considerations, or changes in the market and general financial and economic conditions, without the resolicitation of subscribers. See "--Limitations on Common Stock Purchases" as to the method of distribution and allocation of additional shares that may be issued in the event of an increase in the Estimated Price Range to fill unfilled orders in the Subscription and Community Offerings.

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No sale of shares of Common Stock in the Conversion may be consummated unless prior to such consummation FinPro confirms that nothing of a material nature has occurred which, taking into account all relevant factors, would cause it to conclude that the aggregate price is materially incompatible with the estimate of the pro forma valuation of the aggregate market value of the Common Stock at the time of the sale of the Common Stock. If such is not the case, a new Estimated Price Range may be set, a new Subscription and Community Offering and/or Syndicated Community Offering may be held or such other action may be taken as the Company and the Bank shall determine and the Commissioner and FDIC may permit.

Copies of the appraisal report of FinPro including any amendments thereto, and the detailed memorandum of the appraiser setting forth the method and assumptions for such appraisal are available for inspection at the main office of the Bank and the other locations specified under "Additional Information."

NUMBER OF SHARES TO BE ISSUED

Depending upon market or financial conditions following the commencement of the Subscription and Community Offerings, the total number of shares to be sold in the Conversion may be increased or decreased without a resolicitation of subscribers, provided that the product of the total number of shares times the price per share is not below the minimum of the Estimated Price Range or more than 15% above the maximum of the Estimated Price Range. Based on a fixed purchase price of \$10.00 per share and the FinPro estimate of the pro forma market value of the Common Stock ranging from a minimum of \$44.6 million to a maximum, as increased by 15%, of \$69.4 million, the number of shares of Common Stock expected to be sold is between a minimum of 4,458,250 shares and a maximum, as adjusted by 15%, of 6,936,513 shares. The actual number of shares issued between this range will depend on a number of factors and shall be determined by the Bank and Company subject to the approval of the Commissioner and FDIC.

In the event market or financial conditions change so as to cause the aggregate purchase price of the shares to be below the minimum of the Estimated Price Range or more than 15% above the maximum of the Estimated Price Range, if the Plan is not terminated by the Company and the Bank after consultation with the Commissioner and FDIC, purchasers will be resolicited (i.e., permitted to continue their orders, in which case they will need to affirmatively reconfirm their subscriptions prior to the expiration of the resolicitation offering or their subscription funds will be promptly refunded, or be permitted to modify or rescind their subscriptions). Any

change in the Estimated Price Range must be approved by the Commissioner and FDIC. If the number of shares issued in the Conversion is increased due to an increase of up to 15% in the Estimated Price Range to reflect changes in market or financial conditions, persons who subscribed for the maximum number of shares will not be given the opportunity to subscribe for an adjusted maximum number of shares. See "--Limitations on Common Stock Purchases."

An increase in the number of shares to be issued in the Conversion as a result of an increase in the estimated pro forma market value would decrease both a subscriber's ownership interest and the Company's pro forma net earnings and stockholders' equity on a per share basis while increasing pro forma net earnings and stockholders' equity on an aggregate basis. A decrease in the number of shares to be issued in the Conversion would increase both a subscriber's ownership interest and the Company's pro forma net earnings and stockholders' equity on a per share basis while decreasing pro forma net earnings and stockholder's equity on an aggregate basis. For a presentation of the effects of such changes, see "Pro Forma Data."

The number of shares to be issued and outstanding as a result of the sale of Common Stock in the Conversion will be increased by a number of shares equal to 8% of the Common Stock issued in the Conversion to fund the Foundation. Assuming the sale of shares in the Offerings at the maximum of the Estimated Price Range, the Company will issue 482,540 shares of its Common Stock from authorized but unissued shares to the Foundation immediately following the completion of the Conversion. In that event, the Company will have total shares of Common Stock outstanding of 6,514,290 shares. Of that amount, the Foundation will own 7.4%. Funding the Foundation with authorized but unissued shares will have the effect of diluting the ownership and voting interests of persons purchasing shares in the Conversion by 7.4% since a greater number of shares will be outstanding upon completion of the Conversion than would be if the Foundation were not established. See "Pro Forma Data."

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SUBSCRIPTION OFFERING AND SUBSCRIPTION RIGHTS

In accordance with the Plan of Conversion, rights to subscribe for the purchase of Common Stock have been granted under the Plan of Conversion to the following persons in the following order of descending priority: (1) holders of deposit accounts with the Bank who had a balance of \$100 or more as of July 31, 1996 ("Eligible Account Holders"); (2) the Employee Plans, including the ESOP; (3) holders of deposit accounts with a balance of \$100 or more as of December 31, 1997 ("Supplemental Eligible Account Holders"); and (4) Depositors of the Bank as of the Voting Record Date ("Other Voting Members"). All subscriptions received will be subject to the availability of Common Stock after satisfaction of all subscriptions of all persons having prior rights in the Subscription Offering and to the maximum and minimum purchase limitations set forth in the Plan of Conversion and as described below under "-- Limitations on Common Stock Purchases."

Priority 1: Eligible Account Holders. Each Eligible Account Holder will receive, without payment therefor, first priority, nontransferable subscription rights to subscribe for in the Subscription Offering up to the greater of: (1) the amount permitted to be purchased in the Community Offering, currently \$200,000 of Common Stock; (2) one-tenth of one percent (.10%) of the total offering of shares of Common Stock exclusive of any shares issued pursuant to an increase in the Estimated Price Range of up to 15%; or (3) fifteen times the product (rounded down to the next whole number) obtained by multiplying the total number of shares of Common Stock to be issued by a fraction of which the numerator is the amount of the Eligible Account Holder's Qualifying Deposit (defined by the Plan as any deposit account in the Bank with a balance of \$50 or more as of July 31, 1996) and the denominator is the total amount of Qualifying Deposits of all Eligible Account Holders, in each case on the Eligibility Record Date. All of such subscription rights amounts are subject to the overall maximum purchase limitation. See "--Limitations on Common Stock Purchases." Subscription rights received by officers and directors of the Bank and their associates based on increased deposits in the Bank in the one-year period preceding July 31, 1996 will be subordinated to all other subscription rights of Eligible Account Holders.

In the event that Eligible Account Holders exercise subscription rights for a number of shares of Common Stock in excess of the total number of such shares eligible for subscription, the shares of Common Stock will be allocated so as to permit each subscribing Eligible Account Holder to purchase a number of shares sufficient to make his total allocation equal to

the lesser of 100 shares or the number of shares subscribed for. Thereafter, unallocated shares will be allocated among the remaining subscribing Eligible Account Holders whose subscriptions remain unfilled in the proportion that the amounts of their respective qualifying deposits bear to the total amount of qualifying deposits of all remaining Eligible Account Holders whose subscriptions remain unfilled; provided, however, that no fractional shares shall be issued. If the amount so allocated exceeds the amount subscribed for by any one or more Eligible Account Holders, the excess shall be reallocated (one or more times as necessary) among those Eligible Account Holders whose subscriptions are still not fully satisfied on the same principle until all available shares have been allocated or all subscriptions satisfied.

To ensure proper allocation of stock, each Eligible Account Holder must list on his or her stock order form all accounts in which such Eligible Account Holder has an ownership interest. Failure to list an account could result in less shares being allocated than if all accounts had been disclosed.

Priority 2: Employee Plans. To the extent that there are sufficient shares remaining after satisfaction of the subscriptions by Eligible Account Holders, the Employee Plans, including the ESOP, will receive, without payment therefor, second priority, nontransferable subscription rights to purchase, in the aggregate, up to 10% of Common Stock issued in the Conversion, including any increase in the number of shares of Common Stock to be issued in the Conversion after the date hereof as a result of an increase of up to 15% in the maximum of the Estimated Price Range. The ESOP intends to purchase 8% of the shares to be issued in connection with the Conversion, including shares issued to the Foundation, or 385,192 shares and 521,143 shares, based on the issuance of 4,814,910 shares and 6,514,290 shares, respectively. Subscriptions by the ESOP will not be aggregated with shares of Common Stock purchased directly by or which are otherwise attributable to any other participants in the Subscription and Community Offerings, including subscriptions of any of the Bank's directors, officers, employees or associates thereof. See "Management of the Bank--Benefit Plans--ESOP."

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Priority 3: Supplemental Eligible Account Holders. To the extent there are sufficient shares remaining after the satisfaction of subscriptions by Eligible Account Holders and the Employee Plans, each Supplemental Eligible Account Holder will receive, without payment therefor, as third priority, nontransferable subscription rights to subscribe for in the Subscription Offering up to the greater of: (1) the amount permitted to be purchased in the Community Offering, currently \$200,000 of Common Stock; (2) one tenth of one percent (.10%) of the total offering of shares of Common Stock exclusive of any shares issued pursuant to an increase in the Estimated Price Range of up to 15%; or (3) fifteen times the product (rounded down to the next whole number) obtained by multiplying the total number of shares of Common Stock to be issued by a fraction of which the numerator is the amount of the Supplemental Eligible Account Holder's Qualifying Deposit and the denominator is the total amount of Qualifying Deposits of all Supplemental Eligible Account Holders, in each case on the Supplemental Eligibility Record Date. All of such subscription rights amounts are subject to the overall maximum purchase limitation. See "-- Limitations on Common Stock Purchases."

In the event that Supplemental Eligible Account Holders exercise subscription rights for a number of shares of Common Stock in excess of the total number of shares eligible for subscription after the satisfaction of subscriptions by Eligible Account Holders and the Employee Plans, the shares of Common Stock will be allocated so as to permit each subscribing Supplemental Eligible Account Holder, to the extent possible, to purchase a number of shares sufficient to make his total allocation equal to the lesser of 100 shares or the number of shares subscribed for. Thereafter, unallocated shares will be allocated among the remaining subscribing Supplemental Eligible Account Holders whose subscriptions remain unfilled in the proportion that the amounts of their respective qualifying deposits bear to the total amount of qualifying deposits of all remaining Supplemental Eligible Account Holders whose subscriptions remain unfilled; provided, however, that no fractional shares shall be issued. If the amount so allocated exceeds the amount subscribed for by any one or more Supplemental Eligible Account Holders, the excess shall be reallocated (one or more times as necessary) among those Supplemental Eligible Account Holders whose subscriptions are still not fully satisfied on the same principle until all available shares have been allocated or all subscriptions satisfied.

To ensure proper allocation of stock, each Supplemental Eligible Account Holder must list on his or her stock order form all accounts in which such Supplemental Eligible Account Holder has an ownership interest. Failure to list an account could result in less shares being allocated than if all accounts had been disclosed. The subscription rights received by Eligible Account Holders will be applied in partial satisfaction of the subscription rights to be received as a Supplemental Eligible Account Holder.

Priority 4: Other Voting Members. To the extent there are sufficient shares remaining after the satisfaction of subscriptions by Eligible Account Holders, the Employee Plans and Supplemental Eligible Account Holders, each Other Voting Member will receive, without payment therefor, as fourth priority, nontransferable subscription rights to subscribe for in the Subscription Offering up to the amount permitted to be purchased in the Community Offering, currently \$200,000 of Common Stock, subject to the overall maximum purchase limitation. See "--Limitations on Common Stock Purchases."

In the event that Other Voting Members exercise subscription rights for a number of shares of Common Stock in excess of the total number of shares eligible for subscription after the satisfaction of subscriptions by Eligible Account Holders, the Employee Plans and Supplemental Eligible Account Holders, the shares of Common Stock will be allocated so as to permit each subscribing Other Voting Member, to the extent possible, to purchase a number of shares sufficient to make his total allocation equal to the lesser of 100 shares or the number of shares subscribed for. Thereafter, unallocated shares will be allocated among the remaining subscribing Other Voting Members whose subscriptions remain unfilled in the proportion that the amounts of their respective qualifying deposits bear to the total amount of qualifying deposits of all remaining Other Voting Members whose subscriptions remain unfilled.

To ensure proper allocation of stock, each Other Voting Member must list on his or her stock order form all accounts in which such Other Voting Member has an ownership interest. Failure to list an account could result in less shares being allocated than if all accounts had been disclosed.

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EXPIRATION DATE FOR THE SUBSCRIPTION OFFERING. The Subscription Offering will expire on the Expiration Date (, 1998) at 12:00 Noon, Central time, unless extended for up to 45 days by the Bank and Company or such additional periods with the approval of the Commissioner and FDIC, if required. Subscription rights which have not been exercised prior to the Expiration Date will become void. The Bank will not execute orders until all shares of Common Stock have been subscribed for or otherwise sold. If all shares have not been subscribed for or sold within 45 days after the Expiration Date, unless such period is extended with the consent of the Commissioner and FDIC, all funds delivered to the Bank pursuant to the Subscription Offering will be returned promptly to the subscribers with interest and all withdrawal authorizations will be canceled. If an extension beyond the 45 day period following the Expiration Date is granted, the Bank will notify subscribers of the extension of time and of any rights of subscribers to modify or rescind their subscriptions and have their funds returned promptly with interest, and of the time period within which subscribers must affirmatively notify the Bank of their intention to confirm, modify, or rescind their subscription. If an affirmative response to any solicitation is not received by the Company from a subscriber, such order will be rescinded and all subscription funds will be promptly returned with interest. Such extensions may not go beyond , 2000.

COMMUNITY OFFERING

To the extent that shares remain available for purchase after satisfaction of all subscriptions of Eligible Account Holders, the ESOP, Supplemental Eligible Account Holders and Other Voting Members, the Bank has determined to offer shares pursuant to the Plan to certain members of the general public, with preference given to natural persons residing in Kane and McHenry Counties, Illinois ("Preferred Subscribers"). Such persons, together with associates and persons acting in concert with such persons, may purchase up to \$200,000 of Common Stock, subject to the maximum overall purchase limitation and exclusive of shares issued pursuant to an increase in the Estimated Price Range by up to 15%. See "-- Limitations on Common Stock Purchases." This amount may be increased to up to a maximum of 5% of the Common Stock issued or decreased to less than \$200,000 at the discretion of the Company and the Bank, subject to the approval of the Commissioner and the FDIC. The opportunity to subscribe for shares of Common Stock in the Community Offering category is subject to the right of the Bank and the

Company, in its sole discretion, to accept or reject any such orders, in whole or in part, either at the time of receipt of an order or as soon as practicable following the Expiration Date. The Community Offering may be commenced at any time during the Subscription Offering or subsequent thereto.

Subject to the foregoing, if the amount of stock remaining is insufficient to fill the orders of preferred subscribers after completion of the Subscription and Community Offerings and the filling of institutional investor orders, such stock will be allocated first to each preferred subscriber whose order is accepted by the Bank, in an amount equal to the lesser of 100 shares or the number of shares subscribed for by each such preferred subscriber, if possible. Thereafter, unallocated shares will be allocated among the preferred subscribers whose order remains unsatisfied on a 100 shares per order basis until all such orders have been filled or the remaining shares have been allocated. If there are any shares remaining, shares will be allocated to other persons of the general public who purchase in the Community Offering applying the same allocation described above for preferred subscribers.

RESIDENTS OF FOREIGN COUNTRIES AND CERTAIN STATES

The Company and the Bank will make reasonable efforts to comply with the securities laws of all states in the United States in which persons entitled to subscribe for stock pursuant to the Plan reside. The Plan provides that the Bank and the Company are not required to offer stock in the Subscription Offering to any person who resides in a foreign country.

MARKETING AND UNDERWRITING ARRANGEMENTS

The Bank and the Company have engaged Webb as a financial and marketing advisor to advise the Company and the Bank with respect to the Subscription and Community Offerings. Webb is a registered broker-dealer and is a member of the National Association of Securities Dealers, Inc. ("NASD"). Webb will assist the Company and the Bank in the Conversion by, among other things: (i) developing marketing materials; (ii) targeting potential investors in the Subscription Offering and other investors eligible to participate in the Community Offering; (iii) soliciting potential investors by phone or in person; (iv) training management and staff to perform tasks in connection with the

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Conversion; (v) managing and setting up the Conversion Center; (vi) managing the subscription campaign; and (vii) the solicitation of proxies.

The Bank will pay Webb a management advisory fee equal to 1.25% of the dollar value of all stock sold in the Subscription and Community Offerings. Such amount is exclusive of any shares sold to the ESOP, directors, officers and employees and members of their immediate families. Such fees will be paid upon completion of the Conversion. Webb shall be reimbursed for its expenses, including its legal fees, in an amount not to exceed \$60,000. Webb has not prepared any report or opinion constituting a recommendation or advice to the Company or the Bank or to persons who subscribe in the Offerings, nor has it prepared an opinion as to the fairness to the Company or the Bank of the Purchase Price or the terms of the Offerings. Webb expresses no opinion as to the prices at which Common Stock to be issued in the Offerings may trade. The Bank has agreed to indemnify Webb against certain liabilities including certain liabilities under the Securities Act and certain misrepresentations or breaches by the Company or the Bank relating to the agreement with Webb.

In the event any shares of Common Stock are unsold after completion of the Subscription and Community Offerings, at the request of the Company and the Bank, Webb will seek to form a syndicate of registered broker-dealers to assist in the sale of such Common Stock on a best efforts basis, subject to the terms and conditions set forth in the selected dealers agreement. Webb will endeavor to distribute the Common Stock among dealers in a fashion which best meets the distribution objectives of the Bank and the Plan of Conversion. Webb will be paid a fee not to exceed 5.5% of the aggregate Purchase Price of the shares of Common Stock sold by them. Webb will pass onto selected broker-dealers, who assist in the Syndicated Community Offering, an amount competitive with gross underwriting discounts charged at such time for comparable amounts of stock sold at a comparable price per share in a similar market environment. Fees with respect to purchases effected with the assistance of a selected broker-dealer other than Webb shall be transmitted by Webb to such broker-dealer. Total marketing fees to Webb are expected to be \$458,000 and \$638,000 at the minimum and maximum of the Estimated Price Range, respectively. See "Pro Forma Data" for the assumptions used to arrive at these estimates.

Crowe, Chizek will perform conversion and records management services for the Bank in the Conversion and will receive a fee for this service of \$18,000 plus reimbursement of reasonable out-of-pocket expenses not to exceed \$1,000.

Directors and executive officers of the Company and Bank may participate in the solicitation of offers to purchase Common Stock. Questions of prospective purchasers will be directed to executive officers or registered representatives. Other employees of the Bank may participate in the Offering in ministerial capacities or providing clerical work in effecting a sales transaction. Such other employees have been instructed not to solicit offers to purchase Common Stock or provide advice regarding the purchase of Common Stock. The Company will rely on Rule 3a4-1 under the Exchange Act, and sales of Common Stock will be conducted within the requirements of Rule 3a4-1, so as to permit officers, directors and employees to participate in the sale of Common Stock. No officer, director or employee of the Company or the Bank will be compensated in connection with his participation by the payment of commissions or other remuneration based either directly or indirectly on the transactions in the Common Stock.

PROCEDURE FOR PURCHASING SHARES IN SUBSCRIPTION AND COMMUNITY OFFERINGS

To ensure that each purchaser receives a prospectus at least 48 hours before the Expiration Date in accordance with Rule 15c2-8 of the Exchange Act, no prospectus will be mailed any later than five days prior to such date or hand delivered any later than two days prior to such date. Execution of the stock order form and certification form will confirm receipt or delivery in accordance with Rule 15c2-8. Stock order and certification forms will only be distributed with a prospectus.

To purchase shares in the Subscription and Community Offerings, an executed stock order form and certification form with the required payment for each share subscribed for, or with appropriate authorization for withdrawal from the Bank's deposit account (which may be given by completing the appropriate blanks in the stock order form), must be received by the Bank at any of its offices by 12:00 Noon, Central time, on the Expiration Date. Stock order forms which are not received by such time or are executed defectively or are received without full payment (or appropriate withdrawal instructions) are not required to be accepted. In addition, the Bank and Company are not

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obligated to accept orders submitted on photocopied or facsimiled stock order forms and will not accept stock order forms unaccompanied by an executed certification form. Notwithstanding the foregoing, the Company and Bank shall have the right, each in their sole discretion, to permit institutional investors to submit irrevocable orders together with a legally binding commitment for payment and to thereafter pay for the shares of Common Stock for which they subscribe in the Community Offering at any time prior to 48 hours before the completion of the Conversion. The Company and the Bank have the right to waive or permit the correction of incomplete or improperly executed forms, but do not represent that they will do so. Once received, an executed stock order form may not be modified, amended or rescinded without the consent of the Bank unless the Conversion has not been completed within 45 days after the end of the Subscription and Community Offerings, unless such period has been extended.

In order to ensure that Eligible Account Holders, Supplemental Eligible Account Holders and Other Voting Members are properly identified as to their stock purchase priorities, depositors as of the Eligibility Record Date (July 31, 1996), the Supplemental Eligibility Record Date (December 31, 1997) and/or the Voting Record Date (, 1998) must list all accounts on the stock order form giving all names, account numbers and social security/tax identification numbers relating to each account. Failure to list all such names, account numbers and social security/tax identification numbers relating to each account may result in a reduction in the number of shares allocated to a subscribing member.

Payment for subscriptions may be made (i) in cash if delivered in person at the Conversion Center, (ii) by check, bank draft or money order, or (iii) by authorization of withdrawal from deposit accounts maintained with the Bank. No wire transfers will be accepted. Interest will be paid on payments made by cash, check, bank draft or money order at the Bank's passbook rate of interest from the date payment is received until the completion or termination of the Conversion. If payment is made by authorization of withdrawal from deposit accounts, the funds authorized to be withdrawn from a deposit account will continue to accrue interest at the contractual rates until completion or termination of the Conversion, but a hold will be placed on such funds, thereby making them unavailable to the depositor until completion or termination of the Conversion.

If a subscriber authorizes the Bank to withdraw the amount of the purchase price from his deposit account, the Bank will do so as of the effective date of the Conversion. The Bank will waive any applicable penalties for early withdrawal from certificate accounts. If the remaining balance in a certificate account is reduced below the applicable minimum balance requirement at the time that the funds actually are transferred under the authorization, the certificate will be canceled at the time of the withdrawal, without penalty, and the remaining balance will earn interest at the Bank's passbook rate.

If the ESOP subscribes for shares during the Subscription Offering, the ESOP will not be required to pay for the shares subscribed for at the time it subscribes, but rather, may pay for such shares of Common Stock subscribed for at the Purchase Price upon consummation of the Subscription and Community Offering, if all shares are sold, or upon consummation of the Syndicated Community Offering if shares remain to be sold in such offering; provided, that there is in force from the time of its subscription until such time, a loan commitment from an unrelated financial institution or the Company to lend to the ESOP, at such time, the aggregate Purchase Price of the shares for which it subscribed.

Owners of self-directed IRAs and other Qualified Plan accounts, such as Keogh accounts, may use the assets of such IRAs and other Qualified Plan accounts, to purchase shares of Common Stock in the Subscription and Community Offerings, provided that such IRAs or other Qualified Plan accounts are not maintained at the Bank. Persons with self-directed IRAs or Qualified Plan accounts maintained at the Bank must have their accounts transferred to an unaffiliated institution or broker to purchase shares of Common Stock in the Subscription and Community Offerings. In addition, the provisions of ERISA and IRS regulations require that officers, directors and ten percent shareholders who use self-directed IRA or Qualified Plan account funds to purchase shares of Common Stock in the Subscription and Community Offerings, make such purchases for the exclusive benefit of the IRAs or Qualified Plan accounts. For further information regarding the transfer of the above-mentioned accounts, please call the Conversion Center at (847) .

Certificates representing shares of Common Stock purchased will be mailed to purchasers at the address specified in properly completed stock order forms, as soon as practicable following consummation of the sale of all

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shares of Common Stock. Any certificates returned as undeliverable will be disposed of in accordance with applicable law.

RESTRICTIONS ON TRANSFER OF SUBSCRIPTION RIGHTS AND SHARES

Pursuant to the rules and regulations of the Commissioner and the FDIC, no person with subscription rights may transfer or enter into any agreement or understanding to transfer the legal or beneficial ownership of the subscription rights issued under the Plan or the shares of Common Stock to be issued upon their exercise. Such rights may be exercised only by the person to whom they are granted and only for his or her account. Each person exercising such subscription rights will be required to certify that he or she is purchasing shares solely for his or her own account and that he or she has no agreement or understanding regarding the sale or transfer of such shares. The regulations also prohibit any person from offering or making an announcement of an offer or intent to make an offer to purchase such subscription rights or shares of Common Stock prior to the completion of the Conversion.

The Bank and the Company will pursue any and all legal and equitable remedies (including forfeiture) in the event they become aware of the transfer of subscription rights and will not honor orders known by them to involve the transfer of such rights.

SYNDICATED COMMUNITY OFFERING

As a final step in the Conversion, the Plan provides that, if feasible, all shares of Common Stock not purchased in the Subscription and Community Offerings, if any, will be offered for sale to the general public in a Syndicated Community Offering through a syndicate of registered broker-dealers to be formed and managed by Webb acting as agent of the Company to assist the Company and the Bank in the sale of the Common Stock. The Company and the Bank have the right to reject orders in whole or in part in their sole discretion in the Syndicated Community Offering. Neither Webb nor any registered broker-dealer shall have any obligation to take or purchase any shares of the Common Stock in the Syndicated Community Offering, however, Webb has agreed to use its best efforts in the sale of shares in the Syndicated Community Offering.

The price at which Common Stock is sold in the Syndicated Community

Offering will be determined as described above under "--Stock Pricing." Subject to the overall maximum purchase limitation, no person, together with any associate or group of persons acting in concert, will be permitted to subscribe in the Syndicated Community Offering for more than \$200,000 of Common Stock; provided, however, that shares of Common Stock purchased in the Community Offering by any persons, together with associates of or persons acting in concert with such persons, will be aggregated with purchases in the Syndicated Community Offering and be subject to an overall maximum purchase limitation of 1.0% of the shares offered, exclusive of an increase in shares issued pursuant to an increase in the Estimated Price Range by up to 15%.

Payments made in the form of a check, bank draft, money order or in cash will earn interest at the Bank's passbook rate of interest from the date such payment is actually received by the Bank until completion or termination of the Conversion.

In addition to the foregoing, if a syndicate of broker-dealers ("selected dealers") is formed to assist in the Syndicated Community Offering, a purchaser may pay for his shares with funds held by or deposited with a selected dealer. If an order form is executed and forwarded to the selected dealer or if the selected dealer is authorized to execute the order form on behalf of a purchaser, the selected dealer is required to forward the order form and funds to the Bank for deposit in a segregated account on or before 12:00 noon of the business day following receipt of the order form or execution of the order form by the selected dealer. Alternatively, selected dealers may solicit indications of interest from their customers to place orders for shares. Such selected dealers shall subsequently contact their customers who indicated an interest and seek their confirmation as to their intent to purchase. Those indicating an intent to purchase shall execute order forms and forward them to their selected dealer or authorize the selected dealer to execute such forms. The selected dealer will acknowledge receipt of the order to its customer in writing on the following business day and will debit such customer's account on the third business day after the customer has confirmed his intent to purchase (the "debit date") and on or before 12:00 noon of the next business day following the debit date will send order forms and funds to the Bank for deposit in a segregated account. Although purchasers' funds

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are not required to be in their accounts with selected dealers until the debit date in the event that such alternative procedure is employed once a confirmation of an intent to purchase has been received by the selected dealer, the purchaser has no right to rescind his order.

Certificates representing shares of Common Stock purchased, together with any refund due, will be mailed to purchasers at the address specified in the order form, as soon as practicable following consummation of the sale of the Common Stock. Any certificates returned as undeliverable will be disposed of in accordance with applicable law.

The Syndicated Community Offering will terminate no more than 45 days following the Subscription Expiration Date, unless extended by the Company with the approval of the Commissioner and FDIC. Such extensions may not be beyond , 2000. See "--Stock Pricing" above for a discussion of rights of subscribers, if any, in the event an extension is granted.

LIMITATIONS ON COMMON STOCK PURCHASES

The Plan includes the following limitations on the number of shares of Common Stock which may be purchased during the Conversion:

(1) No less than 25 shares;

(2) Each Eligible Account Holder may subscribe for and purchase in the Subscription Offering up to the greater of: (1) the amount permitted to be purchased in the Community Offering, currently \$200,000 of Common Stock; (2) one-tenth of one percent (.10%) of the total offering of shares of Common Stock exclusive of any shares issued pursuant to an increase in the Estimated Price Range of up to 15%; or (3) fifteen times the product (rounded down to the next whole number) obtained by multiplying the total number of shares of Common Stock to be issued by a fraction of which the numerator is the amount of the Eligible Account Holder's Qualifying Deposit (defined by the Plan as any deposit account in the Bank with a balance of \$50 or more as of July 31, 1996) and the denominator is the total amount of Qualifying Deposits of all Eligible Account Holders, in each case on the Eligibility Record Date, subject to the overall maximum purchase limitation described in (8) below;

(3) The Employee Plans, including the ESOP, are permitted to purchase, in the aggregate, up to 10% of the shares of Common Stock issued in the Conversion, including shares issued in the event of an increase in the Estimated Price Range of 15%, and the ESOP intends to purchase 8% of the shares of Common Stock issued sold in connection with the Conversion, including shares issued to the Foundation;

(4) Each Supplemental Eligible Account Holder may subscribe for and purchase in the Subscription Offering up to the greater of : (1) the amount permitted to be purchased in the Community Offering, currently \$200,000 of Common Stock; (2) one tenth of one percent (.10%) of the total offering of shares of Common Stock exclusive of any shares issued pursuant to an increase in the Estimated Price Range of up to 15%; or (3) fifteen times the product (rounded down to the next whole number) obtained by multiplying the total number of shares of Common Stock to be issued by a fraction of which the numerator is the amount of the Supplemental Eligible Account Holder's Qualifying Deposit and the denominator is the total amount of Qualifying Deposits of all Supplemental Eligible Account Holders, in each case on the Supplemental Eligibility Record Date, subject to the overall maximum purchase limitation described in (8) below;

(5) Each Other Voting Member may subscribe for and purchase in the Subscription Offering up to the amount permitted to be purchased in the Community Offering, currently \$200,000 of Common Stock, subject to the overall maximum purchase limitation described in (8) below;

(6) Persons purchasing shares of Common Stock in the Community Offering, together with associates of and groups of persons acting in concert with such persons, may purchase in the Community

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Offering up to \$200,000 of Common Stock, subject to the overall maximum purchase limitation described in (8) below;

(7) Persons purchasing shares of Common Stock in the Syndicated Community Offering, together with associates of and persons acting in concert with such persons, may purchase in the Syndicated Community Offering up to \$200,000 of Common Stock subject to the overall maximum purchase limitation described in (8) below and, provided further, that shares of Common Stock purchased in the Community Offering by any persons, together with associates of and persons acting in concert with such persons, will be aggregated with purchases in the Syndicated Community Offering in applying the \$200,000 purchase limitation;

(8) Eligible Account Holders, Supplemental Eligible Account Holders and Other Voting Members may purchase stock in the Community Offering and Syndicated Community Offering, subject to the purchase limitations described in (6) and (7) above, provided that, except for the ESOP, the overall maximum number of shares of Common Stock subscribed for or purchased in all categories of the Conversion by any person, together with associates of and groups of persons acting in concert with such persons, shall not exceed 1.0% of the shares of Common Stock offered in the Conversion and exclusive of an increase in the total number of shares issued due to an increase in the Estimated Price Range of up to 15%; and

(9) No more than 20% of the total number of shares issued in the Conversion may be purchased by Directors and officers of the Bank or Company and their associates in the aggregate, excluding purchases by the ESOP.

Subject to any required regulatory approval and the requirements of applicable laws and regulations, but without further approval of depositors of the Bank or subscribers for Common Stock, both the individual amount permitted to be subscribed for and the overall maximum purchase limitation may be increased to up to a maximum of 5% of the Common Stock to be issued at the sole discretion of the Company and the Bank. If such amount is increased, subscribers for the maximum amount will be, and certain other large subscribers in the sole discretion of the Bank may be, given the opportunity to increase their subscriptions up to the then applicable limit.

The overall maximum purchase limitation may not be reduced to less than 1.0%, and the individual amount permitted to be subscribed for may not be reduced by the Bank to less than .10% without the further approval of members or resolicitation of subscribers. An Eligible Account Holder or Supplemental Eligible Account Holder may not purchase individually in the Subscription Offering the overall maximum purchase limit of 1.0% of the shares offered, but may make such purchase, together with associates of and persons acting in concert with such person, by also purchasing in other available categories of the Conversion, subject to availability of shares and the maximum overall

purchase limit for purchases in the Conversion.

The term "associate" of a person is defined to mean: (i) any corporation (other than the Bank or a majority-owned subsidiary of the Bank) of which such person is an officer, partner or 10% stockholder; (ii) any trust or other estate in which such person has a substantial beneficial interest or serves as a director or in a similar fiduciary capacity; provided, however, such term shall not include any employee stock benefit plan of the Bank in which such person has a substantial beneficial interest or serves as a director or in a similar fiduciary capacity; and (iii) any relative or spouse of such person, or any relative of such spouse, who either has the same home as such person or who is a director or officer of the Bank. Directors are not treated as associates of each other solely because of their Board membership. For a further discussion of limitations on purchases of a converting institution's stock at the time of Conversion and subsequent to Conversion, see "Management of the Bank--Subscriptions by Executive Officers and Directors," "--Certain Restrictions on Purchase or Transfer of Shares After Conversion" and "Restrictions on Acquisition of the Company and the Bank."

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LIQUIDATION RIGHTS

In the unlikely event of a complete liquidation of the Bank in its present mutual form, each depositor would have a claim to receive their pro rata share of any assets of the Bank remaining after payment of claims of all creditors (including the claims of all depositors to the withdrawal value of their accounts). To the extent there are remaining assets, a depositor would have a claim to receive a pro rata share of any such remaining assets in the same proportion as the value of such depositor's deposit accounts to the total value of all deposit accounts in the Bank at the time of liquidation. After the Conversion, each depositor, in the event of a complete liquidation, would have a claim as a creditor of the same general priority as the claims of all other general creditors of the Bank. However, except as described below, their claim would be solely in the amount of the balance in their deposit account plus accrued interest. Such depositor would not have an interest in the value or assets of the Bank above that amount.

The Plan provides for the establishment, upon the completion of the Conversion, of a special "liquidation account" for the benefit of Eligible Account Holders and Supplemental Eligible Account Holders in an amount equal to the surplus and reserves of the Bank as of the date of its latest balance sheet contained in the final Prospectus used in connection with the Conversion. Such liquidation account will not be reflected as an asset or liability on the Company's or the Bank's financial statements subsequent to the Conversion. Eligible Account Holders and Supplemental Eligible Account Holders, if they were to continue to maintain their deposit account at the Bank, would, on a complete liquidation of the Bank, have a claim to an interest in the liquidation account after payment of all creditors prior to any payment to the stockholders of the Bank. Each Eligible Account Holder and Supplemental Eligible Account Holder would have an initial interest in such liquidation account for each deposit account, demand account, NOW account, money market deposit account, and certificate of deposit account, with a balance of \$100 or more held in the Bank on July 31, 1996 and December 31, 1997, respectively ("Deposit Account"). Each Eligible Account Holder and Supplemental Eligible Account Holder will have a claim to a pro rata interest in the total liquidation account for each of his Deposit Accounts based on the proportion that the balance of each such Deposit Account on the July 31, 1996 eligibility record date or the December 31, 1997 Supplemental Eligibility Record Date bore to the balance of all qualifying deposits of all Eligible Account Holders and Supplemental Eligible Account Holders on such date.

If, however, at the close of business on the last day of any period for which the Bank or Company has prepared audited financial statements subsequent to the effective date of the Conversion ("annual closing date"), the amount in any deposit account is less than the amount in such deposit account on any other annual closing date, then such person's interest in the liquidation account relating to such deposit account would be reduced from time to time by the proportion of any such reduction, and such interest will cease to exist if such deposit account is withdrawn or closed. For purposes of the liquidation account, time deposit accounts shall be deemed to be closed upon maturity regardless of any renewal thereof. In addition, no interest in the liquidation account would ever be increased despite any subsequent increase in the related deposit account. Any assets remaining after the above liquidation rights of Eligible Account Holders and Supplemental Eligible Account Holders are satisfied would be distributed to the Company as the sole stockholder of the Bank.

TAX ASPECTS

Consummation of the Conversion is expressly conditioned upon the receipt by the Bank of either a favorable ruling from the IRS or an opinion of counsel with respect to federal income taxation, and an opinion of its independent auditors with respect to certain Illinois state taxation, to the effect that the

Conversion will not be a taxable transaction to the Company, the Bank, Eligible Account Holders or Supplemental Eligible Account Holders, except as noted below. The federal and Illinois tax consequences will remain unchanged in the event that a holding company form of organization is not utilized.

No private ruling has been requested from the IRS with respect to the proposed Conversion. Instead, the Bank has received an opinion of its counsel, Muldoon, Murphy & Faucette, which has been filed with the SEC as an exhibit to the Company's Registration Statement to the effect that for federal income tax purposes, among other matters: (i) the Bank's change in form from mutual to stock ownership will constitute a reorganization under section 368(a)(1)(F) of the Internal Revenue Code and neither the Bank nor the Company will recognize any gain or loss as a result of the Conversion; (ii) no gain or loss will be recognized by the Bank or the Company upon the purchase of the Bank's capital

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stock by the Company or by the Company upon the purchase of its Common Stock in the Conversion; (iii) no gain or loss will be recognized by Eligible Account Holders or Supplemental Eligible Account Holders upon the issuance to them of deposit accounts in the Bank in its stock form plus their interests in the liquidation account in exchange for their deposit accounts in the Bank; (iv) the tax basis of the depositors' deposit accounts in the Bank immediately after the Conversion will be the same as the basis of their deposit accounts immediately prior to the Conversion; (v) the tax basis of each Eligible Account Holder's or Supplemental Eligible Account Holder's interest in the liquidation account will be zero; (vi) no gain or loss will be recognized by Eligible Account Holders or Supplemental Eligible Account Holders upon the distribution to them of nontransferable subscription rights to purchase shares of the Common Stock, provided that the amount to be paid for the Common Stock is equal to the fair market value of such stock; and (vii) the tax basis to the stockholders of the Common Stock of the Company purchased in the Conversion will be the amount paid therefor and the holding period for the shares of Common Stock purchased by such persons will begin on the date on which their subscription rights are exercised. KPMG Peat Marwick LLP has opined, subject to the limitations and qualifications in its opinion, that: the foregoing tax effects of the Conversion under Illinois law are substantially the same as they are under Federal law. Certain portions of both the Federal and the state tax opinions are based upon the opinion of FinPro that subscription rights issued in connection with the Conversion will have no value.

In the opinion of FinPro, which opinion is not binding on the IRS, the subscription rights do not have any value, based on the fact that such rights are acquired by the recipients without cost, are nontransferable and of short duration, and afford the recipients the right only to purchase the Common Stock at a price equal to its estimated fair market value, which will be the same price as the Purchase Price for the unsubscribed shares of Common Stock. If the subscription rights granted to eligible subscribers are deemed to have an ascertainable value, such recipients could be taxed either on the receipt or exercise of such subscription rights.

Unlike private rulings, an opinion of counsel is not binding on the IRS and the IRS could disagree with conclusions reached therein. In the event of such disagreement, there can be no assurance that the IRS would not prevail in a judicial or administrative proceeding.

CERTAIN RESTRICTIONS ON PURCHASE OR TRANSFER OF SHARES AFTER CONVERSION

All shares of Common Stock purchased in connection with the Conversion by a Director or an executive officer of the Bank or Company will be subject to a restriction that the shares not be sold for a period of one year following the Conversion, except in the event of the death of such Director or executive officer. Each certificate for such restricted shares will bear a legend giving notice of this restriction on transfer, and instructions will be issued to the effect that any transfer within such time period of any certificate or record ownership of such shares other than as provided above is a violation of such restriction. Any shares of Common Stock issued at a later date as a stock dividend, stock split, or otherwise, with respect to such restricted stock will be subject to the restriction that they may not be sold for a period of one year following the Conversion. The Directors and executive officers of the Bank or Company will also be subject to the insider trading rules promulgated pursuant to the Exchange Act.

Purchases of outstanding shares of Common Stock of the Company by Directors, executive officers (or any person who was an executive officer or Director of the Bank after adoption of the Plan of Conversion) and their associates during the three-year period following Conversion may be made only through a broker or dealer registered with the SEC, except with the prior written approval of the Commissioner. This restriction does not apply, however, to the purchase of Common Stock pursuant to the Stock Program or Stock Option Plan.

INTERPRETATION, AMENDMENT AND TERMINATION

All interpretations of the Plan by the Board of Directors of the Bank will be final, subject to the authority of the Commissioner and FDIC. The Plan

provides that, if deemed necessary or desirable by the Board of Directors of the Bank and upon notification to the Commissioner, the Plan may be substantively amended or terminated by the Board of Directors prior to approval by the Commissioner and the solicitation of proxies from members; amendment or termination of the Plan thereafter requires the approval of the Commissioner and FDIC. The Plan will terminate if the Offerings are not completed within 12 months of the date of the Special Meeting, subject to further extension by the Commissioner.

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RESTRICTIONS ON ACQUISITION OF THE COMPANY AND THE BANK

GENERAL

The Bank's Plan of Conversion provides for the Conversion of the Bank from the mutual to the stock form of organization and, in connection therewith, new Articles of Incorporation and Bylaws to be adopted by members of the Bank eligible to vote at the Special Meeting. The Plan also provides for the concurrent formation of a holding company. See "The Conversion--General." As described below and elsewhere herein, certain provisions in the Company's Certificate of Incorporation and Bylaws and in its management remuneration provided for in the Conversion, together with provisions of Delaware corporate law, may have anti-takeover effects. In addition, the Bank's Articles of Incorporation and Bylaws and management remuneration provided for in the Conversion may also have anti-takeover effects. Finally, regulatory restrictions may make it difficult for persons or companies to acquire control of either the Company or the Bank.

RESTRICTIONS IN THE COMPANY'S CERTIFICATE OF INCORPORATION AND BYLAWS

GENERAL. A number of provisions of the Company's Certificate of Incorporation and Bylaws deal with matters of corporate governance and certain rights of stockholders. The following discussion is a general summary of certain provisions of the Company's Certificate of Incorporation and Bylaws and certain other statutory and regulatory provisions relating to stock ownership and transfers, the Board of Directors and business combinations, which might be deemed to have a potential "anti-takeover" effect. These provisions may have the effect of discouraging a future takeover attempt which is not approved by the Board of Directors but which individual Company stockholders may deem to be in their best interests or in which stockholders may receive a substantial premium for their shares over then current market prices. As a result, stockholders who might desire to participate in such a transaction may not have an opportunity to do so. Such provisions will also render the removal of the current Board of Directors or management of the Company more difficult. The following description of certain of the provisions of the Certificate of Incorporation and Bylaws of the Company is necessarily general and reference should be made in each case to such Certificate of Incorporation and Bylaws, which are incorporated herein by reference. See "Additional Information" as to how to obtain a copy of these documents.

LIMITATION ON VOTING RIGHTS. The Certificate of Incorporation of the Company provides that in no event shall any record owner of any outstanding Common Stock which is beneficially owned, directly or indirectly, by a person who beneficially owns in excess of 10% of the then outstanding shares of Common Stock (the "Limit") be entitled or permitted to any vote in respect of the shares held in excess of the Limit. Beneficial ownership is determined pursuant to Rule 13d-3 of the General Rules and Regulations promulgated pursuant to the Exchange Act, and includes shares beneficially owned by such person or any of his affiliates (as defined in the Certificate of Incorporation), shares which such person or his affiliates have the right to acquire pursuant to any agreement, arrangement or understanding or upon the exercise of conversion rights, exchange rights, warrants or options or otherwise and shares as to which such person and his affiliates have sole or shared voting or investment power, but shall not include shares that are subject to a publicly solicited revocable proxy and that are not otherwise deemed to be beneficially owned by such person and his affiliates. No Director or officer (or any affiliate thereof) of the Company shall, solely by reason of any or all of such Directors or officers acting in their capacities as such, be deemed to beneficially own any shares beneficially owned by any other Director or officer (or affiliate thereof) nor will the ESOP or any similar plan of the Company or the Bank or any director with respect thereto (solely by reason of such director's capacity) be deemed to beneficially own any shares held under any such plan. The Certificate of Incorporation of the Company further provides that the provisions limiting voting rights may only be amended upon the vote of the holders of at least 80% of the voting power of all then outstanding shares of capital stock entitled to vote thereon (after giving effect to the provision limiting voting rights).

BOARD OF DIRECTORS. The Board of Directors of the Company is divided into three classes, each of which shall contain approximately one-third of the whole number of the members of the Board. Each class shall serve a staggered term, with approximately one-third of the total number of Directors being elected each year. The Company's Certificate of Incorporation and Bylaws provide that the size of the Board shall be determined by a majority of the Whole Board of Directors. The Certificate of Incorporation and the Bylaws provide that any

vacancy occurring in the Board, including a vacancy created by an increase in the number of Directors or resulting from death, resignation, retirement, disqualification, removal from office or other cause, shall be filled for the remainder of the unexpired term exclusively

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by a majority vote of the Directors then in office. The classified Board is intended to provide for continuity of the Board of Directors and to make it more difficult and time consuming for a stockholder group to fully use its voting power to gain control of the Board of Directors without the consent of the incumbent Board of Directors of the Company. Directors may be removed by the shareholders only for cause by the affirmative vote of the holders of at least 80% of the voting power of all then outstanding shares of capital stock entitled to vote thereon.

In the absence of these provisions, the vote of the holders of a majority of the shares could remove the entire Board, with or without cause, and replace it with persons of such holders choice.

CUMULATIVE VOTING, SPECIAL MEETINGS AND ACTION BY WRITTEN CONSENT. The Certificate of Incorporation does not provide for cumulative voting for any purpose. Moreover, special meetings of stockholders of the Company may be called only by a resolution adopted by a majority of the Whole Board of Directors of the Company. The Certificate of Incorporation also provides that any action required or permitted to be taken by the stockholders of the Company may be taken only at an annual or special meeting and prohibits stockholder action by written consent in lieu of a meeting.

AUTHORIZED SHARES. The Certificate of Incorporation authorizes the issuance of 25 million shares of Common Stock and two million shares of preferred stock. The shares of Common Stock and preferred stock were authorized in an amount greater than that to be issued in the Conversion to provide the Company's Board of Directors with as much flexibility as possible to effect, among other transactions, financings, acquisitions, stock dividends, stock splits and employee stock options. However, these additional authorized shares may also be used by the Board of Directors consistent with its fiduciary duty to deter future attempts to gain control of the Company. The Board of Directors also has sole authority to determine the terms of any one or more series of preferred stock, including voting rights, conversion rates, and liquidation preferences. As a result of the ability to fix voting rights for a series of preferred stock, the Board has the power to the extent consistent with its fiduciary duty to issue a series of preferred stock to persons friendly to management in order to attempt to block a post-tender offer merger or other transaction by which a third party seeks control, and thereby assist management to retain its position. The Company's Board currently has no plans for the issuance of additional shares, other than the issuance of shares in the Conversion, including shares contributed to the Foundation, and the issuance of additional shares upon exercise of stock options.

STOCKHOLDER VOTE REQUIRED TO APPROVE BUSINESS COMBINATIONS WITH INTERESTED STOCKHOLDERS. The Certificate of Incorporation requires the approval of the holders of at least 80% of the Company's outstanding shares of voting stock entitled to vote thereon to approve certain "Business Combinations" with an "Interested Stockholder," each as defined therein, and related transactions. Under Delaware law, absent this provision, business combinations, including mergers, consolidations and sales of all or substantially all of the assets of a corporation must, subject to certain exceptions, be approved by the vote of the holders of only a majority of the outstanding shares of Common Stock of the Company and any other affected class of stock. Under the Certificate of Incorporation, the approval of the holders of at least 80% of the shares of capital stock entitled to vote thereon is required for any business combination involving an Interested Stockholder (as defined below) except (i) in cases where the proposed transaction has been approved by a majority of those members of the Company's Board of Directors who are unaffiliated with the Interested Stockholder and were Directors prior to the time when the Interested Stockholder became an Interested Stockholder or (ii) if the proposed transaction meets certain conditions set forth therein which are designed to afford the stockholders a fair price in consideration for their shares. In each such case, where stockholder approval is required, the approval of only a majority of the outstanding shares of voting stock is sufficient. The term "Interested Stockholder" is defined to include, among others, any individual, a group acting in concert, corporation, partnership, association or other entity (other than the Company or its subsidiary) who or which is the beneficial owner, directly or indirectly, of 10% or more of the outstanding shares of voting stock of the Company. This provision of the Certificate of Incorporation applies to any "Business Combination," which is defined to include: (i) any merger or consolidation of the Company or any of its subsidiaries with any Interested Stockholder or Affiliate (as defined in the Certificate of Incorporation) of an Interested Stockholder or any corporation which is, or after such merger or consolidation would be, an Affiliate of an Interested Stockholder; (ii) any sale, lease, exchange, mortgage, pledge, transfer, or other disposition to or with any Interested Stockholder or Affiliate of 25% or more of the assets of the Company or combined assets of the Company and its subsidiary; (iii) the issuance or transfer to any Interested Stockholder or its Affiliate by the Company (or

any subsidiary) of any securities of the Company (or any subsidiary) in exchange for any cash, securities or other property the value of which equals or exceeds 25% of the fair market value of the Common Stock of the Company; (iv) the

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adoption of any plan for the liquidation or dissolution of the Company proposed by or on behalf of any Interested Stockholder or Affiliate thereof; and (v) any reclassification of securities, recapitalization, merger or consolidation of the Company with any of its subsidiaries which has the effect of increasing the proportionate share of Common Stock or any class of equity or convertible securities of the Company or subsidiary owned directly or indirectly, by an Interested Stockholder or Affiliate thereof. The Directors and executive officers of the Bank are purchasing in the aggregate approximately 5.0% of the shares of the Common Stock based on the maximum of the Estimated Price Range. In addition, the ESOP intends to purchase 8% of the Common Stock issued in connection with the Conversion, including shares issued to the Foundation. Additionally, the Company expects to acquire 4% of the Common Stock issued in connection with the Conversion, including shares issued to the Foundation, on behalf of the Stock Program and expects to grant options to issue an amount equal to 10% of the Common Stock issued in connection with the Conversion, including shares issued to the Foundation, under the Stock Option Plan to directors and executive officers. As a result, Directors, executive officers and employees have the potential to control the voting of approximately 24.2% of the Company's Common Stock on a fully diluted basis at the maximum of the Estimated Price Range, thereby enabling them to prevent the approval of the transactions requiring the approval of at least 80% of the Company's outstanding shares of voting stock described herein above.

EVALUATION OF OFFERS. The Certificate of Incorporation of the Company further provides that the Board of Directors of the Company, when evaluating any offer of another "Person" (as defined therein), to (i) make a tender or exchange offer for any equity security of the Company, (ii) merge or consolidate the Company with another corporation or entity or (iii) purchase or otherwise acquire all or substantially all of the properties and assets of the Company, may, in connection with the exercise of its judgment in determining what is in the best interest of the Company and the stockholders of the Company, give due consideration to all relevant factors, including, without limitation, those factors that directors of any subsidiary (including the Bank) may consider in evaluating any action that may result in a change or potential change of control of such subsidiary, and the social and economic effects of acceptance of such offer on: the Company's present and future customers and employees and those of its subsidiaries (including the Bank); the communities in which the Company and the Bank operate or are located; the ability of the Company to fulfill its corporate objectives as a bank holding company; and the ability of the Bank to fulfill the objectives of a stock savings bank under applicable statutes and regulations. By having these standards in the Certificate of Incorporation of the Company, the Board of Directors may be in a stronger position to oppose such a transaction if the Board concludes that the transaction would not be in the best interest of the Company, even if the price offered is significantly greater than the then market price of any equity security of the Company.

AMENDMENT OF CERTIFICATE OF INCORPORATION AND BYLAWS. Amendments to the Company's Certificate of Incorporation must be approved by a majority vote of its Board of Directors and also by a majority of the outstanding shares of its voting stock, provided, however, that an affirmative vote of the holders of at least 80% of the outstanding voting stock entitled to vote (after giving effect to the provision limiting voting rights) is required to amend or repeal certain provisions of the Certificate of Incorporation, including the provision limiting voting rights, the provisions relating to approval of certain business combinations, calling special meetings, the number and classification of Directors, Director and officer indemnification by the Company and amendment of the Company's Bylaws and Certificate of Incorporation. The Company's Bylaws may be amended by a majority of the Whole Board of Directors, or by a vote of the holders of at least 80% (after giving effect to the provision limiting voting rights) of the total votes eligible to be voted at a duly constituted meeting of stockholders.

CERTAIN BYLAW PROVISIONS. The Bylaws of the Company also require a stockholder who intends to nominate a candidate for election to the Board of Directors, or to raise new business at an annual stockholder meeting to give at least 90 days' advance notice to the Secretary of the Company. The notice provision requires a stockholder who desires to raise new business to provide certain information to the Company concerning the nature of the new business, the stockholder and the stockholder's interest in the business matter. Similarly, a stockholder wishing to nominate any person for election as a Director must provide the Company with certain information concerning the nominee and the proposing stockholder.

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ANTI-TAKEOVER EFFECTS OF THE COMPANY'S CERTIFICATE OF INCORPORATION AND BYLAWS
AND MANAGEMENT REMUNERATION ADOPTED IN CONVERSION

The provisions described above are intended to reduce the Company's vulnerability to takeover attempts and certain other transactions which have not been negotiated with and approved by members of its Board of Directors. Certain provisions of the Stock Option Plan and Stock Program provide for accelerated benefits to participants in the event of a change in control of the Company or the Bank or a tender or exchange offer for their stock. See "Management of the Bank--Benefit Plans--Stock Option Plan," and "--Benefit Plans--Stock Program." The Company and the Bank have also entered into agreements with key officers and intends to establish the Severance Compensation Plan which will provide such officers and eligible employees with additional payments and benefits on the officer's termination in connection with a change in control of the Company or the Bank. See "Management of the Bank-- Employment Agreements," "--Change in Control Agreements" and "--Employee Severance Compensation Plan." The foregoing provisions and limitations may make it more difficult for companies or persons to acquire control of the Bank. Additionally, the provisions could deter offers to acquire the outstanding shares of the Company which might be viewed by stockholders to be in their best interests.

The Company's Board of Directors believes that the provisions of the Certificate of Incorporation and Bylaws are in the best interest of the Company and its stockholders. An unsolicited non-negotiated takeover proposal can seriously disrupt the business and management of a corporation and cause it great expense. Accordingly, the Board of Directors believes it is in the best interests of the Company and its stockholders to encourage potential acquirors to negotiate directly with management and that these provisions will encourage such negotiations and discourage non-negotiated takeover attempts.

DELAWARE CORPORATE LAW

The State of Delaware has a statute designed to provide Delaware corporations with additional protection against hostile takeovers. The takeover statute, which is codified in Section 203 of the Delaware General Corporate Law ("Section 203"), is intended to discourage certain takeover practices by impeding the ability of a hostile acquiror to engage in certain transactions with the target company.

In general, Section 203 provides that a "Person" (as defined therein) who owns 15% or more of the outstanding voting stock of a Delaware corporation (an "Interested Stockholder") may not consummate a merger or other business combination transaction with such corporation at any time during the three-year period following the date such "Person" became an Interested Stockholder. The term "business combination" is defined broadly to cover a wide range of corporate transactions including mergers, sales of assets, issuances of stock, transactions with subsidiaries and the receipt of disproportionate financial benefits.

The statute exempts the following transactions from the requirements of Section 203: (i) any business combination if, prior to the date a person became an Interested Stockholder, the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an Interested Stockholder; (ii) any business combination involving a person who acquired at least 85% of the outstanding voting stock in the transaction in which he became an Interested Stockholder, excluding, for purposes of determining the number of shares outstanding, shares owned by the corporation's directors who are also officers and certain employee stock plans; (iii) any business combination with an Interested Stockholder that is approved by the board of directors and by a two-thirds vote of the outstanding voting stock not owned by the Interested Stockholder; and (iv) certain business combinations that are proposed after the corporation had received other acquisition proposals and which are approved or not opposed by a majority of certain continuing members of the board of directors. A corporation may exempt itself from the requirements of the statute by adopting an amendment to its certificate of incorporation or bylaws electing not to be governed by Section 203. At the present time, the Board of Directors does not intend to propose any such amendment.

RESTRICTIONS IN THE BANK'S NEW ARTICLES OF INCORPORATION AND BYLAWS

Although the Board of Directors of the Bank is not aware of any effort that might be made to obtain control of the Bank after Conversion, the Board of Directors believes that it is appropriate to adopt certain provisions permitted by the ISBA and rules and regulations of the Commissioner to protect the interests of the converted Bank and its

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stockholders from any hostile takeover. Such provisions may, indirectly, inhibit a change in control of the Company, as the Bank's sole stockholder. See "Risk Factors--Certain Anti-Takeover Provisions."

The Bank's Articles of Incorporation will contain a provision whereby the acquisition of beneficial ownership of more than 10% of the issued and outstanding shares of any class of equity securities of the Bank by any person (i.e., any individual, corporation, group acting in concert, trust, partnership, joint stock company or similar organization), either directly or through an

affiliate thereof, will be prohibited for a period of five years following the date of completion of the Conversion. Any stock in excess of 10% acquired in violation of the charter provision will not be counted as outstanding for voting purposes. This limitation shall not apply to any transaction in which the Bank forms a holding company without a change in the respective beneficial ownership interests of its stockholders other than pursuant to the exercise of any dissenter or appraisal rights. In the event that holders of revocable proxies for more than 10% of the shares of the Common Stock of the Company seek, among other things, to elect one-third or more of the Company's Board of Directors, to cause the Company's stockholders to approve the acquisition or corporate reorganization of the Company or to exert a continuing influence on a material aspect of the business operations of the Company, which actions could indirectly result in a change in control of the Bank, the Board of Directors of the Bank will be able to assert this provision of the Bank's Articles of Incorporation against such holders. Although the Board of Directors of the Bank is not currently able to determine when and if it would assert this provision of the Bank's Articles of Incorporation, the Board of Directors, in exercising its fiduciary duty, may assert this provision if it were deemed to be in the best interests of the Bank, the Company and its stockholders. It is unclear, however, whether this provision, if asserted, would be successful against such persons in a proxy contest which could result in a change in control of the Bank indirectly through a change in control of the Company.

In addition, stockholders will not be permitted to call a special meeting of stockholders or to cumulate their votes in the election of Directors. Furthermore, the Bank's Bylaws provide for the election of three classes of directors to staggered terms. The staggered terms of the Board of Directors could have an anti-takeover effect by making it more difficult for a majority of shares to force an immediate change in the Board of Directors since only one-third of the Board is elected each year. The purpose of these provisions is to assure stability and continuity of management of the Bank in the years immediately following the Conversion.

Finally, the Articles of Incorporation provide for the issuance of shares of preferred stock on such terms, including conversion and voting rights, as may be determined by the Bank's Board of Directors without stockholder approval. Although the Bank has no arrangements, understandings or plans at the present time for the issuance or use of the shares of undesignated preferred stock (the "Preferred Stock") proposed to be authorized, the Board of Directors believes that the availability of such shares will provide the Bank with increased flexibility in structuring possible future financings and acquisitions and in meeting other corporate needs which may arise. In the event of a proposed merger, tender offer or other attempt to gain control of the Bank of which management does not approve, it might be possible for the Board of Directors to authorize the issuance of one or more series of Preferred Stock with rights and preferences which could impede the completion of such a transaction. An effect of the possible issuance of such Preferred Stock, therefore, may be to deter a future takeover attempt. The Board of Directors does not intend to issue any Preferred Stock except on terms which the Board deems to be in the best interest of the Bank and its then existing stockholders.

REGULATORY RESTRICTIONS

OTS REGULATIONS. The OTS, pursuant to the Change in Bank Control Act, requires all persons seeking control of a savings institution and, therefore, indirectly its holding company, to obtain regulatory approval prior to offering to obtain control. The Change in Bank Control Act generally provides that no "person," acting directly or indirectly or through or in concert with one or more other persons, may acquire directly or indirectly "control," as that term is defined in OTS regulations, of an OTS-regulated savings and loan holding company without giving at least 60 days' written notice to the OTS and providing the OTS an opportunity to disapprove the proposed acquisition. Such acquisitions of control may be disapproved if it is determined, among other things, that (i) the acquisition would substantially less competition; (ii) the financial condition of the acquiring person might jeopardize the financial stability of the savings institution or prejudice the interests of its depositors; or (iii) the competency, experience or integrity of the acquiring person or the proposed management personnel indicates that it would not be in the interest of the depositors or the public to permit the acquisition of control by such person. Such change in control restrictions on the

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acquisition of holding company stock are not limited to a set time period but will apply for as long as the regulations are in effect. Persons holding revocable or irrevocable proxies may be deemed to be beneficial owners of such securities under OTS regulations and therefore prohibited from voting all or the portion of such proxies in excess of the 10% aggregate beneficial ownership limit. Such regulatory restrictions may prevent or inhibit proxy contests for control of the Company or the Bank which have not received prior regulatory approval.

ILLINOIS CHANGE IN CONTROL REGULATIONS. Prior approval of the Commissioner is also required before any action is taken that causes any "person," as the term is defined in the regulations, to acquire direct or indirect control of a

banking institution. Control is presumed to exist if any person directly or indirectly owns, controls or holds with power to vote 10% or more of the voting stock of a savings bank or of any company that owns, controls or holds with power to vote 10% or more of the voting stock of a savings bank. Accordingly, prior approval of the Commissioner would be required before any company could acquire 10% or more of the Common Stock of the Company.

FRB REGULATIONS. In the event the Bank does not qualify to be a QTL, attempts to acquire control of the Bank become subject to regulations of the FRB under the Change in Bank Control Act.

DESCRIPTION OF CAPITAL STOCK
OF THE COMPANY

GENERAL

The Company is authorized to issue 25 million shares of Common Stock having a par value of \$.01 per share and two million shares of preferred stock having a par value of \$.01 per share (the "Preferred Stock"). Based on the sale of Common Stock in connection with the Conversion and issuance of authorized but unissued Common Stock in an amount equal to 8% of the Common Stock sold in the Conversion to the Foundation, the Company currently expects to issue up to 7,491,434 shares of Common Stock (based on the maximum of the Estimated Price Range, as adjusted by 15%) and no shares of Preferred Stock in the Conversion. Except for shares issued in connection with the Conversion, the Company presently does not have plans to issue Common Stock. Each share of the Company's Common Stock will have the same relative rights as, and will be identical in all respects with, each other share of Common Stock. Upon payment of the Actual Purchase Price for the Common Stock, in accordance with the Plan of Conversion, all such stock will be duly authorized, fully paid and nonassessable.

THE COMMON STOCK OF THE COMPANY WILL REPRESENT NONWITHDRAWABLE CAPITAL, WILL NOT BE AN ACCOUNT OF AN INSURABLE TYPE, AND WILL NOT BE INSURED BY THE FDIC.

COMMON STOCK

DIVIDENDS. The Company can pay dividends out of statutory surplus or from certain net profits if, as and when declared by its Board of Directors. The payment of dividends by the Company is subject to limitations which are imposed by law and applicable regulations. See "Dividend Policy" and "Regulation and Supervision." The holders of Common Stock of the Company will be entitled to receive and share equally in such dividends as may be declared by the Board of Directors of the Company out of funds legally available therefor. If the Company issues Preferred Stock, the holders thereof may have a priority over the holders of the Common Stock with respect to dividends.

VOTING RIGHTS. Upon the Conversion, the holders of Common Stock of the Company will possess exclusive voting rights in the Company. They will elect the Company's Board of Directors and act on such other matters as are required to be presented to them under Delaware law or as are otherwise presented to them by the Board of Directors. Except as discussed in "Restrictions on Acquisition of the Company and the Bank," each holder of Common Stock will be entitled to one vote per share. Stockholders will not have any right to cumulate votes in the election of Directors. If the Company issues Preferred Stock, holders of the Preferred Stock may also possess voting rights. Certain matters require an 80% stockholder vote (after giving effect to the provision limiting voting rights). See "Restrictions on Acquisition of the Company and the Bank."

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As an Illinois-chartered mutual savings bank, corporate powers and control of the Bank are vested in its Board of Directors, who elect the officers of the Bank and who fill any vacancies on the Board of Directors as it exists upon Conversion. Subsequent to Conversion, voting rights will be vested exclusively in the owners of the shares of capital stock of the Bank, which will be the Company, and voted at the direction of the Company's Board of Directors. Consequently, the holders of the Common Stock will not have direct control of the Bank.

LIQUIDATION. In the event of any liquidation, dissolution or winding up of the Bank, the Company, as holder of the Bank's capital stock would be entitled to receive, after payment or provision for payment of all debts and liabilities of the Bank (including all deposit accounts and accrued interest thereon) and after distribution of the balance in the special liquidation account to Eligible Account Holders and Supplemental Eligible Account Holders (see "The Conversion--Liquidation Rights"), all assets of the Bank available for distribution. In the event of liquidation, dissolution or winding up of the Company, the holders of its Common Stock would be entitled to receive, after

payment or provision for payment of all of its debts and liabilities, all of the assets of the Company available for distribution. If Preferred Stock is issued, the holders thereof may have a priority over the holders of the Common Stock in the event of liquidation or dissolution.

PREEMPTIVE RIGHTS; REDEMPTION. Holders of the Common Stock of the Company will not be entitled to preemptive rights with respect to any shares which may be issued. The Common Stock is not subject to redemption.

INDEMNIFICATION AND LIMIT ON LIABILITY. The Company's Certificate of Incorporation contains provisions which limit the liability of directors, officers and employees of the Company and indemnify such individuals. Such provisions provide that each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or officer of the Company shall be indemnified and held harmless by the Company to the fullest extent authorized by the Delaware General Corporation Law against all expense, liability and loss reasonably incurred. Under certain circumstances, the right to indemnification shall include the right to be paid by the Company the expenses incurred in defending any such proceeding in advance of its final disposition. In addition, a Director of the Company shall not be personally liable to the Company or its stockholders for monetary damages except for liability for any breach of the duty of loyalty, for acts or omissions not in good faith or which involve intentional misconduct or knowing violation of the law, under Section 174 of the Delaware General Corporation, or for any transaction from which the Director derived an improper personal benefit.

PREFERRED STOCK

None of the shares of the Company's authorized Preferred Stock will be issued in the Conversion. Such stock may be issued with such designations, powers, preferences and rights as the Board of Directors may from time to time determine. The Board of Directors can, without stockholder approval, issue Preferred Stock with voting, dividend, liquidation and conversion rights which could dilute the voting strength of the holders of the Common Stock and may assist management in impeding an unfriendly takeover or attempted change in control. The Company presently does not have plans to issue Preferred Stock.

DESCRIPTION OF CAPITAL STOCK OF THE BANK

GENERAL

In the event the holding company form of organization is not utilized in connection with the Conversion, the Bank may offer shares of its common stock in connection with the Conversion. The following is a discussion of the capital stock of the Bank.

The Articles of Incorporation of the Bank, to be effective upon the Conversion, authorize the issuance of capital stock consisting of 25 million shares of common stock, par value \$0.01 per share, and two million shares of preferred stock, par value \$0.01 per share, which preferred stock may be issued in series and classes having such rights, preferences, privileges and restrictions as the Board of Directors may determine. Each share of common stock of the Bank will have the same relative rights as, and will be identical in all respects with, each other share of common stock. After the Conversion, the Board of Directors will be authorized to approve the issuance of common stock up to the

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amount authorized by the Articles of Incorporation without the approval of the Bank's stockholders. Assuming that the holding company form of organization is utilized, all of the issued and outstanding common stock of the Bank will be held by the Company as the Bank's sole stockholder. THE CAPITAL STOCK OF THE BANK WILL REPRESENT NON-WITHDRAWABLE CAPITAL, WILL NOT BE AN ACCOUNT OF AN INSURABLE TYPE, AND WILL NOT BE INSURED BY THE FDIC.

COMMON STOCK

DIVIDENDS. The holders of the Bank's common stock will be entitled to receive and to share equally in such dividends as may be declared by the Board of Directors of the Bank out of funds legally available therefor. See "Dividend Policy" for certain restrictions on the payment of dividends and "Federal and State Taxation--Federal Taxation" for a discussion of the consequences of the payment of cash dividends from income appropriated to bad debt reserves.

VOTING RIGHTS. Immediately after the Conversion, the holders of the Bank's common stock will possess exclusive voting rights in the Bank. Each holder of shares of common stock will be entitled to one vote for each share held. Shareholders shall not be entitled to cumulate their votes for the election of directors. See "Restrictions on Acquisition of the Company and the Bank--Anti-Takeover Effects of the Company's Certificate of Incorporation and Bylaws and Management Remuneration Adopted in Conversion."

LIQUIDATION. In the event of any liquidation, dissolution, or winding up of the Bank, the holders of common stock will be entitled to receive, after payment of all debts and liabilities of the Bank (including all deposit accounts and accrued interest thereon), and distribution of the balance in the special liquidation account to Eligible Account Holders and Supplemental Eligible Account Holders, all assets of the Bank available for distribution in cash or in kind. If additional preferred stock is issued subsequent to the Conversion, the holders thereof may also have priority over the holders of common stock in the event of liquidation or dissolution.

PREEMPTIVE RIGHTS; REDEMPTION. Holders of the common stock of the Bank will not be entitled to preemptive rights with respect to any shares of the Bank which may be issued. Upon receipt by the Bank of the full specified purchase price therefor, the common stock will be fully paid and non-assessable.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Stock is Lasalle National Bank.

EXPERTS

The consolidated financial statements of the Bank and its subsidiaries as of December 31, 1996 and 1995 and for each of the years in the three-year period ended December 31, 1996, have been included herein in reliance upon the report of KPMG Peat Marwick LLP, independent certified public accountants, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

FinPro, Inc. has consented to the publication herein of the summary of its report to the Bank and Company setting forth its opinion as to the estimated pro forma market value of the Common Stock upon Conversion and its opinion with respect to subscription rights.

LEGAL AND TAX OPINIONS

The legality of the Common Stock and the federal income tax consequences of the Conversion will be passed upon for the Bank and Company by Muldoon, Murphy & Faucette, Washington, D.C., special counsel to the Bank and Company. The federal income tax consequences of Elgin Financial Foundation will be passed upon for the Bank and the Company by KPMG Peat Marwick LLP, independent certified public accountants who have served as the Bank's and the Company's independent tax advisors. Muldoon, Murphy & Faucette will rely as to certain matters of Delaware

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law on the opinion of Morris, Nichols, Arsht & Tunnell. Illinois State income tax consequences will be passed upon by KPMG Peat Marwick LLP. Certain legal matters will be passed upon for Webb by Elias, Matz, Tiernan & Herrick.

ADDITIONAL INFORMATION

The Company has filed with the SEC a registration statement under the Securities Act with respect to the Common Stock offered hereby. As permitted by the rules and regulations of the SEC, this Prospectus does not contain all the information set forth in the registration statement. Such information, including the Conversion Valuation Appraisal Report, which is an exhibit to the Registration Statement, can be examined without charge at the public reference facilities of the SEC located at 450 Fifth Street, N.W., Washington, D.C. 20549, and copies of such material can be obtained from the SEC at prescribed rates. In addition, the SEC maintains a web site (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC, including the Company. The Conversion Valuation Appraisal Report may also be inspected by members of the Bank at the offices of the Bank during normal business hours. This Prospectus contains a description of the material terms and features of all material contracts, reports or exhibits to the registration statement required to be described; however, the statements contained in this Prospectus as to the contents of any contract or other document filed as an exhibit to the registration statement are, of necessity, brief descriptions thereof and are not necessarily complete; each such statement is qualified by reference to such contract or document.

The Bank has filed an application for approval of conversion with the Commissioner and the FDIC. This Prospectus omits certain information contained in that application. The application may be examined at the offices of the

The Company has filed with the Office of Thrift Supervision an Application to Form a Holding Company. This Prospectus omits certain information contained in such Application. Such Application may be inspected at the offices of the OTS, 1700 G Street, N.W., Washington, D.C. 20552. The Company has received conditional approval to have its Common Stock listed on the AMEX under the symbol "EFC" subject to the completion of the Conversion and compliance with certain conditions.

In connection with the Conversion, the Company will register its Common Stock with the SEC under Section 12(b) of the Exchange Act, and, upon such registration, the Company and the holders of its stock will become subject to the proxy solicitation rules, reporting requirements and restrictions on stock purchases and sales by directors, officers and greater than 10% stockholders, the annual and periodic reporting and certain other requirements of the Exchange Act. Under the Plan, the Company has undertaken that it will not terminate such registration for a period of at least three years following the Conversion. In the event that the Bank amends the Plan to eliminate the concurrent formation of the Company as part of the Conversion, the Bank will register its stock with the Federal Deposit Insurance Corporation under Section 12(b) of the Exchange Act and, upon such registration, the Bank and the holders of its stock will become subject to the same obligations and restrictions.

A copy of the Plan of Conversion, Certificate of Incorporation and the Bylaws of the Company and the Articles of Incorporation and Bylaws of the Bank are available without charge from the Bank. The Bank's principal office is located at 1695 Larkin Avenue, Elgin, Illinois and its telephone number is (847) 741-3900.

ELGIN FINANCIAL CENTER, S.B. AND SUBSIDIARIES
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All schedules are omitted because they are not required or applicable, or the required information is shown in the financial statements or notes thereto.

The financial statements of EFC Bancorp, Inc. have been omitted because EFC Bancorp, Inc. has not yet issued any stock, has no assets and no liabilities, and has not conducted any business other than of an organizational nature.

The Board of Directors
Elgin Financial Center, SB:

We have audited the accompanying consolidated balance sheets of Elgin Financial Center, SB and subsidiaries (Savings Bank) as of December 31, 1996 and 1995, and the related consolidated statements of operations, changes in retained earnings, and cash flows for each of the years in the three-year period ended December 31, 1996. These consolidated financial statements are the responsibility of the Savings Bank'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 Elgin Financial Center, SB and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1996 in conformity with generally accepted accounting principles.

/s/ KPMG Peat Marwick LLP

Chicago, Illinois
February 28, 1997, except for notes 9 and 15 as to which the dates are September 9, 1997, and August 12, 1997, respectively

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ELGIN FINANCIAL CENTER, SB
AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 1997 (unaudited) and
December 31, 1996 and 1995

<TABLE>
<CAPTION>

ASSETS	September 30,	December 31,	
	1997	1996	1995
	(unaudited)		
<S>	<C>	<C>	<C>
Cash and cash equivalents:			
On hand and in banks	\$ 2,062,196	1,716,441	1,192,257
Interest bearing deposits with financial institutions	10,525,313	9,236,569	14,160,751
Loans receivable, net	240,657,952	237,678,469	220,936,677
Mortgage-backed securities available-for-sale, at fair value	19,071,013	21,975,429	24,520,254
Investment securities available-for-sale, at fair value	43,270,469	37,543,381	30,707,161
Foreclosed real estate, net of allowance for loss of \$281,836 at December 31, 1995	120,236	66,801	477,087
Stock in Federal Home Loan Bank of Chicago, at cost	2,051,000	2,051,000	1,903,400
Accrued interest receivable	937,920	988,531	959,810
Office properties and equipment, net	5,044,896	4,342,468	3,068,538
Other assets	341,438	310,686	117,047
Total assets	\$ 324,082,433	315,909,775	298,042,982
LIABILITIES AND RETAINED EARNINGS			
Liabilities:			
Savings deposits	263,568,377	253,113,945	248,141,560
Borrowed money	24,000,000	29,000,000	15,000,000
Advance payments by borrowers for taxes and insurance	124,204	431,758	488,324

Income taxes payable	1,635,103	1,453,179	2,135,780
Accrued expenses and other liabilities	3,031,635	2,398,129	4,415,219
Total liabilities	292,359,319	286,397,011	270,180,883
Retained earnings, substantially restricted	31,024,068	28,806,333	26,763,775
Net unrealized gain on securities available-for-sale, net of taxes	699,046	706,431	1,098,324
Total retained earnings	31,723,114	29,512,764	27,862,099
Commitments and contingencies (notes 12 and 13)			
Total liabilities and retained earnings	\$ 324,082,433	315,909,775	298,042,982

</TABLE>

See accompanying notes to consolidated financial statements.

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ELGIN FINANCIAL CENTER, SB
AND SUBSIDIARIES

Consolidated Statements of Changes in Retained Earnings

For the nine months ended September 30, 1997 (unaudited) and
the years ended December 31, 1996, 1995, and 1994

	Retained earnings	Net unrealized gain (loss) on mutual funds and securities available-for-sale, net of taxes	Total
<S>	<C>	<C>	<C>
Balance at December 31, 1993	\$ 21,045,487	(18,023)	21,027,464
Implementation of change in accounting for investment securities, net of taxes	--	1,712,000	1,712,000
Net earnings	2,956,833	--	2,956,833
Change in net unrealized gain (loss) on securities available-for-sale, net of taxes	--	(2,343,977)	(2,343,977)
Balance at December 31, 1994	24,002,320	(650,000)	23,352,320
Net earnings	2,761,455	--	2,761,455
Change in net unrealized gain (loss) on securities available-for-sale, net of taxes	--	1,748,324	1,748,324
Balance at December 31, 1995	26,763,775	1,098,324	27,862,099
Net earnings	2,042,558	--	2,042,558
Change in net unrealized gain (loss) on securities available-for-sale, net of taxes	--	(391,893)	(391,893)
Balance at December 31, 1996	28,806,333	706,431	29,512,764
Net earnings (unaudited)	2,217,735	--	2,217,735
Change in net unrealized gain (loss) on securities available-for-sale, net of taxes (unaudited)	--	(7,385)	(7,385)
Balance at September 30, 1997 (unaudited)	\$ 31,024,068	699,046	31,723,114

</TABLE>

See accompanying notes to consolidated financial statements.

ELGIN FINANCIAL CENTER, SB
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the nine months ended September 30, 1997 and 1996 (unaudited), and
the years ended December 31, 1996, 1995, and 1994

	Nine months ended September 30,		Year ended December 31,		
	1997	1996	1996	1995	1994
	(unaudited)				
<S>	<C>	<C>	<C>	<C>	<C>
Cash flows from operating activities:					
Net earnings	\$ 2,217,735	1,216,142	2,042,558	2,761,455	2,956,833
Adjustments to reconcile net earnings to net cash provided by operating activities:					
Amortization of premiums and discounts, net	(25,297)	(102,550)	(158,823)	(848,384)	(770,313)
Provision for loan losses	194,649	45,000	54,000	72,000	90,000
Provision for loss on foreclosed real estate	--	--	--	--	90,000
Deferred income tax expense (benefit)	101,012	(4,429)	(28,827)	24,467	41,427
Depreciation of office properties and equipment	275,553	254,662	277,040	307,226	191,062
Loss on sale of investment securities available-for-sale	--	--	--	2,500	--
Loss on sale of mutual funds	--	--	--	--	91,495
Gain on sale of foreclosed real estate	(7,915)	(110,884)	(120,694)	(11,603)	--
Federal Home Loan Bank of Chicago stock dividend	--	--	--	(28,700)	--
Decrease (increase) in accrued interest receivable and other assets, net	(100,377)	(73,365)	(222,360)	54,643	(329,216)
Increase (decrease) in income taxes payable, accrued expenses and other liabilities, net	410,703	(441,681)	(2,407,034)	1,126,755	(1,700,202)
Net cash provided by (used in) operating activities	3,066,063	782,895	(564,140)	3,460,359	661,086
Cash flows from investing activities:					
Net increase in loans receivable	(3,174,132)	(14,524,095)	(15,054,037)	(16,195,721)	(22,368,122)
Purchases of loans receivable	--	(1,168,489)	(1,699,164)	(2,399,164)	(5,191,349)
Purchases of mortgage-backed securities available-for-sale	(2,092,886)	(2,550,065)	(2,550,065)	--	(4,100,180)
Principal payments on mortgage-backed securities available-for-sale	5,052,742	3,748,896	5,041,964	4,003,647	5,693,438
Maturities of investment securities available-for-sale	11,134,688	10,111,459	17,149,808	10,500,000	11,000,000
Purchases of investment securities available-for-sale	(16,903,143)	(16,435,445)	(24,595,960)	(11,518,728)	(14,494,375)
Proceeds from sale of investment securities available-for-sale	--	--	--	1,997,500	3,000,000
Purchase of stock in Federal Home Loan Bank of Chicago	--	(147,600)	(147,600)	(8,800)	--
Redemption of stock in Federal Home Loan Bank of Chicago	--	--	--	--	77,900
Purchases of office properties and equipment	(977,981)	(514,867)	(1,550,970)	(1,127,239)	(565,883)
Proceeds from sale of foreclosed real estate	74,716	587,971	597,781	106,359	203,082
Proceeds from sale of mutual funds	--	--	--	--	3,908,506
Net cash used in investing activities	(6,885,996)	(20,892,235)	(22,808,243)	(14,642,146)	(22,836,983)
Cash flows from financing activities:					
Net increase in deposits	10,454,432	534,646	4,972,385	8,718,723	162,589
Proceeds from borrowed money	49,000,000	31,000,000	38,500,000	53,500,000	14,500,000
Repayments on borrowed money	(54,000,000)	(18,000,000)	(24,500,000)	(45,000,000)	(8,000,000)
Net cash provided by financing activities	5,454,432	13,534,646	18,972,385	17,218,723	6,662,589
Net increase (decrease) in cash and cash equivalents	1,634,499	(6,574,694)	(4,399,998)	6,036,936	(15,513,308)
Cash and cash equivalents at beginning of period	10,953,010	15,353,008	15,353,008	9,316,072	24,829,380
Cash and cash equivalents at end of period	\$ 12,587,509	8,778,314	10,953,010	15,353,008	9,316,072
Supplemental disclosures of cash flow information:					
Cash paid during the year for:					
Interest	\$ 9,838,127	9,263,639	12,527,236	11,122,168	9,095,130
Income taxes	941,857	1,300,500	1,447,113	1,425,000	2,100,000
Noncash investing activities -- transfer of loans to foreclosed real estate	120,236	--	66,801	115,188	11,538

ELGIN FINANCIAL CENTER, SB
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

September 30, 1997 (unaudited) December 31, 1996 and 1995

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Effective July 1, 1996, Elgin Federal Financial Center completed its conversion from a federally chartered mutual savings association to a state chartered savings bank and changed its name to Elgin Financial Center, SB (the Savings Bank).

The accounting and reporting policies of the Savings Bank conform to generally accepted accounting principles and to general practice within the banking industry. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and revenues and expenses for the period. Actual results could differ from these estimates.

The following describes the more significant policies which the Savings Bank follows in preparing and presenting its consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Elgin Financial Center, SB and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Savings Bank is principally engaged in the business of attracting deposits and investing these funds, together with borrowings, to originate primarily one-to-four family residential mortgages and construction loans and to purchase securities.

LOANS RECEIVABLE

Loans receivable are stated at unpaid principal balances less deferred loan fees, unearned discounts, and the allowance for loan losses. Premiums and discounts on purchased loans are amortized and accreted to interest income using the level yield method over the remaining period to contractual maturity.

Certain loan origination fees and direct costs associated with loan originations are deferred. Net deferred fees are amortized as yield adjustments over the contractual life of the related loans using the level-yield method.

The allowance for loan losses is provided by charges to operations. The balance of the allowance is based on management's review of the inherent credit risk in the loan portfolio and current economic conditions. Regulatory examiners may require the Savings Bank to recognize additions to the allowance based upon their judgments about information available to them at the time of their examination.

Allowance for losses on specific loans and real estate owned is charged to operations when any permanent decline reduces the market value to less than the loan principal balance or carrying value less estimated costs to sell foreclosed real estate.

Management, considering current information and events regarding the borrower's ability to repay their obligations, considers a loan to be impaired when it is probable that the Savings Bank will be unable to collect all amounts due according to the contractual terms of the note agreement, including principal and interest.

(Continued)

A loan is generally classified as non-accrual when collectibility is in doubt and the loan is contractually past due three months or more. When a loan is placed on non-accrual status, previously accrued, but unpaid interest is reversed against interest income. Income on such loans is subsequently recorded to the extent that cash is received and where future collection of principal is probable. Loans past due three months or more are considered impaired. The amount of impairment for individual loans is measured based on the fair value of the collateral, if the loan is collateral dependent, or alternatively, at the present value of expected future cash flows discounted at the loan's effective interest rate. Certain groups of small balance homogenous loans represented by installment and consumer credit and residential real estate loans are excluded from the impairment provisions. As of and for the nine months ended September 30, 1997 (unaudited) and as of and for the twelve months ended December 31, 1996 and 1995, the Savings Bank did not have any impaired loans, as defined.

INVESTMENT SECURITIES AND MORTGAGE-BACKED SECURITIES

The Savings Bank classifies its investment and mortgage-backed securities in one of three categories: trading, available-for-sale, or held to maturity. Securities which the Savings Bank has the positive intent and ability to hold to maturity are classified as held to maturity and measured at amortized cost. Securities purchased for the purpose of being sold in the near term are classified as trading securities and measured at fair value with any change in fair value included in earnings. All other securities that are not classified as held to maturity or trading are classified as available-for-sale. Securities classified as available-for-sale are measured at fair value with any changes in fair value reflected as a separate component of retained earnings, net of related tax effects. Gains and losses on the sale of such securities are determined using the specific identification method. The Savings Bank has no trading securities.

Discounts and premiums on mortgage-backed securities purchased are accreted and amortized to maturity, using a method which approximates the effective interest method. For investment securities, the straight-line method based upon the contractual life of the security is principally used which approximates the effective interest method.

OFFICE PROPERTIES AND EQUIPMENT

Office properties and equipment are stated at cost less accumulated depreciation. Depreciation is computed for financial reporting purposes principally on the straight-line basis over the estimated useful lives (5 to 20 years) of the respective assets.

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. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases (temporary differences).

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the enactment date.

FORECLOSED REAL ESTATE

Foreclosed real estate represents real estate acquired through foreclosure which is recorded at the lower of cost (principal balance of the former first mortgage loan plus costs of obtaining title and possession) or net realizable value, at the date of foreclosure. After foreclosure, additional reserves are recorded as necessary to reflect further impairment of the estimated net realizable value.

CASH AND CASH EQUIVALENTS

For purposes of the consolidated statements of cash flows, the Savings Bank considers cash on hand and in banks and interest bearing deposits with financial institutions as cash and cash equivalents.

BASIS OF PRESENTATION

Certain amounts for prior years have been reclassified to conform to the current year presentation.

UNAUDITED FINANCIAL INFORMATION

The accompanying unaudited financial information as of September 30, 1997 and for the nine month periods ended September 30, 1997 and 1996 has been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. In the opinion of management, all adjustments necessary for a fair presentation for the periods presented have been reflected and are of a normal and recurring nature. Results of operations for the interim periods are not necessarily indicative of the results to be expected for the year.

(2) LOANS RECEIVABLE, NET

Loans receivable, net are summarized as follows:

<TABLE>

<CAPTION>

	September 30, 1997	December 31,	
		1996	1995
	(unaudited)		
<S>	<C>	<C>	<C>
Mortgage loans:			
One-to-four family residential	\$ 184,731,767	181,480,551	165,956,124
Multifamily	21,318,266	22,039,921	23,290,170
Commercial	11,483,425	9,953,276	9,750,094
Construction and land	13,382,626	16,088,691	16,253,215
Total mortgage loans	230,916,084	229,562,439	215,249,603
Other loans:			
Home equity loans	7,059,416	5,758,455	4,337,186
Commercial	3,093,554	2,764,108	1,829,677
Auto loans	611,737	636,829	657,363
Loans on savings accounts	462,968	392,803	417,227
Other	73,804	112,131	148,702
Total other loans	11,301,479	9,664,326	7,390,155
Total loans receivable	242,217,563	239,226,765	222,639,758
Less:			
Unearned discounts	-	-	109,392
Deferred loan fees	557,281	740,615	840,008
Allowance for loan losses	1,002,330	807,681	753,681
Loans receivable, net	\$ 240,657,952	237,678,469	220,936,677

</TABLE>

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

<TABLE>
<CAPTION>

	Nine months ended September 30,		Year Ended December 31,		
	1997	1996	1996	1995	1994
	(unaudited)				
<S> Balance at beginning of year	<C> \$ 807,681	<C> 753,681	<C> 753,681	<C> 681,681	<C> 591,681
Provision for loan losses	194,649	45,000	54,000	72,000	90,000
Charge-offs	--	--	--	--	--
Balance at end of period	\$1,002,330	798,681	807,681	753,681	681,681

</TABLE>

Loans receivable in arrears three months or more and on non accrual status or in the process of foreclosure are as follows:

<TABLE>
<CAPTION>

	Number of loans	Amount	Percent of gross loans receivable
<S> September 30, 1997 (unaudited)	<C> 11	<C> \$ 887,508	<C> .37%
December 31, 1996	6	428,460	.18
December 31, 1995	8	739,607	.32
December 31, 1994	10	542,973	.25

</TABLE>

The Savings Bank makes loans to their officers, and directors and to associates of such persons. These loans were made in the ordinary course of business on the same terms and conditions, including interest rates and collateral, as those prevailing at the time for comparable transactions with other customers and do not involve more than a normal risk. As of September 30, 1997 and December 31, 1996 and 1995, the outstanding balance on such loans was approximately \$1,937,000 (unaudited), \$2,258,000 and \$1,692,000, respectively. Loan origination and repayments for the nine months ended September 30, 1997 were \$410,000 and \$731,000 (unaudited), respectively.

ELGIN FINANCIAL CENTER, SB
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(3) MORTGAGE-BACKED SECURITIES AND INVESTMENT SECURITIES
AVAILABLE-FOR-SALE

The amortized cost and estimated fair value of mortgage-backed securities and investment securities available-for-sale are summarized as follows:

<TABLE>
<CAPTION>

	September 30, 1997 (unaudited)			
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<S> Mortgage-backed securities:	<C>	<C>	<C>	<C>

Federal Home Loan Mortgage Corporation	\$ 5,567,925	46,475	(61,536)	5,552,864
Federal National Mortgage Association	4,342,120	71,780	(6,020)	4,407,880
Government National Mortgage Association	9,060,385	61,932	(12,048)	9,110,269

Investment securities --	18,970,430	180,187	(79,604)	19,071,013
United States Government obligations	42,308,673	979,657	(17,861)	43,270,469

	\$ 61,279,103	1,159,844	(97,465)	62,341,482

<CAPTION>

December 31, 1996				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<S>	<C>	<C>	<C>	<C>

Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	\$ 6,507,222	53,298	(86,195)	6,474,325
Federal National Mortgage Association	5,070,682	75,515	(13,896)	5,132,301
Government National Mortgage Association	10,347,731	63,567	(42,495)	10,368,803

Investment securities --	21,925,635	192,380	(142,586)	21,975,429
United States Government obligations	36,519,572	1,085,786	(61,977)	37,543,381

	\$ 58,445,207	1,278,166	(204,563)	59,518,810

</TABLE>

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ELGIN FINANCIAL CENTER, SB
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

<TABLE>
<CAPTION>

December 31, 1995				
	Amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
<S>	<C>	<C>	<C>	<C>

Mortgage-backed securities:				
Federal Home Loan Mortgage Corporation	\$ 8,924,961	184,215	(88,511)	9,020,665
Federal National Mortgage Association	3,528,768	94,183	--	3,622,951
Government National Mortgage Association	11,918,250	67,868	(109,480)	11,876,638

Investment securities --	24,371,979	346,266	(197,991)	24,520,254
United States Government obligations	29,069,544	1,642,449	(4,832)	30,707,161

	\$ 53,441,523	1,988,715	(202,823)	55,227,415

</TABLE>

There were no sales of mortgage-backed securities available-for-sale for the nine months ended September 30, 1997 and 1996 (unaudited) or for the years ended December 31, 1996, 1995, and 1994. Proceeds from the sale of an investment security available-for-sale during 1995 totaled \$1,997,500. There was a realized loss of \$2,500 on the sale. There were no sales of investment securities available-for-sale for the nine months ended September 30, 1997 and 1996 (unaudited) or for the years ended December 31, 1996 and 1994.

The amortized cost and estimated fair value of investment securities available-for-sale at September 30, 1997 and December 31, 1996 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to prepay obligations.

<TABLE>
<CAPTION>

	September 30, 1997		December 31, 1996	
	Amortized cost	Estimated fair value	Amortized cost	Estimated fair value
	(unaudited)			
<S>	<C>	<C>	<C>	<C>
Due in one year or less	\$ 8,980,334	9,012,590	7,997,896	8,024,000
Due after one year through five years	19,669,005	20,595,219	18,127,842	19,162,573
Due after five years through ten years	10,660,021	10,650,760	8,394,662	8,337,908
Due after ten years	2,999,313	3,011,900	1,999,172	2,018,900
	\$ 42,308,673	43,270,469	36,519,572	37,543,381

</TABLE>

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ELGIN FINANCIAL CENTER, SB
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(4) ACCRUED INTEREST RECEIVABLE

Accrued interest receivable is summarized as follows:

<TABLE>
<CAPTION>

	September 30,	December 31,	
	1997	1996	1995
	(unaudited)		
<S>	<C>	<C>	<C>
Loans receivable	\$ 230,477	251,313	264,169
Mortgage-backed securities	157,463	173,458	168,445
Investment securities	549,980	563,760	527,196
	\$ 937,920	988,531	959,810

</TABLE>

(5) OFFICE PROPERTIES AND EQUIPMENT

A summary of office properties and equipment at cost is summarized as follows:

<TABLE>
<CAPTION>

	September 30,	December 31	
	1997	1996	1995
	(unaudited)		
<S>	<C>	<C>	<C>
Land	\$ 705,910	705,910	520,910
Land improvements	176,862	174,362	171,506
Office buildings	4,137,413	3,707,221	2,639,083
Furniture, fixtures, and equipment	3,621,979	3,071,524	2,776,548
	8,642,164	7,659,017	6,108,047
Less accumulated depreciation	3,597,268	3,316,549	3,039,509

</TABLE>

Depreciation expense was \$275,553 and \$254,662 for the nine months ended September 30, 1997 and 1996 (unaudited), respectively, and \$277,040, \$307,226, and \$191,062 for the years ended December 31, 1996, 1995, and 1994, respectively.

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ELGIN FINANCIAL CENTER, SB
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(6) SAVINGS DEPOSITS

Savings deposit balances are summarized as follows:

<TABLE>

<CAPTION>

	September 30, 1997 (unaudited)		Stated or weighted average rate	December 31, 1996	
	Amount	Percent		Amount	Percent
<S>	<C>	<C>	<C>	<C>	<C>
Balance by interest rate:					
Commercial checking accounts	\$ 6,802,146	2.6%	-- %	\$ 6,009,027	2.4 %
NOW accounts -- noninterest-bearing	2,345,149	0.9%	--	1,585,413	0.6
NOW accounts -- interest bearing	24,877,589	9.4%	1.82	26,809,040	10.6
Passbook	50,584,153	19.2%	3.20	45,867,908	18.1
Money market accounts	26,530,434	10.0%	3.41	28,101,904	11.1
Certificate accounts:					
Fixed rates	94,507,303	35.9%	5.78	89,326,785	35.3
Individual retirement accounts -- 18-48 month fixed and variable rate	48,435,514	18.4%	6.28	46,518,933	18.4
Jumbo certificates (with a minimum denomination of \$100,000)	9,486,089	3.6%	5.81	8,894,935	3.5
	152,428,906	57.9%		144,740,653	57.2
	\$263,568,377	100.0%	4.55 %	\$253,113,945	100.0 %
Contractual maturity of certificate accounts (rounded):					
Under 12 months	83,650,000	54.9 %		77,755,000	53.7 %
12 months to 36 months	59,724,000	39.2		56,897,000	39.3
Over 36 months	9,055,000	5.9		10,089,000	7.0
	\$152,429,000	100.0 %		\$144,741,000	100.0 %

<CAPTION>

	Stated or weighted average rate	December 31, 1995		Stated or weighted average rate
		Amount	Percent	
<S>	<C>	<C>	<C>	<C>
Balance by interest rate:				
Commercial checking accounts	-- %	\$ 5,911,868	2.4 %	-- %
NOW accounts -- noninterest-bearing	--	--	--	--
NOW accounts -- interest bearing	1.86	28,106,256	11.3	1.96
Passbook	3.00	46,058,489	18.6	3.03
Money market accounts	3.40	29,662,824	12.0	3.45
Certificate accounts:				
Fixed rates	5.70	87,434,336	35.2	6.03
Individual retirement accounts -- 18-48 month fixed and variable rate	6.26	43,221,298	17.4	6.47

Jumbo certificates (with a minimum denomination of \$100,000) 6.03 7,746,489 3.1 5.78

138,402,123 55.7

4.50 % \$248,141,560 100.0 % 4.63 %

Contractual maturity of certificate

accounts (rounded):

Under 12 months 75,908,000 54.9 %
 12 months to 36 months 42,774,000 30.9
 Over 36 months 19,720,000 14.2

\$138,402,000 100.0 %

</TABLE>

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ELGIN FINANCIAL CENTER, SB
 AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Interest expense on savings deposits is summarized as follows:

<TABLE>
 <CAPTION>

	Nine months ended September 30,		Year Ended December 31,		
	1997	1996	1996	1995	1994
	(unaudited)				
<S>	<C>	<C>	<C>	<C>	<C>
Passbook accounts	\$ 1,106,345	1,041,248	1,391,200	1,439,301	1,610,567
NOW accounts	391,192	442,951	571,006	581,327	599,017
Money market accounts	709,505	712,217	919,705	1,117,320	1,310,438
Certificate accounts	6,550,630	6,353,439	8,469,568	7,305,136	5,500,860
	\$ 8,757,672	8,549,855	11,351,479	10,443,084	9,020,882

</TABLE>

(7) BORROWED MONEY

Borrowed money is summarized as follows:

<TABLE>
 <CAPTION>

	Maturity	Weighted	Outstanding	Weighted		Outstanding	
		interest rate September 30, 1997	balance Sept. 30, 1997	interest rate December 31, 1996	interest rate December 31, 1995	balance December 31, 1996	balance December 31, 1995
(in thousands)		(unaudited)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Advances from the Federal Home Loan Bank of Chicago:	1/29/96	-- %	\$ --	-- %	5.80%	\$ --	3,000
	11/13/96	--	--	--	5.72	--	4,000
	12/10/96	--	--	--	6.07	--	2,000
	1/3/97	--	--	5.55	--	15,000	--
	3/18/97	--	--	5.51	--	3,000	--
	5/27/97	--	--	5.52	--	5,000	--
	6/19/97	--	--	6.09	6.09	2,000	2,000
	6/19/98	6.16	2,000	6.16	6.16	2,000	2,000
	2/21/00	5.48	10,000	--	--	--	--
	6/26/00	6.32	2,000	6.32	6.32	2,000	2,000
	6/18/02	5.71	10,000	--	--	--	--
		5.70%	\$24,000	5.67%	5.97%	\$29,000	15,000

</TABLE>

The Savings Bank adopted a collateral pledge agreement whereby it has agreed to at all times keep on hand, free of all other pledges, liens, and encumbrances, performing first mortgage loans with unpaid principal balances aggregating no less than 167% of the outstanding secured advances from the Federal Home Loan Bank of Chicago. The carrying value of the collateral was approximately \$183,844,000 and \$181,052,000 at September 30, 1997 (unaudited) and December 31, 1996, respectively. All stock in the Federal Home Loan Bank of Chicago is also pledged as additional collateral for these advances.

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ELGIN FINANCIAL CENTER, SB
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(8) INCOME TAXES

Income tax expense is summarized as follows:

<TABLE>

<CAPTION>

	Nine months ended September 30,		Year Ended December 31,		
	1997	1996	1996	1995	1994
	(unaudited)				
<S>	<C>	<C>	<C>	<C>	<C>
Current:					
Federal	\$ 944,882	656,058	1,039,689	1,537,366	1,617,928
State	97,697	50,314	120,856	183,857	183,655
	1,042,579	706,372	1,160,545	1,721,223	1,801,583
Deferred:					
Federal	82,289	(3,806)	(23,484)	17,987	35,250
State	18,723	(623)	(5,343)	6,480	6,177
	101,012	(4,429)	(28,827)	24,467	41,427
Total income tax expense	\$1,143,591	701,943	1,131,718	1,745,690	1,843,010

</TABLE>

The actual Federal income tax expense differs from the "expected" income tax expense for those periods (computed by applying the statutory U.S. federal corporate tax rate of 34% to earnings before income taxes) as follows:

<TABLE>

<CAPTION>

	Nine months ended September 30,		Year Ended December 31,		
	1997	1996	1996	1995	1994
	(unaudited)				
<S>	<C>	<C>	<C>	<C>	<C>
Tax expense based on the statutory U.S. federal corporate tax rate	\$1,142,851	652,149	1,079,254	1,532,429	1,631,947
State income taxes, net of federal benefit	58,344	32,496	76,239	87,639	125,290
Other, net	(57,604)	17,298	(23,775)	125,622	85,773
	\$1,143,591	701,943	1,131,718	1,745,690	1,843,010

</TABLE>

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Notes to Consolidated Financial Statements

The tax effects of existing temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are summarized as follows:

<TABLE>

<CAPTION>

	September 30,	December 31,	
	1997	1996	1995
	(unaudited)		
<S>	<C>	<C>	<C>
Deferred tax assets:			
Allowances for loan losses	\$ 405,492	352,981	310,366
Capital loss carryforward	39,324	37,677	37,677
Future federal benefit for state tax expense	89,854	88,491	64,569
Other	--	--	1,812
Gross deferred tax assets	534,670	479,149	414,424
Valuation allowance	(39,324)	(37,677)	(37,677)
Net deferred tax assets	495,346	441,472	376,747
Deferred tax liabilities:			
FHLB stock dividends	(134,780)	(134,780)	(134,780)
Unrealized gain on securities available-for-sale	(363,333)	(367,172)	(687,568)
Loan fees	(287,479)	(300,656)	(299,350)
Depreciation	(122,430)	(82,530)	(100,581)
Tax bad debt reserve in excess of base year amount	(979,049)	(885,041)	(887,463)
Other	(34,155)	--	(51,130)
Gross deferred tax liabilities	(1,921,226)	(1,770,179)	(2,160,872)
Net deferred tax liability	\$ (1,425,880)	(1,328,707)	(1,784,125)

</TABLE>

The valuation allowance for deferred tax assets at September 30, 1997 (unaudited) and December 31, 1996 and 1995 was \$39,324, \$37,677 and \$37,677, respectively and represents the tax effect of a capital loss carryforward of \$95,495 and \$91,495, respectively. Capital losses can only be utilized to offset capital gains and are limited to a five-year carryforward. Based on the Savings Bank's historical lack of capital gains, a valuation allowance has been established for the entire amount of the deferred capital loss carryforward, which will expire in 1999.

Retained earnings at September 30, 1997 (unaudited) and December 31, 1996 includes approximately \$2,328,000, for which no provision for Federal or state income tax has been made. This amount represents allocation of income to bad debt deductions for tax purposes only. Due to the 1996 tax law change, this amount would only be recognized for tax purposes under certain conditions. At this time none of the conditions for recognition have occurred and management does not foresee the occurrence of any condition that would cause recognition in the future.

Notes to Consolidated Financial Statements

The Savings Bank adopted the Elgin Federal Financial Center 401(k) Employee Benefit Plan and Trust (Plan), effective November 1, 1986, for the exclusive benefit of eligible employees and their beneficiaries. The Plan is a qualified plan covering all employees of the Savings Bank who have completed at least six months of service for the Savings Bank and are age 20 or older. The Plan also provides benefits in the event of death, disability, or other termination of employment. Participants may make contributions to the Plan from 2% to 10% of their earnings, subject to Internal Revenue Service limitations. Matching contributions can be made at the Savings Bank's discretion each Plan year. The contributions made by the Savings Bank during 1996, 1995, and 1994 were approximately \$138,000, \$122,000, and \$117,000, respectively. There were no contributions during the nine months ended September 30, 1997 and 1996 (unaudited).

PENSION PLAN

The Savings Bank has a defined benefit pension plan covering all salaried employees meeting certain eligibility requirements. The plan is noncontributory and the Savings Bank is funding all of the required annual contributions. On September 9, 1997 the Board of Directors of the Savings Bank terminated its noncontributory pension plan effective November 4, 1997. Plan benefits ceased to accrue on September 30, 1997. Upon termination, all benefits became 100% vested, and all persons entitled to benefits were eligible to request an immediate lump-sum settlement of the benefit entitlement. The Savings Bank recorded a pension curtailment expense of approximately \$104,000 in 1997 in conjunction with the termination of the pension plan. The pension plan is expected to be liquidated in January 1998.

The Savings Bank's pension plan financial data as of December 31, 1996 and 1995 are as follows:

<TABLE>

<CAPTION>

Funded status	1996	1995
<S> Actuarial present value of benefit obligations - accumulated benefit obligation, including vested benefits of \$955,658 and \$931,147 at December 31, 1996 and 1995	\$1,051,433	1,013,787
Projected benefit obligation	(1,665,245)	(1,676,357)
Plan assets at fair value	1,442,329	1,190,851
Plan assets less than projected benefit obligation	(222,916)	(485,506)
Unrecognized net gain from past experience different from that assumed and effects of changes in assumptions	70,281	342,917
Remaining unrecognized net asset	(1,400)	(19,345)
Unrecognized prior service cost	7,173	9,393
Accrued pension cost	\$ (146,862)	(152,541)

</TABLE>

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ELGIN FINANCIAL CENTER, SB
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Net periodic pension expense is summarized as follows:

<TABLE>

<CAPTION>

Year ended December 31,

	1996	1995	1994
<S>	<C>	<C>	<C>
Service cost	\$ 124,177	101,447	112,149
Interest cost on projected benefit obligation	118,333	100,371	95,302
Actual loss (return) on plan assets	(176,362)	(296,375)	53,982
Net amortization and deferral	74,774	215,152	(129,815)
Net periodic pension expense	\$ 141,922	120,595	131,618
Assumptions used in expense calculations were:			
Discount rates	7.75%	7.25%	8.75%
Rates of increase in compensation levels	6.00%	6.00%	6.00%
Expected long-term rate of return on assets	8.00%	8.00%	8.00%

</TABLE>

(10) SPECIAL ASSESSMENT

Legislation to recapitalize the Savings Association Insurance Fund (the SAIF) was signed into law on September 30, 1996. The Savings Bank was required to record a special assessment associated with the capitalization of the SAIF totaling \$1,543,323 in September 1996. This one-time charge was paid in the fourth quarter of 1996.

(11) REGULATORY CAPITAL REQUIREMENTS

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

Quantitative measures established by regulation to ensure adequacy require the Savings Bank to maintain minimum amounts and ratios as set forth below. Management believes, as of September 30, 1997 (unaudited) and December 31, 1996, that the Savings Bank meets all capital adequacy requirement to which it is subject.

As of September 30, 1997 (unaudited) and December 31, 1996, the most recent notification from the Federal Deposit Insurance Corporation categorized the Savings Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

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ELGIN FINANCIAL CENTER, SB
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The Savings Bank's actual capital amounts and ratios are as follows:

<TABLE>
<CAPTION>

<S>	Actual		For capital adequacy purposes		To be well capitalized under prompt corrective action	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<C>	<C>	<C>	<C>	<C>	<C>	<C>

September 30, 1997 (unaudited):

Total capital (to risk weighted assets)	\$31,991,000	17.7%	\$14,437,000	8.0%	\$18,046,000	10.0%
Tier I capital (to risk weighted assets)	31,024,000	17.2	7,218,000	4.0	10,828,000	6.0
Tier I capital (to average assets)	31,024,000	9.6	12,942,000	4.0	16,177,000	5.0
December 31, 1996:						
Total capital (to risk weighted assets)	29,596,000	16.5	14,356,000	8.0	17,945,000	10.0
Tier I capital (to risk weighted assets)	28,806,000	16.1	7,178,000	4.0	10,767,000	6.0
Tier I capital (to average assets)	28,806,000	9.4	12,314,000	4.0	15,392,000	5.0

</TABLE>

(12) CONTINGENCIES

During an Office of Thrift Supervision (OTS) examination in 1993, it was noted that the Savings Bank was incorrectly calculating certain annual percentage rate disclosures on certain adjustable rate first mortgage loans. The OTS has requested the Savings Bank to make reimbursement to affected customers to adjust for the payments that they have made on these loans to date, and in certain cases, to reduce the amounts of future payments due on these loans to reflect the disclosed annual percentage rates.

On the advice of counsel the Savings Bank has thus far declined to make the adjustments for the loans originated prior to their 1992 OTS Report of Examination in accordance with a 1993 United States Court of Appeals decision. In the opinion of management and Savings Bank legal counsel the aforementioned Court of Appeals decision was correctly decided and if followed in Illinois should provide a meritorious defense to the OTS' request. It is reasonably possible that the OTS will seek an administrative or judicial ruling as to whether the Savings Bank's defense is meritorious. The Savings Bank's exposure in this matter is estimated to range from \$300,000 to \$350,000.

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ELGIN FINANCIAL CENTER, SB
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Notes to Consolidated Financial Statements

There are various other matters of litigation pending against the Company that have arisen during the normal course of business. Based upon discussions with legal counsel, management believes that the aggregated liability, if any, resulting from these matters will not be material to the financial results of the Savings Bank.

As to certain adjustable rate mortgage loans made subsequent to the Savings Bank's 1992 Report of Examination, the Savings Bank made reimbursements of approximately \$60,000 and is reducing total future interest payments on certain affected loans by an original estimate of approximately \$200,000, spread over a period of years. This future interest reduction may be less if the affected loans are repaid prior to their scheduled repayment terms. Cumulative reductions to date have totaled approximately \$95,000, including reductions of approximately \$13,000 and \$14,000 and \$45,000 and \$22,000 for the nine months ended September 30, 1997 and 1996 (unaudited) and during 1996 and 1995, respectively.

(13) CONCENTRATIONS OF CREDIT RISK AND FINANCIAL INSTRUMENTS
WITH OFF-BALANCE SHEET RISK

Substantially all of the Savings Bank's mortgage loans are secured by single-family homes in Kane County. For loans originated, the Savings Bank evaluates each customer's creditworthiness on a case-by-case basis.

Management believes the Savings Bank has a diversified loan portfolio and concentration of lending activities that does not result in an acute dependency upon the economic conditions of the lending area. Purchased participation loans are secured by properties primarily in the southern Wisconsin area and to a lesser extent by properties in the Chicagoland area.

The Savings Bank is party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. Those financial instruments primarily include commitments to extend credit. Commitments to extend credit are agreements to lend to a customer so long as there is no violation of any condition established in the contract. The Savings Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the customer. The Savings Bank's exposure to credit loss in the event of nonperformance by the customer is represented by the contractual amount of those financial instruments. At September 30, 1997 and December 31, 1996 and 1995, the Savings Bank had the following commitments:

	September 30,	December 31,	
	1997	1996	1995
	(unaudited)		
First mortgage loans	6,274,000	\$4,119,000	6,720,000
Construction loans	3,305,000	6,369,000	6,130,000
Unused lines of credit	5,078,000	5,925,000	5,048,542
Letters of credit	2,713,000	2,545,000	2,979,000

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ELGIN FINANCIAL CENTER, SB
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(14) FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" (Statement No. 107), requires the disclosure of estimated fair values of all asset, liability, and off-balance sheet financial instruments. The estimated fair value amounts under Statement No. 107 have been determined as of a specific point in time utilizing various available market information, assumptions, and appropriate valuation methodologies. Accordingly, the estimated fair values presented herein are not necessarily representative of the underlying value of the Savings Bank. Rather, the disclosures are limited to reasonable estimates of the fair value of only the Savings Bank's financial instruments. The use of assumptions and various valuation techniques, as well as the absence of secondary markets for certain financial instruments, will likely reduce the comparability of fair value disclosures between financial institutions. The Savings Bank does not plan to sell most of its assets or settle most of its liabilities at these fair values.

The estimated fair values of the Savings Bank's financial instruments are set forth in the following table.

<TABLE>
<CAPTION>

	September 30,		December 31,			
	1997		1996		1995	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	(unaudited)					
(in thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Financial assets:						
Cash and cash equivalents	\$ 12,588	12,588	10,953	10,953	15,353	15,353

Investment securities	43,270	43,270	37,543	37,543	30,707	30,707
Mortgage-backed securities	19,071	19,071	21,975	21,975	24,520	24,520
Loans receivable, gross	242,218	247,432	239,227	241,832	222,640	224,546
Accrued interest receivable	938	938	989	989	960	960
Stock in FHLB of Chicago	2,051	2,051	2,051	2,051	1,903	1,903

Financial liabilities:

Nonmaturing deposits	111,139	111,139	108,373	108,373	109,739	109,739
Deposits with stated maturities	152,429	152,712	144,741	145,332	138,402	139,699
Borrowed money	24,000	23,973	29,000	28,991	15,000	15,092
Accrued interest payable	114	114	103	103	117	117

</TABLE>

The following methods and assumptions are used by the Savings Bank in estimating the fair value amounts for its financial instruments.

CASH AND CASH EQUIVALENTS

The carrying value of cash and cash equivalents approximates fair value due to the short period of time between origination of the instrument and its expected realization.

INVESTMENT SECURITIES, MORTGAGE-BACKED SECURITIES, AND FHLB STOCK

The fair value of investment securities and mortgage-backed securities are estimated using quoted market prices. The fair value of FHLB stock is based on its redemption value.

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ELGIN FINANCIAL CENTER, SB
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

LOANS RECEIVABLE

The fair value of loans receivable is based on contractual cash flows adjusted for prepayment assumptions, discounted using the current rate at which similar loans would be made to borrowers with similar credit ratings and remaining terms to maturity.

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 value of deposits with no stated maturity, such as commercial checking, passbook savings, NOW, and money market accounts are disclosed as the amount payable on demand.

The fair value of fixed-maturity deposits is the present value of the contractual cash flows discounted using interest rates currently being offered for deposits with similar remaining terms to maturity. If the fair value estimate is less than the amount payable on demand at December 31, the fair value disclosed is the amount payable on demand as per Statement 107.

BORROWED FUNDS

The carrying value of adjustable rate FHLB advances approximates fair value as the advances reprice to a market interest rate on a daily basis. The fair value of fixed rate FHLB advances is the present value of the contractual cash flows discounted by the current rate offered for similar remaining maturities.

(15) CONVERSION TO STOCK FORM OF OWNERSHIP (UNAUDITED)

On August 12, 1997, the Board of Directors adopted a Plan of Conversion (the Plan) whereby the Savings Bank will convert from a state chartered savings bank to a state chartered stock savings bank. The Plan is subject to approval of regulatory authorities and members at a special meeting. The stock of the Savings Bank will be issued to a holding company (the

Company) formed in connection with the conversion. Pursuant to the Plan, shares of capital stock of the holding company are expected to be offered initially for subscription by eligible members of the Savings Bank and certain other persons as of specified dates subject to various subscription priorities as provided in the Plan. The capital stock will be offered at a price to be determined by the Board of Directors based upon an appraisal to be made by an independent appraisal firm. The exact number of shares to be offered will be determined by the Board of Directors in conjunction with the determination of the price at which the shares will be sold. At least the minimum number of shares offered in the conversion must be sold. Any stock not purchased in the subscription offering will be sold in a community offering.

The Plan provides that when the conversion is completed, a "Liquidation Account" will be established in an amount equal to the retained earnings of the Savings Bank as of the date of the most recent financial statements contained in the final conversion prospectus. The Liquidation Account is established to provide a limited priority claim on the assets of the Savings Bank to qualifying depositors (Eligible and Supplemental Eligible Account Holders) who continue to maintain deposits in the Savings Bank after conversion. In the unlikely event of a complete liquidation of the Savings Bank, and only in such an event, each Eligible Account Holder would then receive from the Liquidation Account a liquidation distribution based on his proportionate share of the then total remaining qualifying deposits.

Pursuant to the Plan, the Company intends to establish a Charitable Foundation (the Foundation) in connection with the Conversion. The Plan provides that the Savings Bank and the Company will create

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ELGIN FINANCIAL CENTER, SB
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

the Foundation and donate an amount of the Company's common stock equal to 8.0% of the common stock to be issued in the Conversion. The Foundation is being formed as a complement to the Savings Bank's existing community activities and will be dedicated to community activities and the promotion of charitable causes.

The Foundation will submit a request to the Internal Revenue Service to be recognized as a tax-exempt organization and would likely be classified as a private foundation. A contribution of common stock to the Foundation by the Company would be tax deductible, subject to an annual limitation based on 10% of the Company's annual taxable income. The Company, however, would be able to carry forward any unused portion of the deduction for five years following the contribution. Upon funding the Foundation, the Company will recognize an expense in the full amount of the contribution, offset in part by the corresponding tax benefit, during the quarter in which the contribution is made.

Current regulations allow the Savings Bank to pay dividends on its stock after the conversion if its regulatory capital would not thereby be reduced below the amount then required for the aforementioned Liquidation Account. Also, capital distribution regulations limit the Savings Bank's ability to make capital distributions which include dividends, stock redemptions or repurchases, cash-out mergers, interest payments on certain convertible debt and other transactions charged to the capital account based on their capital level and supervisory condition. Federal regulations also preclude any repurchase of the stock of the Savings Bank or its holding company for one year after conversion except where compelling and valid business reasons are established and approved by the FDIC. The Savings Bank has retained the services of both an underwriting firm and legal counsel for the specific purpose of implementing the Savings Bank's plan of conversion. At September 30, 1997 (unaudited), the Savings Bank has incurred costs of approximately \$56,000 relating to these and other related professional services. These costs have been deferred and, upon conversion, such costs and any additional costs will be charged against the proceeds from the sale of stock. If the conversion is not completed, these deferred costs will be charged to operations.

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 No dealer, salesman or any other person has been authorized to give any information or to make any representation other than as contained in this Prospectus in connection with the offering made hereby, and, if given or made, such other information or representation must not be relied upon as having been authorized by EFC Bancorp, Inc., Elgin Financial Center, S.B. or Charles Webb & Company. This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby to any person in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this Prospectus nor any sale hereunder shall under any circumstances create any implication that there has been no change in the affairs of EFC Bancorp, Inc. or Elgin Financial Center, S.B. since any of the dates as of which information is furnished herein or since the date hereof.

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 UNTIL _____, 1997 OR 25 DAYS AFTER COMMENCEMENT OF THE SYNDICATED COMMUNITY OFFERING, IF ANY, WHICHEVER IS LATER, ALL DEALERS EFFECTING TRANSACTIONS IN THE REGISTERED SECURITIES, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATION OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

5,681,000 SHARES

[LOGO]

EFC BANCORP, INC.
 (PROPOSED HOLDING COMPANY FOR ELGIN FINANCIAL CENTER, S.B.)

PROSPECTUS

Charles Webb & Company
A Division of Keefe, Bruyette & Woods, Inc.
December _____, 1997

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION. (1)

<TABLE>		<C>
<S>		
SEC filing.....	\$	22,100
ICBRE filing fee.....		10,000
OTS filing fee.....		2,000
NASD filing fee.....		7,556
Stock Market listing fee.....		32,500
Printing, postage and mailing.....		125,000
Legal fees and expenses (including underwriter's counsel).....		335,000
Accounting fees and expenses.....		175,000
Appraisers' fees and expenses (including business plan).....		40,000
Marketing fees and selling commissions.....		741,000
Underwriter's expenses.....		20,000
Conversion agent fees and expenses.....		19,000
Transfer agent fees and expenses.....		10,000
Certificate printing.....		5,000
Telephone, temporary help and other equipment.....		10,000
Miscellaneous.....		27,844
TOTAL.....	\$	\$1,582,000

</TABLE>

(1) Unless otherwise noted, based upon the registration and issuance of 7,491,434 shares at \$10.00 per share.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

In accordance with the General Corporation Law of the State of Delaware (being Chapter 1 of Title 8 of the Delaware Code), Articles 10 and 11 of the Registrant's Certificate of Incorporation provide as follows:

TENTH:

A. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a Director or an Officer of the Corporation or is or was serving at the request of the Corporation as a Director, Officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a Director, Officer, employee or agent, or in any other capacity while serving as a Director, Officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability

and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that, except as provided in Section C hereof with respect to proceedings to enforce rights to indemnification, the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

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B. The right to indemnification conferred in Section A of this Article TENTH shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires, an advancement of expenses incurred by an indemnitee in his or her capacity as a Director or Officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, services to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section or otherwise. The rights to indemnification and to the advancement of expenses conferred in Sections A and B of this Article TENTH shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a Director, Officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

C. If a claim under Section A or B of this Article TENTH is not paid in full by the Corporation within sixty days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty days, the indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the indemnitee shall be entitled to be paid also the expenses of prosecuting or defending such suit. In (i) any suit brought by the indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the indemnitee to enforce a right to an advancement of expenses) it shall be a defense that, and (ii) in any suit by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking the Corporation shall be entitled to recover such expenses upon a final adjudication that, the indemnitee has not met any applicable standard for indemnification set forth in the Delaware General Corporation Law. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the indemnitee is proper in the circumstances because the indemnitee has met the applicable standard of conduct set forth in the Delaware General Corporation Law, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its stockholders) that the indemnitee has not met such applicable standard of conduct, shall create a presumption that the indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the indemnitee, be a defense to such suit. In any suit brought by the indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article TENTH or otherwise shall be on the Corporation.

D. The rights to indemnification and to the advancement of expenses conferred in this Article TENTH shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Certificate of Incorporation, Bylaws, agreement, vote of stockholders or Disinterested Directors or otherwise.

E. The Corporation may maintain insurance, at its expense, to protect itself and any Director, Officer, employee or agent of the Corporation or subsidiary or Affiliate or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

F. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article TENTH with respect to the indemnification and advancement of expenses of Directors and Officers of the Corporation.

ELEVENTH:

A Director of this Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability: (i) for any breach of the Director's duty of loyalty to the

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Corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under Section 174 of the Delaware General Corporation Law; or (iv) for any transaction from which the Director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of a Director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

None.

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ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The exhibits and financial statement schedules filed as a part of this Registration Statement are as follows:

(a) List of Exhibits (filed herewith unless otherwise noted)

<TABLE>

<C>

<S>

- 1.1 Engagement Letter between Elgin Financial Center, S.B. and Charles Webb & Company, a Division of Keefe, Bruyette & Woods, Inc.*
- 1.2 Draft Form of Agency Agreement between Elgin Financial Center, S.B. and Charles Webb & Company, a Division of Keefe, Bruyette & Woods, Inc.
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- 3.1 Certificate of Incorporation of EFC Bancorp, Inc.*
- 3.2 Bylaws of EFC Bancorp, Inc.
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- 8.0 Opinion of Muldoon, Murphy & Faucette re: Federal Tax Matters
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- 10.2 Draft ESOP Loan Commitment Letter and ESOP Loan Documents*
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- 10.4 Form of Proposed Employment Agreement between EFC Bancorp, Inc. and certain executive officers*
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- 10.6 Form of Proposed Change in Control Agreement between EFC Bancorp, Inc. and certain executive officers*
- 10.7 Form of Proposed Elgin Financial Center, S.B. Employee Severance Compensation Plan*

10.8	Form of Elgin Financial Center, S.B. Supplemental Executive Retirement Plan
10.9	Form of Elgin Financial Center, S.B. Management Supplemental Executive Retirement Plan
23.1	Consent of KPMG Peat Marwick, LLP
23.2	Consent of Muldoon, Murphy & Faucette*
23.3	Consent of Morris, Nichols, Arsht & Tunnell*
23.4	Consent and Subscription Rights Opinion of FinPro, Inc.
24.1	Powers of Attorney*
27.0	Financial Data Schedule
99.1	Appraisal Report of FinPro, Inc. (P)
99.2	Draft of Elgin Financial Foundation Gift Instrument

</TABLE>

* Previously filed

(P) Filed pursuant to Rule 202 of Regulation S-T.

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(b) Financial Statement Schedules

All schedules have been omitted as not applicable or not required under the rules of Regulation S-X.

ITEM 17. UNDERTAKINGS.

The undersigned Registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any Prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the Prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new Registration Statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the Offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Elgin, State of Illinois, on January 5, 1998.

EFC BANCORP, INC.

By: /s/ BARRETT J. O'CONNOR

 Barrett J. O'Connor
 PRESIDENT, CHIEF EXECUTIVE
 OFFICER AND DIRECTOR

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

NAME	TITLE	DATE
-----	-----	-----
/s/ BARRETT J. O,CONNOR	President, Chief Executive Officer and Director (principal executive officer)	January 5, 1998
----- Barrett J. O,Connor		
/s/ JAMES J. KOVAC	Senior Vice President, Chief Financial Officer and Director (principal accounting and financial officer)	January 5, 1998
----- James J. Kovac		
/s/ *	Director and Chairman of the Board	
----- John J. Brittain		
/s/ *	Director and Vice Chairman of the Board	
----- Leo M. Flanagan, Jr.		
/s/ *	Director	
----- Vincent C. Norton		
/s/ *	Director	
----- Thomas I. Anderson		
/s/ *	Director	
----- Ralph W. Helm, Jr.		
/s/ *	Director	
----- Peter A. Traeger		
/s/ *	Director	
----- Scott H. Budd		

* Pursuant to the Power of Attorney filed October 24, 1997, as Exhibit 24.1 to the S-1 Registration Statement of EFC Bancorp, Inc.

EXHIBITS
TO THE
PRE-EFFECTIVE AMENDMENT NO. 1
TO THE
FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

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LIST OF EXHIBITS (FILED HERewith UNLESS OTHERWISE NOTED)

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24.1 Powers of Attorney*

27.0 Financial Data Schedule

99.1 Appraisal Report of FinPro, Inc. (P)

99.2 Draft of Elgin Financial Foundation Gift Instrument
</TABLE>

* Previously filed

(P) Filed pursuant to Rule 202 of Regulation S-T.

EFC BANCORP, INC.

Up to 6,936,513 Shares

COMMON STOCK
(\$0.01 Par Value)

Subscription Price \$10.00 Per Share

AGENCY AGREEMENT

_____, 1998

Charles Webb & Company,
a division of Keefe, Bruyette & Woods, Inc.
211 Bradenton Drive
Dublin, Ohio 43017-5034

Ladies and Gentlemen:

EFC Bancorp, Inc., a Delaware corporation (the "Company") and Elgin Financial Center, S.B., an Illinois state chartered mutual savings bank (the "Bank," which shall include all references to the Bank in the mutual or stock form, as indicated by the context), with its deposit accounts insured by the Savings Association Insurance Fund ("SAIF") administered by the Federal Deposit Insurance Corporation ("FDIC"), hereby confirm their agreement with Charles Webb & Company, a division of Keefe, Bruyette & Woods, Inc. ("Webb") as follows:

SECTION 1. THE OFFERING. The Bank, in accordance with its plan of conversion adopted by its Board of Directors of the Bank (the "Plan"), intends to convert from a state chartered mutual savings bank to a state chartered stock savings bank, and to issue all of its issued and outstanding capital stock to the Company. In addition, pursuant to the Plan, the Company will offer and sell up to 6,936,513 shares of its common stock, par value \$0.01 per share (the "Shares" or "Common Stock"), in a subscription offering (the "Subscription Offering") to (1) depositors of the Bank with savings accounts of \$50 or more as of July 31, 1996 ("Eligible Account Holders"), (2) the Company's and Bank's Employee Stock Ownership Plan ("ESOP"), (3) depositors of the Bank with savings accounts of \$50 or more as of December 31, 1997 ("Supplemental Eligible Account Holders") and (4) depositors of the Bank as of the Voting Record Date, _____, 1998 ("Other Members"). Subject to the prior subscription rights of the above-listed parties, the Company is offering for sale in a direct community offering (the "Community Offering" and, when referred to together with the

Subscription Offering, the "Subscription and Community Offering") conducted concurrently with the Subscription Offering, the Shares not so subscribed for or ordered in the Subscription Offering to certain members of

the general public to whom a copy of the Prospectus (as hereinafter defined) is delivered, with a preference given to natural persons and trusts of natural persons who are permanent residents of Kane, Cook and McHenry Counties of Illinois (the "Local Community") ("Other Subscribers") (all such offerees being referred to in the aggregate as "Eligible Offerees"). It is anticipated that shares not subscribed for in the Subscription and Community Offering will be offered to members of the general public on a best efforts basis by a selling group of broker-dealers managed by Webb (the "Syndicated Community Offering") (the Subscription Offering, Community Offering and Syndicated Community Offering are collectively referred to as the "Offering"). It is acknowledged that the purchase of Shares in the Offering is subject to the maximum and minimum purchase limitations as described in the Plan and that the Company and the Bank may reject, in whole or in part, any orders received in the Community Offering or Syndicated Community Offering. Collectively, these transactions are referred to herein as the "Conversion."

In connection with the Conversion and pursuant to the terms of the Plan as described in the Prospectus, immediately following the consummation of the Conversion, subject to the approval of the members of Bank and compliance with certain conditions as may be imposed by regulatory authorities, the Company will contribute newly issued Common Stock equal to 8% of such Shares sold in the Conversion to the Elgin Financial Foundation (the "Foundation") such shares hereinafter being referred to as the ("Foundation Shares").

The Company has filed with the Securities and Exchange Commission (the "Commission") a registration statement on Form S-1 (File No. 333-_____) (the "Registration Statement") containing a prospectus relating to the Offering for the registration of the Shares under the Securities Act of 1933 (the "1933 Act"), and has filed such amendments thereof, if any, and such amended prospectuses as may have been required to the date hereof. The prospectus, as amended, on file with the Commission at the time the Registration Statement initially became effective is hereinafter called the "Prospectus," except that if any prospectus is filed by the Company pursuant to Rule 424(b) or (c) of the rules and regulations of the Commission under the 1933 Act (the "1933 Act Regulations") differing from the prospectus on file at the time the Registration Statement initially becomes effective, the term "Prospectus" shall refer to the prospectus filed pursuant to Rule 424(b) or (c) from and after the time said prospectus is filed with the Commission.

In accordance with the Illinois Compiled Statutes Annotated and the Illinois Administrative Rules promulgated pursuant thereto (together the "ICSA"), the Bank has filed with the Illinois Commissioner of Banks and Real Estate, Division of Banks (the "Division") an Application for Conversion (the "Conversion Application"), including the prospectus, and has filed such

amendments thereto, if any, as may have been required by the Division. The Conversion Application has been approved by the Division and the related Prospectus has been authorized for use by the Division. The Bank has also filed a Notice of Conversion (the "Notice") with the FDIC and has filed such amendments thereto as may have been required by the FDIC. The FDIC has provided the Bank with a Notice of Non-Objection (the "Non-Objection Notice") to the Conversion. In addition, the Company has filed with the Board of Governors of the Federal Reserve System ("FRB") and the Division an application (the "Holding Company Application")

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to become a bank holding company and for approval to acquire the Bank.

SECTION 2. RETENTION OF WEBB; COMPENSATION; SALE AND DELIVERY OF THE SHARES. Subject to the terms and conditions herein set forth, the Company and the Bank hereby appoint Webb (ii) as their exclusive financial advisory and marketing agent to utilize its best efforts to solicit subscriptions for Shares of the Common Stock and to advise and assist the Company and the Bank with respect to the Company's sale of the Shares in the Offering and (ii) to participate in the Offering in the areas of market making, research coverage and syndicate formation (if necessary).

On the basis of the representations, warranties, and agreements herein contained, but subject to the terms and conditions herein set forth, Webb accepts such appointment and agrees to consult with and advise the Company and the Bank as to the matters set forth in the letter agreement ("Letter Agreement"), dated September 2, 1997, between the Bank and Webb (a copy of which is attached hereto as Exhibit A). It is acknowledged by the Company and the Bank that Webb shall not be required to purchase any Shares and shall not be obligated to take any action which is inconsistent with all applicable laws, regulations, decisions or orders. In the event of a Syndicated Community Offering, Webb will assemble and manage a selling group of broker-dealers which are members of the National Association of Securities Dealers, Inc. (the "NASD") to participate in the solicitation of purchase orders for shares under a selected dealers' agreement ("Selected Dealers' Agreement"), the form of which is set forth as Exhibit B to this Agreement.

The obligations of Webb pursuant to this Agreement shall terminate upon the completion or termination or abandonment of the Plan by the Company or upon termination of the Offering, but in no event later than June 30, 1998 (the "End Date"). All fees or expenses due to Webb but unpaid will be payable to Webb in next day funds at the earlier of the Closing Date (as hereinafter defined) or the End Date. In the event the Offering is extended beyond the End Date, the Company, the Bank and Webb may agree to renew this Agreement under mutually acceptable terms.

In the event the Company is unable to sell a minimum of 4,458,250 Shares (or such lesser amount approved by the Division) within the period herein

provided, this Agreement shall terminate and the Company shall refund to any persons who have subscribed for any of the Shares, the full amount which it may have received from them plus accrued interest as set forth in the Prospectus; and none of the parties to this Agreement shall have any obligation to the other parties hereunder, except as otherwise set forth in this Section 2 and in Sections 6, 8 and 9 hereof.

In the event the Offering is terminated for any reason not attributable to the action or inaction of Webb, Webb shall be paid the fees and expenses due to the date of such termination pursuant to subparagraphs (a) and (d) below.

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If all conditions precedent to the consummation of the Conversion, including, without limitation, the sale of all Shares required by the Plan to be sold, are satisfied, the Company agrees to issue, or have issued, the Shares sold in the Offering and to release for delivery certificates for such Shares on the Closing Date (as hereinafter defined) against payment to the Company by any means authorized by the Plan, provided however, that no funds shall be released to the Company until the conditions specified in Section 7 hereof shall have been complied with to the reasonable satisfaction of Webb and its counsel. The release of Shares against payment therefor shall be made at _____ .m., Central Time, on a date and at a place acceptable to the Company, the Bank and Webb (it being understood that such date shall not be more than ten business days after termination of the Offering) or such other time or place as shall be agreed upon by the Company, the Bank and Webb. Certificates for shares shall be delivered directly to the purchasers in accordance with their directions. The date upon which the Company shall release or deliver, or have released or delivered, the Shares sold in the Offering, in accordance with the terms herein, is called the "Closing Date."

Webb shall receive the following compensation for their services hereunder:

(a) A management fee to Webb in the amount of \$40,000 payable in four consecutive monthly installments of \$10,000 commencing on September 2, 1997. As of the date of this Agreement, \$_____ had been received by Webb.

(b) A success fee of 1.25% of the dollar amount of Common Stock sold in the Subscription and Community Offering, excluding Common Stock purchased by directors, officers and employees (and members of their immediate families) of the Bank and by the ESOP and any tax-qualified or stock-based compensation plan (excluding individual retirement plans ("IRAs")) and any similar plan created by the Bank for some or all of its directors or employees, payable on the Closing Date.

(c) If any shares of the Company's stock remain available after the Subscription and Community Offering, at the request of the Bank, Webb will seek to form a syndicate of registered broker-dealers to assist in the sale of such

shares of Common Stock on a best efforts basis, subject to the terms and conditions set forth in the selected dealers agreement. Webb will endeavor to distribute the Common Stock among dealers in a fashion which best meets the distribution objectives of the Bank and the Plan of Conversion. Webb will be paid a fee not to exceed 5.5% of the aggregate Purchase Price of the shares of Common Stock sold pursuant to the selected dealers agreement and then will pass on to selected broker-dealers who assist in the syndicated community an amount competitive with gross underwriting discounts charged at such time for comparable amounts of stock sold at a comparable price per share in a similar market environment. Fees with respect to purchases affected with the assistance of a broker/dealer shall be transmitted by Webb to such broker/dealer. The decision to utilize selected broker-dealers will be made by the Bank upon consultation with Webb. In the event, with respect to any stock purchases, fees are paid pursuant to this subparagraph 2(c), such fees shall be in lieu of, and not in addition to, payment pursuant to subparagraphs 2(a) and 2(b).

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(d) The Bank and the Company hereby agree to reimburse Webb, from time to time upon Webb's request, for its reasonable out-of-pocket expenses and the reasonable fees and expenses of its counsel (such fees of counsel will not be incurred without the prior approval of the Bank). Such reimbursement of legal fees shall not exceed \$40,000. The Bank will bear the expenses of the Offering customarily borne by issuers including, without limitation, Division, SEC, "Blue Sky," and NASD filing and registration fees; the fees of the Bank's accountants, conversion agent, attorneys, appraiser, transfer agent and registrar, printing, mailing and marketing expenses associated with the Conversion; and the fees set forth under this Section 2.

Full payment of Webb's actual and accountable expenses, advisory fees and compensation shall be made in next day funds on the earlier of the Closing Date or a determination by the Bank to terminate or abandon the Plan.

Webb will provide financial advisory assistance for a period of one year following completion of the Conversion as set forth in the Letter Agreement. Following this initial one-year term, if Webb and the Company wish to continue the relationship, a fee will be negotiated and an agreement entered into at that time.

SECTION 3. PROSPECTUS: OFFERING. The Shares are to be initially offered in the Offering at the Purchase Price as defined and set forth on the cover page of the Prospectus.

SECTION 4. REPRESENTATIONS AND WARRANTIES. The Company and the Bank jointly and severally represent and warrant to Webb on the date hereof as follows:

(a) The Registration Statement was declared effective by the Commission on

_____, 1998. At the time the Registration Statement, including the Prospectus contained therein (including any amendment or supplement thereto), became effective, the Registration Statement complied in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations and the Registration Statement, including the Prospectus contained therein (including any amendment or supplement thereto), and any information regarding the Company or the Bank contained in Sales Information (as such term is defined in Section 8 hereof) authorized by the Company or the Bank for use in connection with the Offering, did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and at the time any Rule 424(b) or (c) Prospectus was filed with the Commission; provided, however, that the representations and warranties in this Section 4(a) shall not apply to statements or omissions made in reliance upon and in conformity with written information furnished to the Company or the Bank by Webb expressly regarding Webb for use in the Prospectus under the captions "The Conversion-Marketing and Underwriting Arrangements" or statements in or omissions from any Sales Information or information filed pursuant to state securities or blue sky laws or regulations regarding Webb.

(b) The Bank has filed with the Division, pursuant to the ICSA, the Conversion Application and filed the FDIC Notice with the FDIC and has filed such amendments thereto and

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supplementary materials as may have been required to the date hereof including copies of the Bank's Proxy Statement, to be dated _____, 1998 relating to the Conversion (the "Proxy Statement"), and the Prospectus. The Division has, by order letter dated _____, 1998, approved the Conversion Application, such order remains in full force and effect and no order has been issued by the Division suspending or revoking such order and no proceedings therefor have been initiated or, to the knowledge of the Company or the Bank, threatened by the Division. At the date of such approval and at the Closing Date referred to in Section 2, the Conversion Application complied and will comply in all material respects with the applicable provisions of the ICSA except as waived in writing by the Director of the Division. The FDIC has, by letter issued on _____, 1998, issued the Non-Objection Notice, such letter remains in full force and effect and no letter or order has been issued by the FDIC suspending or revoking such letter and no proceedings therefor have been initiated or, to the knowledge of the Company or the Bank, threatened by the FDIC. At the date of such approval, the FDIC Notice complied in all material respects with the applicable provisions of the FDIC conversion regulations (the "Conversion Regulations"). The Conversion Application and the FDIC Notice, including the Prospectus (including any amendment or supplement thereto), do not include any untrue statement of a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the representations and warranties in this Section 4(b) shall not apply to statements or omissions made in reliance

upon and in conformity with written information furnished to the Company or the Bank by Webb expressly regarding Webb for use in the Prospectus contained in the Conversion Application under the caption "The Conversion-Marketing and Underwriting Arrangements" or statements in or omissions from any sales information or information filed pursuant to state securities or blue sky laws or regulations regarding Webb.

(c) The Company has filed with the Office of Thrift Supervision ("OTS") its application on Form H-(e)1 (the "Holding Company Application") to become a registered savings and loan holding company under the Home Owners' Loan Act, as amended ("HOLA").

(d) No order has been issued by the Commission, the FDIC, the OTS or the Division preventing or suspending the use of the Prospectus and no action by or before any such government entity to revoke any approval, authorization or order of effectiveness related to the Conversion is, to the best knowledge of the Company or the Bank, pending or threatened.

(e) To the best knowledge of the Company, no person has sought to obtain review of the final action of the FDIC, the OTS or the Division in approving or taking no objection to the Plan or in approving the Conversion or the Holding Company Application pursuant to the ICSA, the Conversion Regulations, the HOLA, or any other applicable statute or regulation.

(f) At the time of their use, the Proxy Statement and any other proxy solicitation materials will complying all material respects with the applicable provisions of the ICSA and will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Company and the Bank will promptly file the Prospectus and any

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supplemental sales literature with the Division and the FDIC. The Prospectus and all supplemental sales literature, as of the date the Registration Statement became effective and at the Closing Date referred to in Section 2, complied and will comply in all material respects with the applicable requirements of the ICSA and the Conversion Regulations and, at or prior to the time of their first use, will have received all required authorizations of the Division and the FDIC for use in final form.

(g) The Bank has been duly organized and is a validly existing state chartered savings bank in the mutual form of organization under the laws of the State of Illinois and upon consummation of the Conversion will become a duly organized and validly existing state chartered savings bank in the capital stock form of organization under the laws of the State of Illinois, in both instances duly authorized to conduct its business and own its property as described in the Registration Statement and the Prospectus; the Bank has obtained all material licenses, permits and other governmental authorizations currently required for the conduct of its business; all such licenses, permits and governmental

authorizations are in full force and effect, and the Bank is in all material respects complying with all laws, rules, regulations and orders applicable to the operation of its business; the Bank is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction in which its ownership of property or leasing of property or the conduct of its business requires such qualification, unless the failure to be so qualified in one or more of such jurisdictions would not have a material adverse effect on the financial condition, or the business, operations or income of the Bank. The Bank does not own equity securities or any equity interest in any other business enterprise except as described in the Prospectus or as would not be material to the operations of the Bank.

(h) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware with corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus, and the Company is qualified to do business as a foreign corporation in each jurisdiction in which the conduct of its business requires such qualification, except where the failure to so qualify would not have a material adverse effect on the financial condition, or the business, operations or income of the Company. The Company has obtained all material licenses, permits and other governmental authorizations currently required for the conduct of its business; all such licenses, permits and governmental authorizations are in full force and effect, and the Company is in all material respects complying with all laws, rules, regulations and orders applicable to the operation of its business.

(i) The Bank's wholly owned subsidiary, Fox Valley Service Corporation of Elgin (the "Subsidiary"), is inactive.

(j) The Bank is a member of the Federal Home Loan Bank of Chicago ("FHLB-Chicago"). The deposit accounts of the Bank are insured by the FDIC up to the applicable limits; and no proceedings for the termination or revocation of such insurance are pending or, to the best knowledge of the Bank, threatened.

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(k) The Company and the Bank have good and marketable title to all real property and other assets material to the business of the Company and the Bank and to those properties and assets described in the Registration Statement and Prospectus as owned by them, free and clear of all liens, charges, encumbrances or restrictions, except such as are described in the Registration Statement and Prospectus or are not material to the business of the Company and the Bank, taken as a whole; and all of the leases and subleases material to the business of the Company and the Bank under which the Company or the Bank hold properties, including those described in the Registration Statement and Prospectus, are valid and binding agreements of the Company or the Bank, enforceable in accordance with their terms, subject, as to enforceability, to bankruptcy, insolvency, reorganization, moratorium and other laws of general applicability

relating to or affecting creditors' rights, and to general principles of equity.

(l) The Company and the Bank have all such power, authority, authorizations, approvals and orders as may be required to enter into this Agreement, to carry out the provisions and conditions hereof and to issue and sell (i) the capital stock of the Bank to the Company and (ii) the Shares to be sold by the Company as provided herein and as described in the Prospectus.

(m) The Company and the Bank are not in violation of any directive received from the FDIC, the OTS or the Division to make any material change in the method of conducting their businesses so as to comply in all material respects with all applicable statutes and regulations (including, without limitation, regulations, decisions, directives and orders of the FDIC, the OTS and the Division), and, except as set forth in the Registration Statement and the Prospectus, there is no action, suit or proceeding before or by any court, regulatory authority or governmental agency or body, pending or, to the knowledge of the Company and the Bank, threatened, which would materially and adversely affect the Conversion, the performance of this Agreement or the consummation of the transactions contemplated in the Plan and as described in the Registration Statement and the Prospectus or which would result in any material adverse change in the financial condition, results of operations or business prospects of the Company and the Bank, taken as a whole.

(n) The Bank has obtained opinions of its special counsel, Muldoon, Murphy & Faucette with respect to the legality of the Securities issued and the federal income tax consequences of the Conversion copies of which are filed as exhibits to the Registration Statement; the summaries of the aforesaid opinions as disclosed in the Prospectus are accurate and complete in all material respects; and the facts and representations upon which such opinions are based are truthful, accurate and complete in all material respects, and neither the Bank nor the Company has taken or will take any action inconsistent therewith.

(o) The consolidated financial statements which are included in the Prospectus fairly present the financial condition, results of operations, retained earnings and cash flows of the Bank at the respective dates thereof and for the respective periods covered thereby and comply as to form in all material respects with the applicable accounting requirements of the Commission, and the rules and regulations of the FDIC and the Division. Such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied through

the periods involved except as noted therein, present fairly in all material respects the information required to be stated therein and are consistent with the most recent financial statements and other reports filed by the Bank with the Division and the FDIC. The other financial, statistical and pro forma information and related notes (except the appraisal data) included in the Prospectus present fairly the information shown therein on a basis consistent

with the audited and unaudited consolidated financial statements of the Bank included in the Prospectus, and as to the pro forma adjustments, the adjustments made therein have been properly applied on the basis described therein.

(p) Since the respective dates as of which information is given in the Registration Statement and the Prospectus: (i) there has not been any material adverse change in the financial condition of the Company or the Bank considered as one enterprise, or in the financial condition, results of operation or business prospects of the Company or the Bank, whether or not arising in the ordinary course of business; (ii) except as disclosed in the Registration Statement and Prospectus, there has not been any material increase in the long term debt of the Bank or in loans past due 90 days or more or real estate acquired by foreclosure, by deed-in-lieu of foreclosure or deemed in-substance foreclosure or any material decrease in retained earnings or total assets of the Bank nor has the Company or the Bank issued any securities (other than as contemplated by this Agreement) or incurred any liability or obligation for borrowing other than in the ordinary course of business and (iii) there have not been any material transactions entered into by the Company or the Bank, except with respect to those transactions entered into in the ordinary course of business.

(q) The capitalization, liabilities, assets, properties and business of the Company and the Bank conform in all material respects to the descriptions thereof contained in the Prospectus.

(r) Neither the Company nor the Bank has any material contingent liabilities, except as set forth in the Prospectus.

(s) As of the date hereof, neither the Company nor the Bank is in violation of its articles of incorporation or bylaws or charter or bylaws, as applicable (and the Bank will not be in violation of its charter or bylaws in capital stock form at the time of consummation of the Conversion), or in default in the performance or observance of any material obligation, agreement, covenant, or condition contained in any material contract, lease, loan agreement, indenture or other instrument to which it is a party or by which it or any other instrument to which it is a party or by which it or any of its property may be bound; the consummation of the Conversion, the execution, delivery and performance of this Agreement and the consummation of the transactions herein contemplated have been duly and validly authorized by all necessary corporate action on the part of the Company and the Bank and this Agreement has been validly executed and delivered by the Company and the Bank and is the valid, legal and binding Agreement of the Company and the Bank enforceable in accordance with its terms, except as the enforceability thereof may be limited by (i) bankruptcy, insolvency, or other laws now or hereafter in effect affecting the enforceability of the rights of creditors generally or the rights of creditors of Illinois state chartered savings banks and their holding companies, (ii) general

equitable principles, and (iii) applicable law with respect to the indemnification and/or contribution provisions contained herein (regardless of whether such enforceability is considered in a proceeding in equity or at law). The consummation of the transactions herein contemplated will not: (i) conflict with or constitute a breach of, or default under, the articles of incorporation and bylaws of the Company or the charter and bylaws of the Bank (in either mutual or capital stock form), or any material contract, lease or other instrument to which the Company or the Bank is a party, or any applicable law, rule, regulation or order; (ii) violate any authorization, approval, judgement, decree, order, statute, rule or regulation applicable to the Company or the Bank, except for such violation which would not have a material adverse effect on the financial condition and results of operations of the Company and the Bank on a consolidated basis; or (iii) with the exception of the liquidation account established in the Conversion, result in the creation of any material lien, charge or encumbrance upon any property of the Company or the Bank.

(t) No default exists, and no event has occurred which with notice or lapse of time, or both, would constitute a default on the part of the Company or the Bank, in the due performance and observance of any term, covenant or condition of any indenture, mortgage, deed of trust, note, bank loan or credit agreement or any other instrument of agreement to which the Company or the Bank is a party or by which any of them or any of their property is bound or affected except such defaults which would not have a material adverse effect on the financial condition or results of operations of the Company and the Bank on a consolidated basis; such agreements are in full force and effect; and no other party to any such agreements has instituted or, to the best knowledge of the Company and the Bank, threatened any action or proceeding wherein the Company, the Bank would be alleged to be in default thereunder under circumstances where such action or proceeding, if determined adversely to the Company or the Bank would have a material adverse effect on the Company and the Bank, taken as a whole.

(u) Upon consummation of the Conversion, the authorized, issued and outstanding equity capital of the Company will be within the range set forth in the Prospectus under the caption "Capitalization," and no shares of Common Stock have been or will be issued and outstanding prior to the Closing Date referred to in Section 2; the Shares will have been duly and validly authorized for issuance and, when issued and delivered by the Company pursuant to the Plan against payment of the consideration calculated as set forth in the Plan and in the Prospectus, will be duly and validly issued, fully paid and non-assessable; no preemptive rights exist with respect to the Shares (except for Subscription Rights granted pursuant to the Plan); and the terms and provisions of the Shares will conform in all material respects to the description thereof contained in the Registration Statement and the Prospectus. To the best knowledge of the Company and the Bank, upon the issuance of the Shares, good title to the Shares will be transferred from the Company to the purchasers thereof against payment therefor, subject to such claims as may be asserted against the purchasers thereof by third-party claimants.

(v) Neither the Company nor the Bank is required to obtain any approval or

notice of non-objection from any regulatory or supervisory or other public authority in connection with the execution and delivery of this Agreement or the issuance of the Shares, except for the approval of the Commission, the Division, the OTS and the non-objection of the FDIC and any necessary

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qualification, notification, registration or exemption under the securities or blue sky laws of the various states in which the Shares are to be offered, and except as may be required under the rules and regulations of the NASD and/or the National Market System of the Nasdaq Stock Market.

(w) KPMG Peat Marwick LLP, which has certified the consolidated financial statements of the Bank included in the Prospectus as of December 31, 1996 and 1995 and for each of the years in the three-year period ended December 31, 1996, has advised the Company and the Bank in writing that they are, with respect to the Company and the Bank, independent public accountants within the meaning of the Code of Professional Ethics of the American Institute of Certified Public Accountants as required by the 1933 Act and the 1933 Act Regulations.

(x) FinPro, Inc., which has prepared the Bank's Conversion Valuation Appraisal Report as of October 20, 1997 (as amended or supplemented) (the "Appraisal"), has advised the Company in writing that it is independent of the Company and the Bank within the meaning of the Conversion Regulations.

(y) The Company and the Bank have timely filed all required federal, state and local tax returns for the last five years or such shorter period as may be agreeable; applicable; the Company and the Bank have paid all taxes that have become due and payable in respect of such returns, except where permitted to be extended; and no deficiency has been asserted with respect thereto by any taxing authority and, to the best knowledge of the Bank, adequate reserves have been made for similar future tax liabilities.

(z) The Company and the Bank are in compliance in all material respects with the applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, and the regulations and rules thereunder.

(aa) To the knowledge of the Company and the Bank, neither the Company, the Bank nor employees of the Company or the Bank have made any payment of funds of the Company or the Bank as a loan for the purchase of the Shares.

(bb) To the knowledge of the Company and the Bank, all of the loans represented as assets on the most recent consolidated financial statements or consolidated selected financial information of the Company and the Bank included in the Prospectus meet or are exempt from all requirements of federal, state or local law pertaining to lending, including without limitation, truth in lending (including requirements of Regulations Z and 12 C.F.R. Part 226), real estate

settlement procedures, consumer credit protection, equal credit opportunity and all disclosure laws applicable to such loans, except for violations which, if asserted, would not result in a material adverse effect on the financial condition, results of operations or business of the Company and the Bank, taken as a whole.

(cc) Prior to the Conversion, the Bank was not authorized to issue shares of capital stock and neither the Company nor the Bank has: (i) issued any securities within the last 18 months (except for notes to evidence other bank loans and reverse repurchase agreements or other liabilities in the ordinary course of business or as described in the Prospectus); (ii) had any material dealings within the 12 months prior to the date hereof with any member of the NASD, or any person related to or associated with such member, other than discussions and meetings relating to the proposed Offering and routine purchases and sales of United States government and agency securities; (iii) entered into a financial or management consulting agreement except as contemplated hereunder and except for the Letter Agreement set forth in Exhibit A; and (iv) engaged any intermediary between Webb and the Company and the Bank in connection with the offering of the Shares, and no person is being compensated in any manner for such service.

(dd) The Company and the Bank have not relied upon Webb or Webb's counsel for any legal, tax or accounting advice in connection with the Conversion.

(ee) The Company is not required to be registered under the Investment Company Act of 1940, as amended.

Any certificates signed by an officer of the Company or the Bank pursuant to the conditions of this Agreement and delivered to Webb or its counsel that refers to this Agreement shall be deemed to be a representation and warranty by the Company or the Bank to Webb as to the matters covered thereby with the same effect as if such representation and warranty were set forth herein.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF WEBB.

(a) Webb represents and warrants to the Company and the Bank that:

- (i) Keefe, Bruyette & Woods, Inc. is a corporation and is validly existing in good standing under the laws of the State of New York with full power and authority to provide the services to be furnished to the Bank and the Company hereunder.
- (ii) The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action on the part of Webb, and this Agreement has been duly and

validly executed and delivered by Webb and is the legal, valid and binding agreement of Webb, enforceable in accordance with its terms, except as may be limited by bankruptcy, insolvency or other laws affecting the enforceability of the rights of creditors generally and judicial limitations on the right of specific performance and except as the enforceability of indemnification and contribution provisions may be limited by applicable securities laws.

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- (iii) Each of Webb and its employees, agents and representatives who shall perform any of the services hereunder shall be duly authorized and empowered, and shall have all licenses, approvals and permits necessary to perform such services.
- (iv) The execution and delivery of this Agreement by Webb, the consummation of the transactions contemplated hereby and compliance with the terms and provisions hereof will not conflict with, or result in a breach of, any of the terms, provisions or conditions of, or constitute a default (or event which with notice or lapse of time or both would constitute a default) under, the articles of incorporation of Webb or any agreement, indenture or other instrument to which Webb is a party or by which it or its property is bound.
- (v) No approval of any regulatory or supervisory or other public authority is required in connection with Webb's execution and delivery of this Agreement, except as may have been received.
- (vi) There is no suit or proceeding or charge or action before or by any court, regulatory authority or government agency or body or, to the best knowledge of Webb, pending or threatened, which might materially adversely affect Webb's performance under this Agreement.

SECTION 5.1 COVENANTS OF THE COMPANY AND THE BANK. The Company and the Bank hereby jointly and severally covenant with Webb as follows:

- (a) The Company will not, at any time after the date the Registration Statement is declared effective, file any amendment or supplement to the Registration Statement without providing Webb and its counsel an opportunity to review such amendment or supplement or file any amendment or supplement to which amendment or supplement Webb or its counsel shall reasonably object.
- (b) The Bank will not, at any time after the Conversion Application is

approved by the Division, file any amendment or supplement to such Conversion Application without providing Webb and its counsel an opportunity to review such amendment or supplement or file any amendment or supplement to which amendment or supplement Webb or its counsel shall reasonably object.

(c) The Bank will not, at any time after the FDIC issues its Notice of Objection, file any amendment or supplement to the FDIC Notice without providing Webb and its counsel an opportunity to review such amendment or supplement or file any amendment or supplement to which amendment or supplement Webb or its counsel shall reasonably object.

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(d) The Company will not, at any time before the Holding Company Application is approved by the OTS, file any amendment or supplement to such Holding Company Application without providing Webb and its counsel an opportunity to review such amendment or supplement or file any amendment or supplement to which amendment or supplement Webb or its counsel shall reasonably object.

(e) The Company and the Bank will use their best efforts to cause any post-effective amendment to the Registration Statement to be declared effective by the Commission and any post-effective amendment to the Conversion Application to be approved by the Division and will immediately upon receipt of any information concerning the events listed below notify Webb: (i) when the Registration Statement, as amended, has become effective; (ii) when the Conversion Application, as amended, has been approved by the Division; (iii) when the Holding Company Application, as amended, has been approved by the OTS; (iv) when the Notice of Non-Objection, as amended, has been received from the FDIC; (v) of any comments from the Commission, the Division, the OTS, the FDIC or any other governmental entity with respect to the Conversion or the transactions contemplated by this Agreement; (vi) of the request by the Commission, the Division, the OTS, or the FDIC or any other governmental entity for any amendment or supplement to the Registration Statement, the Conversion Application, the FDIC Notice or the Holding Company Application or for additional information; (vii) of the issuance by the Commission, the Division, the OTS, the FDIC or any other governmental entity of any order or other action suspending the Offering or the use of the Registration Statement or the Prospectus or any other filing of the Company or the Bank under the Conversion Regulations, or other applicable law, or the threat of any such action; (viii) the issuance by the Commission, the Division, the OTS, the FDIC or any state authority of any stop order suspending the effectiveness of the Registration Statement or the approval of the Conversion Application or Holding Company Application, or of the initiation or threat of initiation or threat of any proceedings for any such purpose; or (ix) of the occurrence of any event mentioned in paragraph (i) below. The Company and the Bank will make every reasonable effort (i) to prevent the issuance by the Commission, the Division, the OTS, the FDIC or any state authority of any such order and, if any such

order shall at any time be issued, (ii) to obtain the lifting thereof at the earliest possible time.

(f) The Company and the Bank will deliver to Webb and to its counsel two conformed copies of the Registration Statement, the Conversion Application, the FDIC Notice and the Holding Company Application, as originally filed and of each amendment or supplement thereto, including all exhibits. Further, the Company and the Bank will deliver such additional copies of the foregoing documents to counsel to Webb as may be required for any NASD filings.

(g) The Company and the Bank will furnish to Webb, from time to time during the period when the Prospectus (or any later prospectus related to this offering) is required to be delivered under the 1933 Act or the Securities Exchange Act of 1934, (the "1934 Act"), such number of copies of such Prospectus (as amended or supplemented) as Webb may reasonably request for the purposes contemplated by the 1933 Act, the 1933 Act Regulations, the 1934 Act or the rules and regulations promulgated under the 1934 Act (the "1934 Act Regulations"). The Company authorizes Webb to use the Prospectus (as amended or supplemented, if amended or

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supplemented) in any lawful manner contemplated by the Plan in connection with the sale of the Shares by Webb.

(h) The Company and the Bank will comply with any and all material terms, conditions, requirements and provisions with respect to the Conversion imposed by the Commission, the Division, the OTS, the FDIC, the Conversion Regulations, the ICSA or the HOLA, and by the 1933 Act, the 1933 Act Regulations, the 1934 Act and the 1934 Act Regulations to be complied with prior to or subsequent to the Closing Date and when the Prospectus is required to be delivered, the Company and the Bank will comply, at their own expense, with all material requirements imposed upon them by the Commission, the Division, the OTS, the FDIC, the Conversion Regulations, the ICSA or the HOLA, and by the 1993 Act, the 1933 Act Regulations, the 1934 Act and the 1934 Act Regulations, in each case as from time to time in force, so far as necessary to permit the continuance of sales or dealing in shares of Common Stock during such period in accordance with the provisions hereof and the Prospectus.

(i) If, at any time during the period when the Prospectus relating to the Shares is required to be delivered, any event relating to or affecting the Company or the Bank shall occur, as a result of which it is necessary or appropriate, in the opinion of counsel for the Company and the Bank to amend or supplement the Registration Statement or Prospectus in order to make the Registration Statement or Prospectus not misleading in light of the circumstances existing at the time the Prospectus is delivered to a purchaser, the Company and the Bank will, at their expense, prepare and file with the Commission, the Division, the OTS and the FDIC and furnish to Webb a reasonable number of copies of an amendment or amendments of, or a supplement or supplements to, the Registration Statement and Prospectus (in form and substance

satisfactory to Webb and its counsel after a reasonable time for review) which will amend or supplement the Registration Statement and Prospectus so that as amended or supplemented it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time the Prospectus is delivered to a purchaser, not misleading. For the purpose of this Agreement, the Company and the Bank each will timely furnish to Webb such information with respect to itself as Webb may from time to time reasonably request.

(j) At the Closing Date referred to in Section 2, the Plan will have been adopted by the Board of Directors of the Company and the Bank and the offer and sale of the Shares will have been conducted in all material respects in accordance with the Plan, the Conversion Regulations, the ICSA, the HOLA and all other applicable laws, regulations, decisions and orders, including all terms, conditions, requirements and provisions precedent to the Conversion imposed upon the Company or the Bank by the Commission, Division, the OTS, the FDIC or any other regulatory authority and in the manner described in the Prospectus.

(k) Upon completion of the sale by the Company of the Shares contemplated by the Prospectus, (i) the Bank will be converted pursuant to the Plan to an Illinois state chartered stock savings bank, (ii) all of the authorized and outstanding capital stock of the Bank will be owned by the Company, and (iii) the Company will have no direct subsidiaries other than the Bank. The

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Conversion will have been effected in all material respects in accordance with all applicable statutes, regulations, decisions and orders; and, except with respect to the filing of certain post-sale, post-Conversion reports, and documents in compliance with the 1933 Act Regulations, and all terms, conditions, requirements and provisions with respect to the Conversion (except those that are conditions subsequent) imposed by the Commission, the Division, the OTS and the FDIC, if any, will have been complied with by the Company and the Bank in all material respects or appropriate waivers will have been obtained and all material notice and waiting periods will have been satisfied, waived or elapsed.

(l) The Company and the Bank will take all necessary actions, in cooperation with Webb, and furnish to whomever Webb may direct, such information as may be required to qualify or register the Shares for offering and sale by the Company or to exempt such Shares from registration, or to exempt the Company as a broker-dealer and its officers, directors and employees as broker-dealers or agents under the applicable securities or blue sky laws of such jurisdictions in which the Shares are to be offered and sold as Webb and the Company and the Bank may reasonably agree upon; provided, however, that the Company shall not be obligated to file any general consent to service of process or to qualify to do business in any jurisdiction in which it is not so qualified. In each jurisdiction where any of the Shares shall have been qualified or registered as above provided, the Company will make and file such statements and reports in

each fiscal period as are or may be required by the laws of such jurisdiction.

(m) The liquidation account for the benefit of Eligible Account Holders and Supplemental Eligible Account Holders will be duly established and maintained in accordance with the requirements of the Division.

(n) The Company and the Bank will not sell or issue, contract to sell or otherwise dispose of, for a period of 180 days after the Closing Date, without Webb's prior written consent, any shares of Common Stock other than the Shares or other than in connection with any plan or arrangement described in the Prospectus

(o) The Company shall register its Common Stock under Section 12(g) of the 1934 Act concurrent with the Offering pursuant to the Plan and shall request that such registration be effective no later than upon completion of the Conversion. The Company shall maintain the effectiveness of such registration for not less than three (3) years or such shorter period as may be required by the Division.

(p) During the period during which the Company's Common Stock is registered under the 1934 Act or for three years from the date hereof, whichever period is greater, the Company will furnish to its stockholders as soon as practicable after the end of each fiscal year an annual report of the Company (including a consolidated balance sheet and statements of consolidated income, stockholders' equity and cash flows of the Company and its subsidiaries as at the end of and for such year, certified by independent public accountants in accordance with Regulation S-X under the 1933 Act and the 1934 Act).

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(q) During the period of three years from the date hereof, the Company will furnish to Webb: (i) as soon as practicable after such information is publicly available, a copy of each report of the Company furnished to or filed with the Commission under the 1934 Act or any national securities exchange or system on which any class of securities of the Company is listed or quoted (including, but not limited to, reports on Forms 10-K, 10-Q and 8-K and all proxy statements and annual reports to stockholders), (ii) a copy of each other non-confidential report of the Company mailed to its stockholders or filed with the Commission, the Division, or the FDIC or any other supervisory or regulatory authority or any national securities exchange or system on which any class of securities of the Company is listed or quoted, each press release and material news items and additional documents and information with respect to the Company or the Bank as Webb may reasonably request; and (iii) from time to time, such other nonconfidential information concerning the Company or the Bank as Webb may reasonably request.

(r) The Company and the Bank will use the net proceeds from the sale of the Shares in the manner set forth in the Prospectus under the caption "Use of

Proceeds."

(s) Other than as permitted by the ICSA, the HOLA, the 1933 Act, the 1933 Act Regulations, and the laws of any state in which the Shares are registered or qualified for sale or exempt from registration, neither the Company nor the Bank will distribute any prospectus or other offering material in connection with the offer and sale of the Shares.

(t) The Company will use its best efforts to (i) encourage and assist three market makers to establish and maintain a market for the Shares and (ii) list the Shares on a national or regional securities exchange or on the Nasdaq National Market of the Nasdaq Stock Market effective on or prior to the Closing Date.

(u) The Bank will maintain appropriate arrangements for depositing all funds received from persons mailing subscriptions for or orders to purchase Shares in the Offering on an interest bearing basis at the rate described in the Prospectus until the Closing Date and satisfaction of all conditions precedent to the release of the Bank's obligation to refund payments received from persons subscribing for or ordering Shares in the Offering in accordance with the Plan and as described in the Prospectus or until refunds of such funds have been made to the persons entitled thereto or withdrawal authorizations cancelled in accordance with the Plan and as described in the Prospectus. The Bank will maintain such records of all funds received to permit the funds of each subscriber to be separately insured by the FDIC (to the maximum extent allowable) and to enable the Bank to make the appropriate refunds of such funds in the event that such refunds are required to be made in accordance with the Plan and as described in the Prospectus.

(v) Prior to the Closing Date, the Holding Company Application shall have been approved by the OTS. The Company will promptly take all necessary action to register as a savings and loan holding company under the HOLA within 90 days of the Closing Date.

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(w) The Company and the Bank will take such actions and furnish such information as are reasonably requested by Webb in order for Webb to ensure compliance with the NASD's "Interpretation Relating to Free Riding and Withholding."

(x) The Bank will not amend the Plan of Conversion without notifying Webb prior thereto.

(w) The Company shall assist Webb, if necessary, in connection with the allocation of the Shares in the event of an oversubscription and shall provide Webb with any information necessary in allocating the Shares in such event.

(z) Prior to the Closing Date, the Company and the Bank will inform Webb

of any event or circumstances of which it is aware as a result of which the Registration Statement, the Conversion Application and/or Prospectus, as then amended or supplemented, would contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein not misleading.

SECTION 5.2 COVENANTS OF WEBB. Webb hereby covenants with the Company and the Bank as follows:

(a) During the period when the Prospectus is delivered, Webb will comply, in all material respects and at its own expense, with all requirements imposed upon it by the Commission and the NASD, including to the extent applicable, by the 1933 Act and the 1934 Act and the rules and regulations promulgated thereunder.

(b) Webb will distribute copies of the Prospectus and Sales Information in connection with the sales of the Common Stock only in accordance with NASD and SEC regulations, the 1933 Act and the rules and regulations promulgated thereunder.

(c) Webb shall use its best efforts to assist the Company in obtaining at least three market makers for the shares of Common Stock.

SECTION 6. PAYMENT OF EXPENSES. Whether or not the Conversion is completed or the sale of the Shares by the Company is consummated, the Company and the Bank jointly and severally agree to pay or reimburse Webb for: (a) all filing fees in connection with all filings with the NASD; (b) any stock issue or transfer taxes which may be payable with respect to the sale of the Shares; (c) all reasonable expenses of the Conversion, including but not limited to, the Company's and the Bank's attorneys' fees, transfer agent, registrar and other agent charges, fees relating to auditing and accounting or other advisors and costs of printing all documents necessary in connection with the Conversion and (d) all reasonable out-of-pocket expenses incurred by Webb. Such out-of-pocket expenses include, but are not limited to, travel, communications and postage and reasonable legal fees of counsel, which legal fees shall not exceed \$35,000. However, such out-of-pocket expenses do not include expenses incurred with respect to the matters set forth in (a) and (b) above. In the event the Company is unable to sell a minimum of

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4,250,000 Shares or the Conversion is terminated or otherwise abandoned, the Company and the Bank shall reimburse Webb in accordance with Section 2 hereof.

SECTION 7. CONDITIONS TO WEBB'S OBLIGATIONS. Webb's obligations hereunder, as to the Shares to be issued at the Closing Date, are subject, to the extent not waived by Webb, to the condition that all representations and warranties of the Company and the Bank herein are, at and as of the commencement of the Offering and at and as of the Closing Date, true and correct in all material respects, the condition that the Company and the Bank shall have

performed all of their obligations hereunder to be performed on or before such dates, and to the following further conditions:

(a) At the Closing Date, the Company and the Bank shall have conducted the Conversion in all material respects in accordance with the Plan, the Conversion Regulations, the ICSCA and all other applicable laws, regulations, decisions and orders, including all terms, conditions, requirements and provisions precedent to the Conversion imposed upon them by the Division, the FDIC and the OTS.

(b) The Registration Statement shall have been declared effective by the Commission, the Conversion Application approved by the Division and the Notice of Non-Objection received from the FDIC not later than 5:30 p.m. on the date of this Agreement, or with Webb's consent at a later time and date; and at the Closing Date, the Holding Company Application shall have been approved by the OTS and no stop order suspending the effectiveness of the Registration Statement shall have been issued under the 1933 Act or proceedings therefore initiated or threatened by the Commission, or any state authority and no order or other action suspending the authorization of the Prospectus or the consummation of the Conversion shall have been issued or proceedings therefore initiated or, to the Company's or the Bank's knowledge threatened by the Commission, the Division, the OTS, the FDIC or any other federal or state authority.

(c) At the Closing Date, Webb shall have received:

(1) The favorable opinion, dated as of the Closing Date and addressed to Webb and for its benefit, of Muldoon, Murphy & Faucette, special counsel for the Company and the Bank, in form and substance to the effect that:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of Delaware and has full corporate power and authority to own, lease and operate its properties and to conduct its business as described in the Registration Statement and the Prospectus and to enter into and perform its obligations under this Agreement. The Company is duly qualified as a foreign corporation to transact business and is in good standing in each jurisdiction where it owns or leases any material properties or conducts any material

business, unless the failure to so qualify would not have a material adverse effect on the financial condition, results of operations or business of the Company.

- (ii) The Bank is organized and is validly existing as a state chartered savings bank under the laws of the State of Illinois in mutual form of organization and upon the Conversion will become a duly organized and validly existing state chartered savings bank in capital stock form of organization under the laws of the State of Illinois, in both instances duly authorized to conduct its business and own its property as described in the Registration Statement and Prospectus. All of the outstanding capital stock of the Bank will be duly authorized and, upon payment therefor, will be validly issued, fully paid and non-assessable and, to the best of such counsel's knowledge, will be owned by the Company, free and clear of any liens, encumbrances, claims or other restrictions.
- (iii) The Bank is a member of the FHLB-Chicago. The Bank is an insured depository institution under the provisions of Section 4(a) of the FDI Act, as amended, and no proceedings for the termination or revocation of such insurance are, to the best of such counsel's knowledge, pending or threatened; the description of the liquidation account as set forth in the Prospectus under the caption "The Conversion-Liquidation Account" to the extent that such information constitutes matters of law and legal conclusions has been reviewed by such counsel and is accurate in all material respects.
- (iv) Upon consummation of the Conversion, the authorized, issued and outstanding capital stock of the Company will be within the range set forth in the Prospectus under the caption "Capitalization," and except for shares issued upon incorporation of the Company, no shares of Common Stock have been issued prior to the Closing Date; at the time of the Conversion, the Shares subscribed for pursuant to the Offering will have been duly and validly authorized for issuance, and when issued and delivered by the Company pursuant to the Plan against payment of the consideration calculated as set forth in the Plan and the Prospectus, will be duly and validly issued and fully paid and non-assessable; the issuance of the Shares is not subject to

statutory preemptive rights (except for Subscription Rights granted pursuant to the Plan) and the terms and provisions of the Shares conform in all material respects to the description thereof contained in the Prospectus. To the best of such counsel's knowledge, upon the issuance of the Shares, good title to the Shares will be transferred from the Company to the purchasers thereof against payment therefor, subject to such claims as may be asserted against the purchasers thereof by third-party claimants.

- (v) The OTS has duly approved the Holding Company Application and, to the best of such counsel's knowledge, no action is pending or threatened respecting the Holding Company Application or the acquisition by the Company of all of the Bank's issued and outstanding capital stock; the Holding Company Application complies as to form in all material respects with the HOLA.
- (vi) The Division has duly approved the Conversion Application and, to the best of such counsel's knowledge, no action is pending or threatened respecting the Division's approval of the Conversion Application; the Conversion Application complies as to form in all material respects with the ICSA.
- (vii) The FDIC has issued a Notice of Non-Objection to the Conversion and, to the best of such counsel's knowledge, no action is pending or threatened respecting the FDIC's Notice of Non-Objection to the Conversion; the FDIC Notice complies as to form in all material respects with the rules and regulations of the FDIC.
- (viii) The execution and delivery of the Agreement and the consummation of the transactions contemplated hereby have been duly and validly authorized by all necessary action on the part of the Company and the Bank; and the Agreement is a valid and binding obligation of the Company and the Bank, enforceable in accordance with its terms, except as the enforceability thereof may be limited by (i) bankruptcy, insolvency, or other laws now or hereafter in effect affecting the enforceability of the rights of creditors generally or the rights of creditors of Illinois

state chartered savings banks and their holding companies, (ii) general principles of equity, (iii) applicable law with respect to the indemnification and/or contribution provisions contained

herein, (regardless of whether such enforceability is considered in a proceeding in equity or at law); and such action will not result in any violation of the provisions of the articles of incorporation, bylaws or charter, as applicable, of the Company or the Bank or any applicable federal law, act, regulation (except that no opinion need be rendered with respect to the securities or blue sky laws of various jurisdictions or the rules and regulations of the NASD and/or the National Market System of the Nasdaq Stock Market).

- (ix) The Plan has been duly adopted by the required vote of the directors of the Company and the Bank and, based upon the certificate of the inspector of election, by the depositors and borrowers of the Bank.
- (x) Subject to the satisfaction of the conditions to the Division's, the OTS's and the FDIC's approval of the Conversion, the Company and the Bank are not required to receive any further approval, authorization, consent or other order of, register with, or submit a notice to any other federal or state agency in connection with the execution and delivery of the Agreement, the issuance of the Shares and the consummation of the Conversion, except as may be required under the securities or blue sky laws of various jurisdictions (as to which no opinion need be rendered), except as may be required under the rules and regulations of the NASD and/or the National Market System of the Nasdaq Stock Market (as to which no opinion need be rendered) and except for the registration of the Company as a savings bank holding company.
- (xi) The Registration Statement is effective under the 1933 Act and no stop order suspending the effectiveness has been issued under the 1933 Act or, to the best of such counsel's knowledge, proceedings therefor pending or threatened by the

Commission.

- (xii) At the time that the Registration Statement became effective, (i) the Registration Statement (as amended or supplemented, if so amended or supplemented) (other than the financial statements, the notes thereto and other tabular, financial, statistical and appraisal data included therein or omitted therefrom, as to which no opinion need be

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rendered) complied as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations, and (ii) the Prospectus (other than the financial statements, the notes thereto and other tabular, financial, statistical and appraisal data included therein or omitted therefrom, as to which no opinion need be rendered) complied as to form in all material respects with the requirements of the 1933 Act and the 1933 Act Regulations.

- (xiii) The terms and provisions of the Shares of the Company conform, in all material respects, to the description thereof contained in the Registration Statement and Prospectus, and the form of certificate used to evidence the Shares complies with applicable law.
- (xiv) The descriptions in the Conversion Application, the Registration Statement and the Prospectus of the contracts, indentures, mortgages, loan agreements, notes, leases or other instruments filed as exhibits thereto are accurate in all material respects and fairly present the information required to be shown.
- (xv) To the best of such counsel's knowledge the Company and the Bank have conducted the Conversion in all material respects in accordance with applicable requirements of the Plan, the Conversion Regulations, the ICASA and all other applicable regulations, decisions and orders thereunder, including all material applicable terms, conditions, requirements and conditions precedent to the Conversion imposed upon the Company or the Bank by the OTS, the Division or the FDIC and, to the best of such

counsel's knowledge, no person has sought to obtain review of the final action of the Division or the FDIC in approving the Plan.

- (xvi) To the best of such counsel's knowledge, the Company and the Bank have obtained all material federal licenses, permits and other Federal governmental authorizations currently required under the HOLA and the FDI Act and all applicable rules and regulations promulgated thereunder for the conduct of their businesses and to the best of such counsel's knowledge all such licenses, permits and other governmental authorizations are in full force and effect, and the Company, the Bank and the Subsidiary are in all

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material respects complying therewith, except whether the failure to have such licenses, permits and other governmental authorizations or the failure to be in compliance therewith would not have a material adverse affect on the business or operations of the Bank, the Company and the Subsidiary, taken as a whole).

- (xvii) The Company' certificate of incorporation and bylaws comply in all material respects with the Delaware General Corporation Law. The Bank's charter and bylaws in mutual form and, upon the completion of the Conversion, in stock form, comply in all material respects with the ICSA.
- (xviii) To the best of such counsel's knowledge, neither the Company nor the Bank is in violation of any directive from the Division, the FDIC or the OTS to make any material change in the method of conducting its respective business.
- (xix) The information in the Prospectus under the captions "Regulation and Supervision," "The Conversion," "Restrictions on Acquisition of the Company and the Bank" and "Description of Capital Stock of the Company," to the extent that such information constitutes matters of law, summaries of legal matters, documents or proceedings, or legal conclusions, has been reviewed by such counsel and is correct in all material respects. The description of the

Conversion process under the caption "The Conversion" in the Prospectus has been reviewed by such counsel and is in all material respects correct. The discussion of Federal statutes or regulations described or referred to in the Prospectus are accurate summaries. The information regarding the federal tax opinion under the caption "The Conversion-Tax Effects" has been reviewed by such counsel and constitutes an accurate summary of the opinion rendered by such counsel to the Company and the Bank with respect to such matters subject to the qualifications and limitations noted therein.

In rendering such opinion, such counsel may rely as to all matters of fact on certificates of officers or directors of the Company and the Bank and certificates of public officials.

In addition, such counsel shall provide a letter to Webb stating that nothing has come to their attention that would lead them to believe that the Conversion Application and the Registration Statement, or any amendment or supplement thereto (other than the financial

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statements, the notes thereto, and other tabular, financial, statistical and appraisal data included therein or omitted therefrom as to which no statement need be made), as of the date of approval or effectiveness, as the case may be, and the Prospectus, as of its date and as of the Closing Date, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

- (2) The favorable opinion, dated as of the Closing Date and addressed to Webb and for their benefit, of _____, the Bank's local counsel, in form and substance to the effect that:
 - (i) to the best of such counsel's knowledge, the Company and the Bank have good and marketable title to all properties and assets which are material to the business of the Company and the Bank and to those properties and assets described in the Registration Statement and Prospectus, as owned by them, free and clear of all liens, charges, encumbrances or restrictions, except such as are described in the Registration Statement and Prospectus, or are not material in relation to the business of

the Company and the Bank considered as one enterprise;

- (ii) to the best of such counsel's knowledge, all of the leases and subleases material to the business of the Company and the Bank under which the Company and the Bank hold properties, as described in the Registration Statement and Prospectus, are in full force and effect;
- (iii) the Bank is duly qualified to transact business in each jurisdiction in which its ownership of property or leasing of property or the conduct of its business requires such qualification, unless the failure to be so qualified in one or more of such jurisdictions would not have a material adverse effect on the financial condition, or the business, operations or income of the Bank;
- (iv) to the best of such counsel's knowledge, the execution and delivery of the Agreement, the occurrence of the obligations therein set forth and the consummation of the transactions contemplated therein will not conflict with or constitute a breach of, or default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Company or the Bank pursuant to any contract, indenture, mortgage, loan agreement, note, lease or other instrument described in the Prospectus or filed as an exhibit to the Registration Statement to which the Company or the Bank is a party or by which any of

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them may be bound, or to which any of the property or assets of the Company or the Bank is subject (other than the establishment of a liquidation account) and such action will not result in any violation of any court order, writ, injunction or decree naming the Company or the Bank;

- (v) to the best of such counsel's knowledge, the Company and the Bank have obtained all material Illinois licenses, permits and other governmental authorizations currently required

for the conduct of their businesses and to the best of such counsel's knowledge, all such licenses, permits and other governmental authorizations are in full force and effect, and the Company and the Bank are in all material respects complying therewith, except where the failure to have such licenses, permits and other governmental authorizations or the failure to be in compliance therewith would not have a material adverse affect on the business or operations of the Bank and the Company, taken as a whole;

- (vi) there are no legal or governmental proceedings pending or to the best of such counsel's knowledge, threatened which are required to be disclosed in the Registration Statement and Prospectus, other than those disclosed therein, and to the best of such counsel's knowledge, all pending legal and governmental proceedings to which the Company and the Bank is a party or of which any of their property is the subject, which are not described in the Registration Statement and the Prospectus, including ordinary routine litigation incidental to the Company's or the Bank's business, are, considered in the aggregate, not material; and
 - (vii) neither the Company nor the Bank is in violation of its articles of incorporation, bylaws or charter nor, to the best of such counsel's knowledge, in default (nor has any event occurred which, with notice or lapse of time or both, would constitute a default) in the performance or observance of any obligation, agreement, covenant or condition contained in any material contract, indenture, mortgage, loan agreement, note, lease or other instrument to which the Company or the Bank is a party or by which the Company or the Bank or any of their property may be bound (in any respect that would have a material adverse effect upon the financial condition, results of operations or business of the Company and the Bank, taken as a whole).
- (3) The favorable opinion, dated as of the Closing Date, of Elias, Matz, Tiernan & Herrick L.L.P., Webb's counsel, with respect to such matters

as Webb

may reasonably require. Such opinion may rely upon the opinions of counsel to the Company and the Bank, and as to matters of fact, upon certificates of officers and directors of the Company and the Bank delivered pursuant hereto or as such counsel shall reasonably request.

(d) At the Closing Date, Webb shall receive a certificate of the Chief Executive Officer and the Chief Financial Officer of the Company and a certificate of the Chief Executive Officer and the Chief Financial Officer of the Bank, both dated as of such Closing Date, to the effect that: (i) they have reviewed the Prospectus and, in their opinion, at the time the Prospectus became authorized for final use, the Prospectus did not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; (ii) since the date the Prospectus became authorized for final use, no material adverse change in the financial condition, or in the earnings, capital, properties or business of the Company and the Bank has occurred and, to their knowledge, no other event has occurred, which should have been set forth in an amendment or supplement to the Prospectus which has not been so set forth, and the conditions set forth in this Section 7 have been satisfied; (iii) since the respective dates as of which information is given in the Registration Statement and Prospectus, there has been no material adverse change in the financial condition, results of operations or business prospects of the Company and the Bank, independently, or of the Company, the Bank and the Subsidiary considered as one enterprise, whether or not arising in the ordinary course of business; (iv) the representations and warranties in Section 4 are true and correct with the same force and effect as though expressly made at and as of the Closing Date; (v) the Company and the Bank have complied in all material respects with all agreements and satisfied all conditions on their part to be performed or satisfied at or prior to the Closing Date and will comply in all material respects with all obligations to be satisfied by them after Conversion; (vi) no stop order suspending the effectiveness of the Registration Statement is pending or, to the best knowledge of the Company or the Bank, threatened by the Commission or any state authority; (vii) no order suspending the Offering, the Conversion, the acquisition of all of the shares of the Bank by the Company or the effectiveness of the Prospectus has been issued and no proceedings for that purpose are pending or, to the best knowledge of the Company or the Bank, threatened by the Division, the OTS, the FDIC, the Commission or any other federal or state authority; and (viii) to the best knowledge of the Company or the Bank, no person has sought to obtain review of the final action of the Division or the FDIC approving the Plan.

(e) Prior to and at the Closing Date: (i) in the reasonable opinion of Webb, there shall have been no material adverse change in the financial condition, or in the earnings or business of the Bank independently, or of the Company or the Bank considered as one enterprise, from that as of the latest dates as of which such condition is set forth in the Prospectus other than transactions referred to or contemplated therein; (iii) the Company or the Bank shall not have received from the Division, the OTS or the FDIC any direction (oral or written) to make any material change in the method of conducting their

business with which it has not complied (which direction, if any, shall have been disclosed to Webb) or which materially and adversely would affect the business, operations or financial condition or income of the Company and the Bank

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considered as one enterprise; (iv) the Company and the Bank shall not have been in material default (nor shall an event have occurred which, with notice or lapse of time or both, would constitute a default) under any material provision of any agreement or instrument relating to any outstanding indebtedness; (v) no action, suit or proceedings, at law or in equity or before or by any federal or state commission, board or other administrative agency, shall be pending or, to the knowledge of the Company or the Bank, threatened against the Company or the Bank or affecting any of their properties wherein an unfavorable decision, ruling or finding would materially and adversely affect the business operations, financially condition or income of the Company and the Bank considered as one enterprise; and (vi) the Shares have been qualified or registered for offering and sale or exempted therefore under the securities or blue sky laws of the jurisdictions as Webb shall have requested and as agreed to by the Company and the Bank.

(f) Concurrently with the execution of this Agreement, Webb shall receive a letter from KPMG Peat Marwick LLP dated as of the date of the Prospectus and addressed to Webb: (i) confirming that KPMG Peat Marwick LLP is a firm of independent public accountants within the meaning of the 1933 Act and stating in effect that in KPMG Peat Marwick LLP's opinion the consolidated financial statements of the Bank as of December 31, 1995 and 1996 and for each of the three years in the period ended December 31, 1996, as are included in the Prospectus and covered by its opinion included therein, comply as to form in all material respects with the applicable accounting requirements and related published rules and regulations of the 1933 Act; (ii) a statement from KPMG Peat Marwick LLP in effect that, on the basis of certain agreed upon procedures (but not an audit in accordance with generally accepted auditing standards) consisting of a reading of the latest available unaudited interim consolidated financial statements of the Bank prepared by the Bank, a reading of the minutes of the meetings of the Board of Directors and members of the Bank and consultations with officers of the Bank responsible for financial and accounting matters, nothing came to their attention which caused them to believe that: (A) the unaudited consolidated financial statements included in the Prospectus, are not in conformity with the 1933 Act and generally accepted accounting principles applied on a basis substantially consistent with that of the audited consolidated financial statements included in the Prospectus; or (B) during the period from the date of the latest unaudited consolidated financial statements included in the Prospectus to a specified date not more than three business days prior to the date of the Prospectus, except as has been described in the Prospectus, other than normal deposit fluctuations, there was any material increase in consolidated long-term debt, short-term debt, real estate owned or real estate acquired by deed in lieu of foreclosure by the Bank; or (C) there

was any decrease in consolidated total assets, allowance for estimated losses on loans, total savings deposits or capital of the Bank at the date of such letter as compared with amounts shown in the latest unaudited consolidated statement of condition included in the Prospectus; and (iii) a statement from KPMG Peat Marwick LLP that, in addition to the audit referred to in their opinion included in the Prospectus and the performance of the procedures referred to in clause (ii) of this subsection (f), they have compared with the general accounting records of the Bank, which are subject to the internal controls of the Bank, the accounting system and other data prepared by the Bank, directly from such accounting records, to the extent specified in such letter, such amounts and/or percentages set forth in the Prospectus as Webb may reasonably request; and they have reported on the results of such comparisons.

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(g) At the Closing Date, Webb shall receive a letter from KPMG Peat Marwick LLP dated the Closing Date, addressed to Webb, confirming the statements made by them in the letter delivered by it pursuant to subsection (f) of this Section 7, the "specified date" referred to in clause (ii) of subsection (f) thereof to be a date specified in such letter, which shall not be more than three business days prior to the Closing Date.

(h) At the Closing Date, Webb shall receive a letter from FinPro, Inc., dated the date thereof and addressed to counsel for Webb, (i) confirming that said firm is independent of the Company and the Bank and is experienced and expert in the area of corporate appraisals and (ii) stating that its opinion of the aggregate pro forma market value of the Company and the Bank expressed in its Appraisal dated as of October 20, 1997, and most recently updated, remains in effect.

(i) The Company and the Bank shall not have sustained since the date of the latest audited financial statements included in the Prospectus any material loss or interference with their businesses from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, otherwise than as set forth or contemplated in the Registration Statement and Prospectus.

(j) At or prior to the Closing Date, Webb shall receive: (i) a copy of the letter from the Division approving the Conversion Application and authorizing the use of the Prospectus; (ii) a copy of the order from the Commission declaring the Registration Statement effective; (iii) a certificate from the Division evidencing the existence of the Bank; (iv) certificates of good standing from the State of Delaware evidencing the good standing of the Company; (v) a certificate from the FDIC evidencing the Bank's insurance of accounts; (vi) a certificate of the FHLB-Chicago evidencing the Bank's membership thereof; (vii) a copy of the letter from the OTS approving the Company's Holding Company Application; and (ix) a copy of the Notice of Non-Objection to the Conversion Application from the FDIC.

(k) As soon as available after the Closing Date, Webb shall receive, upon request, a copy of the Bank's Illinois state stock charter.

(l) Subsequent to the date hereof, there shall not have occurred any of the following: (i) a suspension or limitation in trading in securities generally on the New York Stock Exchange or in the over-the-counter market, or quotations halted generally on the AMEX, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices for securities have been required by either of such exchanges or the AMEX or by order of the Commission or any other governmental authority; (ii) a general moratorium on the operations of commercial banks or federal or state savings associations or a general moratorium on the withdrawal of deposits from commercial banks or federal or state AMEX savings associations declared by federal or Illinois authorities; (iii) the engagement by the United States in hostilities which have resulted in the declaration, on or after the date hereof, of a national emergency or war; or (iv) a material decline in the price of equity or debt securities if the effect of such a decline, in Webb's reasonable judgment, makes it impracticable or inadvisable to proceed with the Offering or the delivery of the shares on the terms and in the manner contemplated in the Registration Statement and Prospectus.

SECTION 8. INDEMNIFICATION.

(a) The Company and the Bank jointly and severally agree to indemnify and hold harmless Webb, its officers, directors, agents, servants and employees and each person, if any, who controls Webb within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act, against any and all loss, liability, claim, damage or expense whatsoever (including but not limited to reasonable and documented settlement expenses), joint or several, that Webb or any of them may suffer or to which Webb and any such persons may become subject under all applicable federal or state laws or otherwise, and to promptly reimburse Webb and any such persons upon written demand for any expense (including reasonable and documented fees and disbursements of counsel) incurred by Webb or any of them in connection with investigating, preparing or defending any actions, proceedings or claims (whether commenced or threatened) to the extent such losses, claims, damages, liabilities or actions: (i) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment or supplement thereto), preliminary or final Prospectus (or any amendment or supplement thereto), the Conversion Application (or any amendment or supplement thereto), the Holding Company Application or any blue sky application or other instrument or document executed by the Company or the Bank or based upon written information supplied by the Company or the Bank filed in any state or jurisdiction to register or qualify any or all of the Shares or to claim an exemption therefrom, or provided to any state or jurisdiction to exempt the Company as a broker-dealer or its officers, directors and employees as

broker-dealers or agents, under the securities laws thereof (collectively, the "Blue Sky Application"), or any application or other document, advertisement, oral statement or communication ("Sales Information") prepared, made or executed by or on behalf of the Company or the Bank with their consent or based upon written or oral information furnished by or on behalf of the Company or the Bank, whether or not filed in any jurisdiction, in order to qualify or register the Shares or to claim an exemption therefrom under the securities laws thereof; (ii) arise out of or based upon the omission or alleged omission to state in any of the foregoing documents or information, a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; or (iii) arise from any theory of liability whatsoever relating to or arising from or based upon the Registration Statement (or any amendment or supplement thereto), preliminary or final Prospectus (or any amendment or supplement thereto), the Conversion Application (or any amendment or supplement thereto), any Blue Sky Application or Sales Information or other documentation distributed in connection with the Conversion; PROVIDED, HOWEVER, that no indemnification is required under this paragraph (a) to the extent such losses, claims, damages, liabilities or actions arise out of or are based upon Webb's gross negligence, bad faith or willful misconduct (as determined in a final judgment by a court of competent jurisdiction) or upon any untrue material statement or alleged untrue material statements in, or material omission or alleged material omission from, the Registration Statement (or any amendment or supplement thereto), preliminary or final Prospectus (or any amendment or supplement thereto), the Conversion Application, any Blue Sky Application or Sales Information made in reliance upon and in conformity with information furnished in writing to the Company or the Bank by Webb regarding Webb or statistical information regarding

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national averages provided by Webb for the Sales Information and PROVIDED FURTHER that such indemnification shall be to the extent permitted by Sections 23A and 23B of the Federal Reserve Act, as amended.

(b) Webb agrees to indemnify and hold harmless the Company and the Bank, their directors and officers and each person, if any, who controls the Company or the Bank within the meaning of Section 15 of the 1933 Act or Section 20(a) of the 1934 Act against any and all loss, liability, claim, damage or expense whatsoever (including but not limited to reasonable and documented settlement expenses), joint or several, which it, or any of them, may suffer or to which it, or any of them may become subject under all applicable federal and state laws or otherwise, and to promptly reimburse the Company, the Bank, and any such persons upon written demand for any expenses (including reasonable and documented fees and disbursements of counsel) incurred by it, or any of them, in connection with investigating, preparing or defending any actions, proceedings or claims (whether commenced or threatened) to the extent such losses, claims, damages, liabilities or actions arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement (or any amendment or supplement thereto), the Conversion

Application (or any amendment or supplement thereto) or the preliminary or final Prospectus (or any amendment or supplement thereto), or are based upon the omission or alleged omission to state in any of the foregoing documents a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; PROVIDED, HOWEVER, that Webb's obligations under this Section 8(b) shall exist only if and only to the extent that such untrue statement or alleged untrue statement was made in, or such material fact or alleged material fact was omitted from, the Registration Statement (or any amendment or supplement thereto), the preliminary or final Prospectus (or any amendment or supplement thereto) or the Conversion Application (or any amendment or supplement thereto), any Blue Sky Application or Sales Information in reliance upon and in conformity with information furnished in writing to the Company or the Bank by Webb regarding Webb or statistical information regarding national averages provided by Webb for the Sales Information.

(c) Each indemnified party shall give prompt written notice to each indemnifying party of any action, proceeding, claim (whether commenced or threatened), or suit instituted against it in respect of which indemnity may be sought hereunder, but failure to so notify an indemnifying party shall not relieve it from any liability which it may have on account of this Section 8 or otherwise. An indemnifying party may participate at its own expense in the defense of such action. In addition, if it so elects within a reasonable time after receipt of such notice, an indemnifying party, jointly with any other indemnifying parties receiving such notice, may assume defense of such action with counsel chosen by it and approved by the indemnified parties that are defendants in such action, unless such indemnified parties reasonably object to such assumption on the ground that there may be legal defenses available to them that are different from or in addition to those available to such indemnifying party. If an indemnifying party assumes the defense of such action, the indemnifying parties shall not be liable for any fees and expenses of counsel for the indemnified parties incurred thereafter in connection with such action, proceeding or claim, other than reasonable costs of investigation. In no event shall the

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indemnifying parties be liable for the reasonable fees and expenses of more than one separate firm of attorneys (and any special counsel that said firm may retain) for each indemnified party in connection with any one action, proceeding or claim or separate but similar or related actions, proceedings or claims in the same jurisdiction arising out of the same general allegations or circumstances.

(d) The agreements contained in this Section 8 and in Section 9 hereof and the representations and warranties of the Company and the Bank set forth in this Agreement shall remain operative and in full force and effect regardless of: (i) any investigation made by or on behalf of Webb or its officers, directors or controlling persons, agents or employees or by or on behalf of the Company or the Bank or any officers, directors or controlling persons, agents or employees

of the Company or the Bank; (ii) delivery of and payment hereunder for the Shares; or (iii) any termination of this Agreement.

SECTION 9. CONTRIBUTION. In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in Section 8 is due in accordance with its terms but is for any reason held by a court to be unavailable from the Company, the Bank or Webb, the Company, the Bank and Webb shall contribute to the aggregate losses, claims, damages and liabilities (including any investigation, legal and other expenses incurred in connection with, and any amount paid in settlement of, any action, suit or proceeding of any claims asserted, but after deducting any contribution received by the Company, the Bank or Webb from persons other than the other party thereto, who may also be liable for contribution) in such proportion so that Webb are responsible for that portion represented by the percentage that the fees paid to Webb pursuant to Section 2 of this Agreement (not including expenses) bears to the gross proceeds received by the Company from the sale of the Shares in the Offering and the Company and the Bank shall be responsible for the balance. If, however, the allocation provided above is not permitted by applicable law or if the indemnified party failed to give the notice required under Section 8 above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative fault of the Company and the Bank on the one hand and Webb on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions, proceedings or claims in respect thereto), but also the relative benefits received by the Company and the Bank on the one hand and Webb on the other from the Offering (before deducting expenses). The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company and/or the Bank on the one hand or Webb on the other and the parties' relative intent, good faith, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, the Bank and Webb agree that it would not be just and equitable if contribution pursuant to this Section 9 were determined by pro-rata allocation or by any other method of allocation which does not take into account the equitable considerations referred to above in this Section 9. The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions, proceedings or claims in respect thereof) referred to above in this Section 9 shall be deemed to include any legal or other expenses reasonably

incurred by such indemnified party in connection with investigating or defending any such action, proceeding or claim. It is expressly agreed that Webb shall not be required to contribute any amount which in the aggregate exceeds the amount paid (excluding reimbursable expenses) to Webb under this Agreement. It is understood that the above stated limitation on Webb's liability for contribution is essential to Webb and that Webb would not have entered into this Agreement if such limitation had not been agreed to by the parties to this

Agreement. No person found guilty of any fraudulent misrepresentation (within the meaning of Section 11(f) of the 1933 Act) shall be entitled to contribution from any person who was not found guilty of such fraudulent misrepresentation. The obligations of the Company and the Bank under this Section 9 and under Section 8 shall be in addition to any liability which the Company and the Bank may otherwise have. For purposes of this Section 9, each of Webb's, the Company's or the Bank's officers and directors and each person, if any, who controls Webb or the Company or the Bank within the meaning of the 1933 Act and the 1934 Act shall have the same rights to contribution as Webb, the Company or the Bank. Any party entitled to contribution, promptly after receipt of notice of commencement of any action, suit, claim or proceeding against such party in respect of which a claim for contribution may be made against another party under this Section 9, will notify such party from whom contribution may be sought, but the omission to so notify such party shall not relieve the party from whom contribution may be sought from any other obligation it may have hereunder or otherwise than under this Section 9.

SECTION 10. SURVIVAL OF AGREEMENTS REPRESENTATIONS AND INDEMNITIES. The respective indemnities of the Company, the Bank and Webb and the representations and warranties and other statements of the Company, the Bank and Webb set forth in or made pursuant to this Agreement shall remain in full force and effect, regardless of any termination or cancellation of this Agreement or any investigation made by or on behalf of Webb, the Company, the Bank or any controlling person referred to in Section 8 hereof, and shall survive the issuance of the Shares, and any legal representative, successor or assign of Webb, the Company, the Bank, and any such controlling person shall be entitled to the benefit of the respective agreements, indemnities, warranties and representations.

SECTION 11. TERMINATION. Webb may terminate its obligations under this Agreement by giving the notice indicated below in this Section 11 at any time after this Agreement becomes effective as follows:

(a) In the event the Company fails to sell all of the Shares by June 30, 1998, and in accordance with the provisions of the Plan or as required by the Conversion Regulations, and applicable law, this Agreement shall terminate upon refund by the Bank to each person who has subscribed for or ordered any of the Shares the full amount which it may have received from such person, together with interest as provided in the Prospectus, and no party to this Agreement shall have any obligation to the other hereunder, except for payment by the Company and/or the Bank as set forth in Sections 2(a) and (d), 6, 8 and 9 hereof.

(b) If any of the conditions specified in Section 7 shall not have been fulfilled when and as required by this Agreement unless waived in writing, or by the Closing Date, this Agreement

and all of Webb's obligations hereunder may be cancelled by Webb by notifying the Company and the Bank of such cancellation in writing at any time at or prior to the Closing Date, and any such cancellation shall be without liability of any party to any other party except as otherwise provided in Sections 2, 6, 8 and 9 hereof.

(c) If Webb elects to terminate this Agreement with respect to it as provided in this Section, the Company and the Bank shall be notified promptly by such Agent by telephone or telegram, confirmed by letter.

The Company and the Bank may terminate this Agreement with respect to Webb in the event Webb is in material breach of the representations and warranties or covenants contained in Section 5 and such breach has not been cured after the Company and the Bank have provided Webb with notice of such breach.

This Agreement may also be terminated by mutual written consent of the parties hereto.

SECTION 12. NOTICES. All communications hereunder, except as herein otherwise specifically provided, shall be mailed in writing and if sent to Webb shall be mailed, delivered or telegraphed and confirmed to Charles Webb & Company, 211 Bradenton, Dublin, Ohio 43017-5034, Attention: Patricia A. McJoynt (with a copy to Elias, Matz, Tiernan & Herrick L.L.P., 734 15th Street, N.W., Washington, D.C. 20005, Attention: Kevin M. Houlihan, Esq.) and, if sent to the Company and the Bank, shall be mailed, delivered or telegraphed and confirmed to the Company and the Bank at EFC Bancorp, Inc., 1695 Larkin Avenue, Elgin, Illinois 60123, Attention: Barrett J. O'Connor, President and Chief Executive Officer (with a copy to Muldoon, Murphy & Faucette, 5101 Wisconsin Avenue, N.W., Washington, D.C. 20016, Attention: Ann Cox Clancy, Esq.).

SECTION 13. PARTIES. The Company and the Bank shall be entitled to act and rely on any request, notice, consent, waiver or agreement purportedly given on behalf of Webb when the same shall have been given by the undersigned. Webb shall be entitled to act and rely on any request, notice, consent, waiver or agreement purportedly given on behalf of the Company or the Bank, when the same shall have been given by the undersigned or any other officer of the Company or the Bank. This Agreement shall inure solely to the benefit of, and shall be binding upon, Webb, the Company, the Bank, and their respective successors, legal representatives and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Agreement or any provision herein contained. It is understood and agreed that this Agreement, including Exhibit A thereto, is the exclusive agreement among the parties hereto, and supersedes any prior agreement among the parties and may not be varied except in writing signed by all the parties.

SECTION 14. CLOSING. The closing for the sale of the Shares shall take place on the Closing Date at such location as mutually agreed upon by Webb and the Company and the Bank. At the closing, the Company and the Bank shall deliver to Webb in next day funds the commissions, fees and expenses due and

owing to Webb as set forth in Sections 2 and 6 hereof

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and the opinions and certificates required hereby and other documents deemed reasonably necessary by Webb shall be executed and delivered to effect the sale of the Shares as contemplated hereby and pursuant to the terms of the Prospectus.

SECTION 15. PARTIAL INVALIDITY. In the event that any term, provision or covenant herein or the application thereof to any circumstance or situation shall be invalid or unenforceable, in whole or in part, the remainder hereof and the application of said term, provision or covenant to any other circumstances or situation shall not be affected thereby, and each term, provision or covenant herein shall be valid and enforceable to the full extent permitted by law.

SECTION 16. CONSTRUCTION. This Agreement shall be construed in accordance with the laws of the State of New York.

SECTION 17. COUNTERPARTS. This Agreement may be executed in separate counterparts, each of which so executed and delivered shall be an original, but all of which together shall constitute a binding agreement.

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If the foregoing correctly sets forth the arrangement among the Company, the Bank and Webb, please indicate acceptance thereof in the space provided below for that purpose, whereupon this letter and Webb's acceptance shall constitute a binding agreement.

Very truly yours,

EFC BANCORP, INC.

ELGIN FINANCIAL CENTER, S.B.

By: _____
Barrett J. O'Connor
President and Chief
Executive Officer

By: _____
Barrett J. O'Connor
President and Chief
Executive Officer

Accepted as of the date first above written

CHARLES WEBB & COMPANY A DIVISION OF KEEFE,
BRUYETTE & WOODS, INC.

By: _____
Patricia A. McJoynt
Executive Vice President

Exhibit 2.1 Amended Plan of Conversion (including the new stock Articles of Incorporation and Bylaws of Elgin Financial Center, S.B.)

AMENDED PLAN OF CONVERSION FOR
ELGIN FINANCIAL CENTER, S. B.

1. INTRODUCTION

This Amended Plan of Conversion ("Plan") provides for the conversion of Elgin Financial Center, S.B., Elgin, Illinois ("INSTITUTION") into a state-chartered capital stock savings bank under the name Elgin Financial Center, S.B. The Board of Directors of the INSTITUTION currently contemplates that all of the stock of the INSTITUTION shall be held by a Delaware corporation (the "Holding Company"). The Board of Directors has carefully considered the alternatives available to the INSTITUTION with respect to its corporate structure and has determined that a mutual to stock conversion as described in this Plan is in the best interests of the INSTITUTION, its depositors and the community served by the INSTITUTION. The Board of Directors believes that the decline in mutuality is placing mutual savings associations, such as the INSTITUTION, at a disadvantage to the increasing base of stock thrift and commercial bank institutions. The restructuring of the INSTITUTION into the capital stock form of organization will enable the INSTITUTION to expand the INSTITUTION'S franchise, compete more effectively with commercial banks and other financial institutions for new business opportunities, and as a stock institution, to increase its equity capital base and access the capital markets when needed. The use of the Holding Company, if so utilized, would also provide greater organizational and operating flexibility. Shares of capital stock of the INSTITUTION will be sold to the Holding Company and the Holding Company will offer the Conversion Stock upon the terms and conditions set forth herein to the Eligible Account Holders, the Employee Plans established by the INSTITUTION or Holding Company, the Supplemental

Eligible Account Holders and the Other Voting Members in the respective priorities set forth in this Plan. Any shares of Conversion Stock not subscribed for by the foregoing classes of persons will be offered for sale to certain members of the public either directly by the INSTITUTION and the Holding Company through a Community Offering or a Syndicated Community

Offering or through an underwritten firm commitment public offering or through a combination thereof. In the event that the INSTITUTION decides not to utilize the Holding Company in conversion, Conversion Stock of the INSTITUTION, in lieu of the Holding Company, will be sold as set forth above and in the respective priorities set forth in this Plan. In addition to the foregoing, the INSTITUTION and the Holding Company intend to provide employment or severance agreements to certain management employees and certain other benefits to the Directors, officers and employees of the INSTITUTION as described in the Prospectus for the Conversion Stock.

In furtherance of the INSTITUTION's commitment to its community, this Plan provides for the establishment of a charitable foundation as part of the Conversion. The charitable foundation is intended to complement the INSTITUTION's existing community reinvestment activities in a manner that will allow the INSTITUTION's local community to share in the growth and profitability of the Holding Company and the INSTITUTION over the long term. Consistent with the INSTITUTION's goal, the Holding Company intends to donate to the charitable foundation immediately following the Conversion a number of shares of its authorized but unissued Common Stock in an amount up to 8% of the common stock issued in the Conversion.

This Plan, which has been unanimously approved by the Board of Directors of the INSTITUTION present at a duly called meeting of the Board, must also be approved by the Eligible Account Holders of the INSTITUTION by: (1) the affirmative vote of at least two-thirds of the total

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outstanding votes of members; and, (2) if required by the FDIC, the affirmative vote of at least a majority of the amount of votes eligible to be cast at the Special Meeting. The Board of Directors shall appoint an independent custodian and tabulator to receive and hold proxies to be voted at the Special Meeting and count the votes cast in favor of and in opposition to the Plan. Prior to the submission of this Plan to the Eligible Account Holders for consideration, the Plan must be approved by the Illinois Commissioner of Banks And Real Estate or his or her designees ("Commissioner") and the Plan must be not objected to by the FDIC.

2. DEFINITIONS

For the purposes of this Plan, the following terms have the following meanings:

Account Holder - The term Account Holder means any Person holding a Deposit Account in the INSTITUTION.

Acting in Concert - The term "Acting in Concert" means (i) knowing participation in a joint activity or interdependent conscious parallel action towards a common goal whether or not pursuant to an express agreement; (ii) a

combination or pooling of voting or other interests in the securities of an issuer for a common purpose pursuant to any contract, understanding, relationship, agreement or other arrangement, whether written or otherwise; or (iii) a person or company which acts in concert with another person or company ("other party") shall also be deemed to be acting in concert with any person or company who is also acting in concert with that other party, except that any Tax-Qualified Employee Stock Benefit Plan or Non-Tax-Qualified Employee Stock Benefit Plan will not be deemed to be acting in concert with any other Tax-Qualified Employee Stock Benefit Plan or Non-Tax-Qualified Employee Stock Benefit Plan or with its Director or a person who serves

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in a similar capacity solely for the purpose of determining whether stock held by the Director and stock held by the plan will be aggregated.

Actual Purchase Price - The term Actual Purchase Price means the per share price at which the Conversion Stock is ultimately sold in accordance with the terms hereof.

Associate - The term Associate when used to indicate a relationship with any Person, means (i) any corporation or organization (other than the Holding Company, the INSTITUTION or a majority-owned subsidiary of the INSTITUTION) of which such Person is an officer or partner or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities, (ii) any trust or other estate in which such person has a substantial beneficial interest or as to which such person serves as Director or in a similar fiduciary capacity except that: (a) for the purposes of Sections 8 and 12 hereof, the term "Associate" does not include any Non-Tax-Qualified Employee Stock Benefit Plan or any Tax-Qualified Employee Stock Benefit Plan in which a person has a substantial beneficial interest or serves as a Director or in a similar fiduciary capacity; and (b) for purposes of aggregating total shares that may be held by Officers and Directors the term "Associate" does not include any Tax-Qualified or Non-Tax-Qualified Employee Stock Benefit Plan, and (iii) any relative or spouse of such Person, or any relative of such spouse, who has the same home as such Person or who is a Director, Director or Officer of the INSTITUTION or the Holding Company, if utilized, or any of its parents or subsidiaries.

Commissioner - The term Commissioner means the Commissioner of Banks And Real Estate for the State of Illinois.

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Community Offering - The term Community Offering means the offering for sale to certain members of the general public directly by the INSTITUTION or the Holding Company, if utilized, of any shares not subscribed for in the Subscription Offering.

Conversion - The term Conversion shall mean (a) the amendment of the Bank's Articles of Incorporation to authorize the issuance of capital stock in accordance with the Savings Bank Act and the Conversion Regulations and to otherwise conform to the requirements of an Illinois stock savings bank and (b) the issuance of the capital stock of the Bank in accordance with this Plan.

Conversion Regulations - The term Conversion Regulations shall mean Part 1075, Subpart O of the Regulations of the Office of Banks and Real Estate and the regulations of the Federal Deposit Insurance Corp., but only to the extent such regulations conflict with Part 1075, Subpart O of the Regulations of the Office of Banks and Real Estate.

Conversion Stock - The term Conversion Stock means the \$.01 par value common stock offered and issued by the Holding Company or the \$.01 par value Common Stock offered and issued by the INSTITUTION, if the Holding Company form of organization is not utilized, upon conversion.

Deposit Account - The term Deposit Account means all deposits of the INSTITUTION as defined in Section 7001 of the Savings Bank Act of Illinois, and includes without limitation, certificates of deposit, checking, savings, time, demand, negotiable orders of withdrawal (NOW), money market and passbook accounts maintained by the INSTITUTION.

Director - The term Director shall mean a member of the Board of Directors of the INSTITUTION.

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Effective Date - The term Effective Date shall mean the effective date of the Conversion and shall be the date of consummation of the Conversion in accordance with the Conversion Regulations.

Eligible Account Holder - The term Eligible Account Holder means any person holding a Qualifying Deposit at the INSTITUTION on the Eligibility Record Date.

Eligibility Record Date - The term Eligibility Record Date means the date for determining Eligible Account Holders in the INSTITUTION and is July 31, 1996.

Employees - The term Employees means all Persons who are employed by the INSTITUTION.

Employee Plans - The term Employee Plans means the Tax-Qualified Employee Stock Benefit Plans, including the Employee Stock Ownership Plan ("ESOP"), approved or ratified by the Board of Directors of the INSTITUTION or the Board of Directors of the Holding Company.

Estimated Price Range - The term Estimated Price Range means the range of minimum and maximum aggregate values determined by the Board of Directors of the INSTITUTION within which the aggregate amount of Common Stock sold in the Conversion will fall. The Estimated Price Range will be within the estimated pro forma market value of the Conversion Stock as determined by the Independent Appraiser prior to the Subscription Offering and as it may be amended from time to time thereafter.

FDIC - The term FDIC means the Federal Deposit Insurance Corporation.

Holding Company - The term Holding Company means the Delaware corporation formed for the purpose of acquiring all of the shares of capital stock of the INSTITUTION to be issued upon its conversion to stock form unless the Holding Company form of organization is not utilized. Shares of common stock of the Holding Company will be issued in the Conversion to Participants

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and others in a Subscription, Community, Syndicated Community, or underwritten firm commitment public offering, or through a combination thereof.

Independent Appraiser - The term Independent Appraiser means an appraiser retained by the INSTITUTION to prepare an appraisal of the pro forma market value of the Conversion Stock.

Institution - The term INSTITUTION means Elgin Financial Center, S.B., Elgin, Illinois.

Local Community - The term Local Community means all counties in which the INSTITUTION has its home office or a branch office.

Maximum Subscription Price - The term Maximum Subscription Price means the amount per share of Conversion Stock to be paid initially by Participants in the Subscription Offering and persons in the Community Offering.

Member - The term Member means any Person who qualifies as a member of the INSTITUTION in accordance with its mutual articles of incorporation and bylaws and the laws of the State of Illinois.

Officer - The term Officer means an executive officer of the INSTITUTION which includes the Chief Executive Officer, President, Executive Vice President, Senior Vice President, Vice President in charge of principal business functions, Secretary and Controller and any Person participating in major policy making functions of the INSTITUTION.

Order Form - The term Order Form means any form together with attached cover letter, sent by the INSTITUTION to any Participant or Person containing

among other things a description of the alternatives available to such Person under the Plan and by which any such Person may make elections regarding subscriptions for Conversion Stock in the Subscription and Community Offerings.

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Other Voting Member - The term Other Voting Member means a Voting Member who is not an Eligible Account Holder or Supplemental Eligible Account Holder.

Participants - The term Participants means the Employee Plans, Eligible Account Holders, Supplemental Eligible Account Holders and Other Voting Members.

Person - The term Person means an individual, a corporation, a partnership, an association, a joint-stock company, a trust (including Individual Retirement Accounts and KEOGH Accounts), any unincorporated organization, a government or political subdivision thereof or any other entity.

Plan - The term Plan means this Plan of Conversion of the INSTITUTION as it exists on the date hereof and as it may hereafter be amended in accordance with its terms.

Prospectus - The term Prospectus shall mean the offering circular or prospectus utilized to offer Conversion Stock in accordance with the Plan of Conversion.

Public Offering - The term Public Offering means the underwritten, firm commitment offering to the public through one or more underwriters.

Qualifying Deposit - The term Qualifying Deposit means the aggregate of one or more Deposit Accounts in the INSTITUTION with an aggregate balance of \$100 or more at the close of business on the Eligibility Record Date. Deposit Accounts with aggregate total deposit balances of less than \$100 shall not constitute a Qualifying Deposit.

Savings Bank Act - The term Savings Bank Act shall mean the Savings Bank Act of the State of Illinois.

SEC - The term SEC refers to the Securities and Exchange Commissioner.

Special Meeting - The term Special Meeting means the special meeting of members, and any adjournments thereof, held to consider and vote upon this Plan.

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Subscription Offering - The term Subscription Offering means the offering of Conversion Stock for purchase through Order Forms to Participants.

Subscription Price Range - The term Subscription Price Range is the per share price range established by the INSTITUTION prior to commencement of the Subscription and Community Offerings, and is based on the valuation of the Independent Appraiser.

Supplemental Eligible Account Holder - The term Supplemental Eligible Account Holder means any person (other than an Eligible Account Holder) holding a Qualifying Deposit, except Officers, Directors and their Associates, as of the Supplemental Eligibility Record Date.

Supplemental Eligibility Record Date - The term Supplemental Eligibility Record Date means the supplemental record date for determining Supplemental Eligible Account Holders of the INSTITUTION. The Supplemental Eligibility Record Date shall be the last day of the calendar quarter preceding the Commissioner's approval of the application for conversion.

Syndicated Community Offering - The term Syndicated Community Offering means the offering of Conversion Stock following the Subscription and Community Offerings through a syndicate of broker-dealers.

Syndicated Community Offering Price - The term Syndicated Community Offering price means the per share price submitted with orders for shares of Conversion Stock in the Syndicated Community Offering.

Tax-Qualified Employee Stock Benefit Plan - The term Tax-Qualified Employee Stock Benefit Plan means any defined benefit plan or defined contribution plan, such as an employee stock ownership plan, stock bonus plan, profit-sharing plan or other plan, which, with its related trust, meets the requirements to be "qualified" under Section 401 of the Internal Revenue Code. For

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purposes of Section 9 of this Plan, the INSTITUTION'S profit sharing and/or 401 plan shall be considered a Tax-Qualified Employee Stock Benefit Plan only to the extent of the unallocated funds, if any, over which investment authority is vested solely with the trustee(s) of those plans. The INSTITUTION or Holding Company may make scheduled discretionary contributions to a Tax-Qualified Employee Stock Benefit Plan provided such contributions do not cause the INSTITUTION to fail to meet its regulatory capital requirement. A "Non-Tax-Qualified Employee Stock Benefit Plan" is any defined benefit plan or defined contribution plan which is not so qualified.

Voting Members - The term Voting Members means those Persons who at the close of business on the Voting Record Date are entitled to vote as members

of the INSTITUTION in accordance with its mutual articles of incorporation and bylaws and the laws of the State of Illinois.

Voting Record Date - The term Voting Record Date means the date fixed by the Directors in accordance with the Conversion Regulations for determining eligibility to vote at the Special Meeting.

3. PROCEDURE FOR CONVERSION

After approval of the Plan by the Board of Directors of the INSTITUTION, the Plan shall be submitted together with all other requisite material to the Commissioner for approval or waiver, if necessary, and shall be submitted to the FDIC with all other requisite material for non-objection. Promptly upon adoption of the Plan by the Board of Directors, the INSTITUTION will cause notice of the adoption of the Plan by the Board of Directors of the INSTITUTION to be published in a newspaper having general circulation in each community in which an office of the INSTITUTION is located and will issue a press release containing the material terms of Conversion. Following approval by the Commissioner and non-objection by the FDIC and receipt of all necessary waivers

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by the Commissioner, if necessary, the Plan will be submitted to a vote of the Voting Members at the Special Meeting called for that purpose. The Special Meeting shall be held upon written notice given no less than 10 days nor more than 40 days from the last date on which such Notice is mailed to Voting Members. The notice of the Special Meeting, proxy card and proxy statement or short-form proxy statement shall be sent to each Voting Member. Separate and readily distinguishable postage-paid envelopes shall be provided for the return of proxy cards and Order Forms. At the Special Meeting, each depositor shall be entitled to cast one vote per \$100.00 of the aggregate withdrawal value of all the depositor's accounts and shall have the vote of one share of any fraction of \$100.00 in person or by proxy. Each borrower whose loan continues to be outstanding as of the Voting Record Date will be entitled to cast one vote in addition to any other vote the borrower may otherwise have. No member shall be entitled to cast more than 1,000 votes.

The Commissioner shall be notified of the results of the Special Meeting promptly after the conclusion of the Special Meeting by a certificate signed by the President and Chief Executive Officer and Secretary of the Bank. The Plan must be approved by: 1) the affirmative vote of at least two-thirds of the total outstanding votes of members; and, 2) if required by the FDIC, the affirmative vote of at least a majority of the amount of votes entitled to be cast at such Special Meeting. In such event, the Bank will take all other necessary steps to effect the Conversion subject to the terms and conditions of this Plan. If the Plan is not so approved upon conclusion of the Special Meeting and any adjournments thereof, the Plan shall terminate, the Bank will remain in mutual form and all funds submitted in the Subscription Offering

and Community Offering and Syndicated Community Offering will be returned to subscribers, with interest as provided herein, and all withdrawal authorizations will be canceled. The Conversion will terminate if the sale of all shares of Conversion

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Stock is not completed within twelve months from the date of the Special Meeting (subject to extension by the Commissioner).

The Board of Directors of the INSTITUTION intends to take all necessary steps to form the Holding Company, including the filing of an Application with the Commissioner and the appropriate regulatory authority which will govern the activities of the Holding Company. In the event that the Holding Company is utilized, upon conversion the INSTITUTION will issue its capital stock to the Holding Company and the Holding Company will issue and sell the Conversion Stock in accordance with this Plan.

The Board of Directors of the INSTITUTION may determine for any reason at any time prior to the issuance of the Conversion Stock not to utilize a holding company form of organization in the Conversion, in which case, the Holding Company's Registration Statement will be withdrawn from the SEC, the INSTITUTION will take all steps necessary to complete the conversion from the mutual to the stock form of organization, including filing any necessary documents with the Commissioner, FDIC and the appropriate regulatory authority which will govern the activities of the Holding Company, and will issue and sell the Conversion Stock in accordance with this Plan. In such event, any subscriptions or orders received for Conversion Stock of the Holding Company shall be deemed to be subscriptions or orders for Conversion Stock of the INSTITUTION and the INSTITUTION shall take such steps as permitted or required by the Commissioner, FDIC or the SEC. Any references to the Holding Company in this Plan shall mean the INSTITUTION in the event the Holding Company is eliminated in Conversion.

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The Board of Directors of the Bank also intend to take all necessary steps to establish the charitable foundation and to fund such charitable foundation in the manner set forth in Section 7A hereof, subject to the approval of Voting Members.

The Conversion Stock will not be insured by the FDIC. The INSTITUTION will not knowingly lend funds or otherwise extend credit to any Person to purchase shares of the Conversion Stock.

4. HOLDING COMPANY APPLICATIONS AND APPROVALS

The Holding Company shall make timely applications for any requisite

regulatory approvals, including an Application with the Commissioner and the appropriate regulatory authority which will govern the activities of the Holding Company and a Registration Statement to be filed with the SEC. The INSTITUTION shall be a wholly-owned subsidiary of the Holding Company unless the Holding Company is eliminated in the Conversion.

5. SALE OF CONVERSION STOCK

The Conversion Stock will be offered simultaneously in the Subscription Offering to the Eligible Account Holders, Employee Plans, Supplemental Eligible Account Holders and Other Voting Members in the respective priorities set forth in Sections 8 through 11 of this Plan. The Subscription Offering may be commenced as early as the mailing of the Proxy Statement for the Special Meeting and must be commenced in time to complete the Conversion within the time period specified in Section 3.

Any shares of Conversion Stock not subscribed for in the Subscription Offering will be offered for sale in the Community Offering as provided in Section 12 of this Plan. The Subscription Offering may be commenced prior to the Special Meeting and, in that event, the Community

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Offering may also be commenced prior to the Special Meeting and may commence concurrently with the Subscription Offering. The offer and sale of Conversion Stock prior to the Special Meeting shall, however, be conditioned upon approval of the Plan by the Voting Members.

If feasible, any shares of Conversion Stock remaining after the Subscription and Community Offerings, will be sold in a Syndicated Community Offering or alternatively in a Public Offering, as determined by the Holding Company and the INSTITUTION, as provided in Section 13 of this Plan in a manner that will achieve the widest distribution of the Conversion Stock. The sale of all Conversion Stock subscribed for in the Subscription and Community Offerings will be consummated simultaneously on the date the sale of Conversion Stock in the Syndicated Community Offering or Public Offering is consummated and only if all unsubscribed for Conversion Stock is sold.

The INSTITUTION may elect to offer to pay fees on a per share basis to qualifying brokers, as determined by the INSTITUTION in its sole discretion, who assist Persons in determining to purchase shares in the Subscription and Community Offerings.

6. NUMBER OF SHARES AND PURCHASE PRICE OF CONVERSION STOCK

The total number of shares (or a range thereof) of Conversion Stock to be issued and offered for sale will be determined jointly by the Board of Directors of the INSTITUTION and Board of Directors of the Holding Company, if the holding company form of organization is utilized, immediately prior to

the commencement of the Subscription and Community Offerings, subject to adjustment thereafter if necessitated by market or financial conditions, with the approval of the Commissioner and FDIC, if necessary. In particular, the total number of shares may be increased by up to 15% of the number of shares offered in the Subscription and Community Offering if the Estimated Price Range is increased subsequent to the commencement of the Subscription and

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Community Offering to reflect changes in market and financial conditions and the Actual Purchase Price in the aggregate is not more than 15% above the maximum of the Estimated Price Range.

All shares sold in the Conversion will be sold at a uniform price per share referred to in this Plan as the Actual Purchase Price in accordance with the Conversion Regulations. The aggregate purchase price for all shares of Conversion Stock shall equal the estimated consolidated pro forma market value of the Holding Company as of the Effective Date and will not be inconsistent with the estimated consolidated pro forma market value of the Holding Company established immediately prior to the commencement of the Subscription and Community Offerings. The estimated consolidated pro forma market value of the INSTITUTION or the Holding Company, if utilized, will be determined for such purpose by the Independent Appraiser in accordance with the Conversion Regulations. Prior to the commencement of the Subscription and Community Offerings, an Estimated Price Range will be established, which range will vary within 15% above to 15% below the average of the minimum and maximum of such price range. The number of shares of Conversion Stock to be issued and the purchase price per share may be increased or decreased by the INSTITUTION. In the event that the aggregate purchase price of the Conversion Stock is below the minimum of the Estimated Price Range, or materially above the maximum of the Estimated Price Range, resolicitation of purchasers may be required, provided that up to a 15% increase above the maximum of the Estimated Price Range will not be deemed material so as to require a resolicitation. Any such resolicitation shall be effected in such manner and within such time as the INSTITUTION shall establish, with the approval of the Commissioner and FDIC, if required. Up to a 15% increase in the number of shares to be issued which is supported by an appropriate change in the estimated

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pro forma market value of the Holding Company will not be deemed to be material so as to require a solicitation of subscriptions.

Based upon the independent valuation as updated prior to the commencement of the Subscription and Community Offerings, the Board of Directors of the Holding Company, (if a holding company form of organization is utilized) and the Board of Directors of the INSTITUTION will fix the Maximum Subscription

Price and the Subscription Price Range. If upon completion of the Subscription and Community Offerings all of the Conversion Stock is subscribed for, or if because of a limited number of unsubscribed shares or otherwise a Syndicated Community Offering or Public Offering cannot be effected, the Actual Purchase Price for each share of Conversion Stock will be jointly determined by the INSTITUTION and Holding Company (if a holding company form of organization is utilized) as follows: (a) the estimated aggregate pro forma market value of the INSTITUTION or the Holding Company, as the case may be, immediately after conversion as determined by the Independent Appraiser, expressed in terms of a specific aggregate dollar amount rather than as a range, upon completion of the Subscription and Community Offerings or other sale of all of the Conversion Stock shall be divided by (b) the total number of shares of Conversion Stock to be issued and sold.

If there is a Syndicated Community Offering or Public Offering of shares of Conversion Stock not subscribed for in the Subscription and Community Offerings, the price per share at which the Conversion Stock is sold in such Syndicated Community Offering or Public Offering shall be not greater than the maximum nor less than the minimum of the Subscription Price Range on a per share basis as the INSTITUTION may determine subject to approval by the Commissioner and FDIC, if required. Upon consummation of the sale in the Syndicated Community Offering or Public Offering

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of the shares of Conversion Stock unsubscribed for in the Subscription and Community Offerings, the Syndicated Community Offering or Public Offering Price will become the Actual Purchase Price paid for all shares of Conversion Stock in the Subscription, Community and Syndicated Community or Public Offerings.

Notwithstanding the foregoing, no sale of Conversion Stock may be consummated unless, prior to such consummation, the Independent Appraiser confirms to the INSTITUTION and Holding Company, if utilized, and to the Commissioner and FDIC, if required that, to the best knowledge of the Independent Appraiser, nothing of a material nature has occurred which, taking into account all relevant factors, would cause the Independent Appraiser to conclude that the aggregate value of the Conversion Stock at the Actual Purchase Price is incompatible with its estimate of the aggregate consolidated pro forma market value of the Holding Company or the INSTITUTION if no Holding Company is utilized. If such confirmation is not received, the INSTITUTION may cancel the Subscription and Community Offerings and/or the Syndicated Community Offering, and/or the Public Offering, extend the Conversion, establish a new Subscription Price Range and/or Estimated Price Range, extend, reopen or hold new Subscription and Community Offerings and/or Syndicated Community Offering and/or Public Offering or take such other action as the Commissioner may permit.

The per share difference, if any, between the Actual Purchase Price and the Maximum Subscription Price or amount submitted in the Syndicated Community Offering or Public Offering will be refunded to all Persons who shall have paid the Maximum Subscription Price or amount submitted in the Syndicated Community Offering or the Public Offering for such shares, unless such

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difference is applied to the purchase of additional whole shares in accordance with the instructions of such Persons.

The Conversion Stock to be issued in the Conversion shall be fully paid and nonassessable.

7. PURCHASE BY THE HOLDING COMPANY OF THE STOCK OF THE INSTITUTION

Upon the consummation of the sale of all of the Conversion Stock, and in the event that a holding company form of organization is utilized, the Holding Company will purchase from the INSTITUTION all of the capital stock of the INSTITUTION to be issued by the INSTITUTION in the conversion in exchange for the Conversion proceeds that are not to be retained by the Holding Company.

The Holding Company will retain 50% of the proceeds of the Conversion. Assuming the Holding Company is not eliminated, a lesser percentage may be acceptable in the judgment of the Board of Directors. The INSTITUTION believes that the Conversion proceeds will provide economic strength to the Holding Company and the INSTITUTION for the future in a highly competitive and regulated environment and would facilitate the possible expansion through acquisitions of financial service organizations, possible diversification into other related businesses and for other business and investment purposes, including the possible payment of dividends and possible future repurchases of the Conversion Stock as permitted by the Commissioner. If during the conversion process the Board of Directors of the INSTITUTION determines not to complete the conversion utilizing a holding company form of organization, capital stock of the INSTITUTION will be issued and sold in accordance with the Plan. The above activities may also be engaged in by the INSTITUTION if the Holding Company is eliminated.

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7A. ESTABLISHMENT AND FUNDING OF CHARITABLE FOUNDATION

As part of the Conversion, the Holding Company and the INSTITUTION intend to establish a charitable foundation that will qualify as an exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Foundation") and to donate to the Foundation from authorized, but unissued,

shares of Common Stock of the Holding Company in an amount up to 8% of the number of shares of Common Stock sold in the Conversion. The Foundation is being formed in connection with the Conversion in order to complement the INSTITUTION's existing community reinvestment activities and to share with the INSTITUTION's local community a part of the INSTITUTION's financial success as a locally headquartered, community minded, financial services institution. The funding of the Foundation with Common Stock of the Holding Company accomplishes this goal as it enables the community to share in the growth and profitability of the Holding Company and the INSTITUTION over the long-term.

The Foundation will be dedicated to the promotion of charitable purposes including community development, grants or donations to support housing assistance, not-for-profit community groups and other types of organizations or civic minded projects. The Foundation will annually distribute total grants to assist charitable organizations or to fund projects within its local community of not less than 5% of the average fair value of Foundation assets each year. In order to serve the purposes for which it was formed and maintain its Section 501(c)(3) qualification, the Foundation may sell, on an annual basis, a limited portion of the Common Stock contributed to it by the Holding Company.

The board of directors of the Foundation will be comprised of individuals who are officers and/or directors of the INSTITUTION. The board of directors of the Foundation will be responsible

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for establishing the policies of the Foundation with respect to grants or donations, consistent with the stated purposes of the Foundation.

The establishment and funding of the Foundation as part of the Conversion is subject to the approval of the Commissioner and, if applicable, the FDIC.

8. SUBSCRIPTION RIGHTS OF ELIGIBLE ACCOUNT HOLDERS (FIRST PRIORITY)

A. Each Eligible Account Holder shall receive, without payment, as a first priority, nontransferable subscription rights to subscribe for shares of Conversion Stock equal to an amount up to the greater of: the amount permitted to be subscribed for in the Community Offering, which amount, pursuant to Section 12, currently is \$200,000 of the total offering of Conversion Stock, but which may be increased to 5.0% of the Conversion Stock offered or decreased to 0.10% of the Conversion Stock offered without the further approval of Voting Members or resolicitation of subscribers; one-tenth of one percent (.10%) of the total offering of shares of Conversion Stock; or fifteen times the product (rounded down to the next whole number) obtained by multiplying the total number of shares of Conversion Stock to be issued by a fraction of which the numerator is the amount of the Qualifying Deposit of the Eligible Account Holder and the denominator is the total

amount of Qualifying Deposits of all Eligible Account Holders, in the INSTITUTION on the Eligibility Record Date, subject to the maximum purchase limitation specified in Section 14A and the minimum purchase limitation in Section 14C and exclusive of an increase in the total number of shares issued due to an increase in the Estimated Price Range of up to 15%.

B. In the event that Eligible Account Holders exercise Subscription Rights for a number of shares of Conversion Stock in excess of the total number of such shares eligible for subscription, the remaining shares of Conversion Stock shall be allocated among the subscribing Eligible Account

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Holders so as to permit each subscribing Eligible Account Holder, to the extent possible, to purchase a number of shares sufficient to make his or her total allocation of Conversion Stock equal to the lesser of 100 shares or the number of shares subscribed for by the Eligible Account Holder. Any shares remaining after that allocation will be allocated among the subscribing Eligible Account Holders whose subscriptions remain unsatisfied in the proportion that the amount of the Qualifying Deposit of each remaining Eligible Account Holder whose subscription remains unsatisfied bears to the total amount of the Qualifying Deposits of all subscribing Eligible Account Holders whose subscriptions remain unsatisfied, provided, however, that no fractional shares shall be issued. If any shares remain after the above allocations, such shares shall then be allocated among those remaining Eligible Account Holders whose subscriptions remain unfilled, on the same principle until all available shares have been allocated or all subscriptions satisfied.

C. Subscription rights as Eligible Account Holders received by Directors and Officers and their Associates which are based on their increased deposits in the INSTITUTION during the one (1) year period preceding the Eligibility Record Date shall be subordinated to the Subscription Rights of all other Eligible Account Holders.

9. SUBSCRIPTION RIGHTS OF THE EMPLOYEE PLANS (SECOND PRIORITY)

Each Employee Plan purchasing stock shall receive, as second priority after the filling of subscriptions of Eligible Account Holders, nontransferable subscription rights to purchase in the Subscription Offering the number of shares of Conversion Stock requested by any such plan, subject to the purchase limitations set forth in Section 14. If, after the filling of subscriptions of Eligible Account Holders, a sufficient number of shares of Conversion Stock is not available to fill the subscriptions by any such plan, the subscription by such plan shall be filled to the maximum extent

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possible; provided, however, that in the event of an increase in the total number of shares issued due to an increase in the Estimated Price Range of up to 15%, the additional shares may be sold to the Employee Plans subject to the provisions of Section 14.

The Employee Plans shall not be deemed to be associates or affiliates of or Persons Acting in Concert with any Director or Officer of the Holding Company or the INSTITUTION.

10. SUBSCRIPTION RIGHTS OF SUPPLEMENTAL ELIGIBLE ACCOUNT HOLDERS
(THIRD PRIORITY)

A. Each Supplemental Eligible Account Holder shall receive, as third priority, after the filling of subscriptions of the Eligible Account Holders and Employee Plans, nontransferable subscription rights to subscribe for shares of Conversion Stock equal to an amount up to the greater of: the amount permitted to be subscribed for in the Community Offering which amount, pursuant to Section 12, currently is \$200,000 of the total offering of Conversion Stock, but which may be increased to 5.0% of the Conversion Stock offered or decreased to less than 0.10% of the Conversion Stock offered without the further approval of Voting Members or resolicitation of subscribers, subject to the maximum purchase limitation specified in Section 14A and the minimum purchase limitation specified in Section 14C; one-tenth of one percent (.10%) of the total offering of Conversion Stock; or fifteen times the product (rounded down to the next whole number) obtained by multiplying the total number of shares of Conversion Stock to be issued by a fraction of which the numerator is the amount of the Qualifying Deposit of the Supplemental Eligible Account Holder and the denominator is the total amount of the Qualifying Deposits of all Supplemental Eligible Account Holders in the INSTITUTION on the Supplemental Eligibility Record Date.

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B. In the event that Supplemental Eligible Account Holders exercise subscription rights for a number of shares of Conversion Stock in excess of the total number of such shares eligible for subscription, the remaining shares of Conversion Stock shall be allocated among the subscribing Supplemental Eligible Account Holders so as to permit each subscribing Supplemental Eligible Account Holder, to the extent possible, to purchase a number of shares sufficient to make his or her total allocation of Conversion Stock equal to the lesser of 100 shares or the number of shares subscribed for by the Supplemental Eligible Account Holder. Any shares remaining after that allocation will be allocated among the remaining subscribing Supplemental Eligible Account Holders whose subscriptions remain unsatisfied in the proportion that the amount of the Qualifying Deposit of each remaining Supplemental Eligible Account Holder whose subscription remains unsatisfied bears to the total amount of the Qualifying Deposits of all remaining

Supplemental Eligible Account Holders whose subscriptions remain unsatisfied provided, however, that no fractional shares shall be issued. If any shares remain after the above allocations, such shares shall then be allocated among those remaining Supplemental Eligible Account Holders whose subscriptions remain unfilled on the same principle until all available shares have been allocated or all subscriptions satisfied.

C. Subscription rights received by an Eligible Account Holder pursuant to Section 8 shall be applied in partial satisfaction of the subscription rights to be received as a Supplemental Eligible Account Holder pursuant to this Section 10.

11. SUBSCRIPTION RIGHTS OF OTHER VOTING MEMBERS

(a) Subject to the limitation of Section 14 hereof, each Other Voting Member shall receive, without payment, non-transferable Subscription Rights to purchase up to the greater of (i) the

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maximum purchase limitation as may be established for the Community Offering or (ii) one-tenth of 1% of the total offering of shares in the Subscription Offering, in each case if and only to the extent that shares of Conversion Stock are available for purchase after taking into account the shares of Conversion Stock purchased by Eligible Account Holders, the ESOP and Supplemental Eligible Account Holders through the exercise of Subscription Rights under Sections 8, 9 and 10 hereof.

(b) If, pursuant to this Section 11, Other Voting Members subscribe for a number of shares of Conversion Stock in excess of the total number of shares of Conversion Stock remaining, available shares shall be allocated among subscribing Other Voting Members on a pro rata basis in the same proportion as each Other Voting Members' subscription bears to the total subscriptions of all subscribing Other Members.

12. COMMUNITY OFFERING (FIFTH PRIORITY)

If less than the total number of shares of Conversion Stock to be subscribed for in the Conversion are sold in the Subscription Offering, it is expected that shares remaining unsubscribed for will be made available for purchase in the Community Offering as a fifth priority to certain members of the general public, which may subscribe together with any Associate or group of persons Acting in Concert for up to \$200,000 of Conversion Stock subject to the maximum purchase limitation specified in Section 14A and the minimum purchase limitation specified in Section 14C; provided, however, that the amount permitted to be purchased in the Community Offering may be increased to 5% or decreased to 0.10% without the further approval of Voting Members. The shares may be made available in the Community Offering through a direct community marketing program which may provide for utilization of a broker,

dealer, consultant or investment banking firm, experienced and expert in the sale of savings institutions securities. Such entities may be

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compensated on a fixed fee basis or on a commission basis, or a combination thereof. Any excess of shares will be available for purchase by the general public with preference given to natural persons residing in the INSTITUTION'S Local Community (such natural persons are hereinafter referred to as "Preferred Subscribers"). The INSTITUTION shall make distribution of the Conversion Stock to be sold in the Community Offering in such a manner as to promote a wide distribution of Conversion Stock. The INSTITUTION reserves the right to reject any or all orders, in whole or in part, which are received in the Community Offering.

If the Preferred Subscribers in the Community Offering, whose orders would otherwise be accepted, subscribe for more shares than are available for purchase, the shares available to them will be allocated among the Preferred Subscribers in the manner which permits each such person to the extent possible, to purchase the number of shares necessary to make his total allocation of Conversion Stock equal to the lesser of 100 shares or the number of shares subscribed for by such persons with preference given to Preferred Subscribers. Thereafter, unallocated shares will be allocated among the Preferred Subscribers whose subscriptions remain unsatisfied on a 100 shares per order basis until all such orders have been filled or the remaining shares have been allocated. To the extent that there are shares remaining after all subscriptions by Preferred Subscribers, any remaining shares will be allocated among members of the general public using the foregoing allocation as applied to Preferred Subscribers. The INSTITUTION may establish all other terms and conditions of such offer.

It is expected that the Community Offering will commence concurrently with the Subscription Offering. The Community Offering must be completed within 45 days after the completion of the

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Subscription Offering unless otherwise extended with the approval of the Commissioner and FDIC, if necessary.

13. SYNDICATED COMMUNITY OFFERING OR PUBLIC OFFERING

If feasible, all shares of Conversion Stock not subscribed for in the Subscription and Community Offerings will be sold in a Syndicated Community Offering, subject to such terms, conditions and procedures as may be determined by the INSTITUTION, in a manner that will achieve the widest distribution of the Conversion Stock subject to the right of the INSTITUTION to accept or reject in whole or in part all subscriptions in the Syndicated

Community Offering. In the Syndicated Community Offering, any person, together with any Associate or group of persons acting in concert, may purchase up to \$200,000 of Conversion Stock subject to the maximum purchase limitation specified in Section 14A and the minimum purchase limitation specified in Section 14C; provided, however, that this amount may be increased to 5% or decreased to 0.10% without the further approval of Voting Members. The shares purchased by any Person together with any Associate or group of persons acting in concert pursuant to Section 12 shall be counted toward meeting the maximum purchase limitation found in this Section. Provided that the Subscription Offering has commenced, the INSTITUTION may commence the Syndicated Community Offering at any time after the mailing to the Members of the Proxy Statement to be used in connection with the Special Meeting, provided that the completion of the offer and sale of the Conversion Stock shall be conditioned upon the approval of this Plan by the Voting Members. If the Syndicated Community Offering is not sooner commenced pursuant to the provisions of the preceding sentence, the Syndicated Community Offering will be commenced as soon as practicable following the date upon which the Subscription and Community Offerings terminate.

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Alternatively, if a Syndicated Community Offering is not held, and the INSTITUTION and the Holding Company determine to continue the Conversion, the INSTITUTION shall have the right to sell any shares of Conversion Stock remaining following the Subscription and Community Offerings in an underwritten firm commitment Public Offering. The provisions of Section 14 hereof shall not be applicable to sales to underwriters for purposes of such an offering but shall be applicable to the sales by the underwriters to the public. The price to be paid by the underwriters in such an offering shall be equal to the Actual Purchase Price less an underwriting discount to be negotiated among such underwriters and the INSTITUTION, which will in no event exceed an amount deemed to be acceptable by the Commissioner and FDIC, if necessary.

If for any reason a Syndicated Community Offering or an underwritten firm commitment public offering of shares of Conversion Stock not sold in the Subscription and Community Offerings cannot be effected, or in the event that any residue of shares of Conversion Stock not exceeding one percent of the aggregate shares issued is not sold in the Subscription and Community Offerings or in the Syndicated Community or underwritten firm commitment Public Offering, other arrangements will be made for the disposition of unsubscribed shares by the INSTITUTION, if possible. Such other purchase arrangements will be subject to the approval of the Commissioner and FDIC, if necessary.

14. LIMITATION ON PURCHASES

In addition to the maximum amount of Conversion Stock that may be subscribed for in Sections 8, 9, 10, 11, 12 and 13, the following limitations

shall apply to all purchases of shares of Conversion Stock:

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A. The maximum number of shares of Conversion Stock which may be subscribed for or purchased in all categories in the Conversion by any Person or Participant, together with any Associate or group or persons Acting in Concert, shall not exceed 1.0% of the Conversion Stock offered (the Maximum Overall Purchase Limitation"), except for the Employee Plans which may subscribe for up to 10% of the Conversion Stock issued and except for certain Eligible Account Holders and Supplemental Eligible Account Holders which may subscribe for or purchase shares in accordance with Sections 8 and 10 herein, respectively; provided, however, in the event that the Maximum Overall Purchase Limitation is increased to more than 2.0% of the shares of Conversion Stock offered, orders for Conversion Stock in the Community Offering and in the Syndicated Community Offering (or, alternatively an underwritten firm commitment public offering), if any, shall, as determined by the INSTITUTION, first be filled to a maximum of 2.0% of the total number of shares of Conversion Stock offered and thereafter remaining shares shall be allocated on an equal number of shares basis per order until all orders have been filled; provided further, however, that Directors and Officers of the INSTITUTION and the Holding Company shall not be deemed to be associates or acting together or in concert solely as a result of their board membership or employment.

B. The maximum number of shares of Conversion Stock which may be purchased in all categories by Officers and Directors of both the INSTITUTION and the Holding Company and their Associates in the aggregate shall not exceed 20% of the total number of shares of Conversion Stock issued.

C. A minimum of 25 shares of Conversion Stock must be purchased by each Person purchasing shares in the Conversion to the extent those shares are available; provided, however, that

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in the event the minimum number of shares of Conversion Stock purchased times the price per share exceeds \$500, then such minimum purchase requirement shall be reduced to such number of shares which when multiplied by the price per share shall not exceed \$500, as determined by the Board.

If the number of shares of Conversion Stock otherwise allocable pursuant to Sections 8 through 13, inclusive, to any Person or that Person's Associates would be in excess of the maximum number of shares permitted as set forth above, the number of shares of Conversion Stock allocated to each such person shall be reduced to the lowest limitation applicable to that Person, and then the number of shares allocated to each group consisting of a Person and that Person's Associates shall be reduced so that the aggregate allocation to that Person and his or her Associates complies with the above maximums, and such maximum number of shares shall be reallocated among that Person and his or her Associates as they may agree, or in the absence of an agreement, in proportion to the shares subscribed by each (after first applying the maximums applicable to each Person, separately).

Depending upon market or financial conditions, the Board of Directors of the INSTITUTION and the Board of Directors of the Holding Company, with the approval of the Commissioner, if necessary, and without further approval of the Voting Members, may decrease the maximum purchase limitation applicable to Persons to 0.10% of the Conversion Stock offered, provided, however, the maximum purchase limitation applicable to all Persons, together with Associates and Persons acting in concert in the Subscription Offering may not be decreased below 1.0% of the Conversion Stock offered. The Board of Directors of the INSTITUTION and Board of Directors of the Holding Company with the approval of the Commissioner, if necessary, and without further approval of Voting Members, may decrease the maximum purchase limitation applicable to Persons together with Associates and Persons Acting in Concert in the Community or Syndicated

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Community Offering or Public Offering to 0.10% of the Conversion Stock offered. In addition, the Board of Directors of the INSTITUTION and Board of Directors of the Holding Company with the approval of the Commissioner and FDIC, if necessary, and without further approval of Voting Members, may increase the purchase limitations in this Plan, provided that the maximum purchase limitations may not be increased in the Subscription Offering or Community Offering to a percentage in excess of 5% of the Conversion Stock offered. If the INSTITUTION or the Holding Company, as the case may be, increases the maximum purchase limitations, the INSTITUTION or the Holding Company, as the case may be, is only required to resolicit Persons who subscribed for the maximum purchase amount and may, in the sole discretion of the INSTITUTION or the Holding Company, as the case may be, resolicit certain other large subscribers. Requests to purchase additional shares of the Conversion Stock in the event that the purchase limitation is so increased will be determined by the Board of Directors of the INSTITUTION and the Holding Company in their sole discretion.

Prior to the Effective Date of the Conversion, no Person shall offer to transfer, or enter into any agreement or understanding to transfer the legal or beneficial ownership of any Subscription Rights or shares of Conversion

Stock, except pursuant to this Plan of Conversion. Each Person purchasing Conversion Stock in the conversion shall be deemed to confirm that such purchase does not conflict with the above purchase limitations contained in this Plan.

For a period of three years following the conversion, no Officer or Director (or any person who was an Officer or Director at any time after the date on which the Board of Directors adopts this Plan) of the INSTITUTION or the Holding Company or their Associates shall, without the prior written approval of the Commissioner, purchase or acquire direct or indirect beneficial ownership

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of any outstanding shares of common stock of the INSTITUTION or the Holding Company, as the case may be, except from a broker-dealer registered with the SEC. This provision shall not apply to the exercise of any options pursuant to a stock option plan or purchases of common stock of the INSTITUTION or the Holding Company, as the case may be, made by or held by any Tax-Qualified Employee Stock Benefit Plan or Non-Tax-Qualified Employee Stock Benefit Plan of the INSTITUTION or the Holding Company (including the Employee Plans) which may be attributable to any Officer or Director.

15. PAYMENT FOR CONVERSION STOCK

All payments for Conversion Stock subscribed for in the Subscription, Community and Syndicated Community Offerings must be delivered in full to the INSTITUTION, together with a properly completed and executed Order Form, or purchase order in the case of the Syndicated Community Offering, on or prior to the expiration date specified on the Order Form or purchase order, as the case may be, unless such date is extended by the INSTITUTION; provided, however, that if the Employee Plans subscribe for shares during the Subscription Offering, such plans will not be required to pay for the shares at the time they subscribe but rather may pay for such shares of Conversion Stock subscribed for by such plans at the Actual Purchase Price upon consummation of the Conversion, provided that, in the case of the ESOP there is in force from the time of its subscription until the consummation of the Conversion, a loan commitment from the Holding Company or from an unrelated financial institution to lend to the ESOP, at such time, the aggregated Maximum Subscription Price of the shares for which it subscribed. The Holding Company or the INSTITUTION may make scheduled discretionary contributions to an Employee Plan provided such

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contributions from the INSTITUTION, if any, do not cause the INSTITUTION to fail to meet its regulatory capital requirement.

Notwithstanding the foregoing, the INSTITUTION and the Holding Company, if utilized, shall have the right, in their sole discretion, to permit

institutional investors to submit contractually irrevocable orders in the Community Offering and to thereafter submit payment for the Conversion Stock for which they are subscribing in the Community Offering at any time prior to 48 hours before the completion of the Conversion, unless such 48 hour period is waived by the INSTITUTION and the Holding Company in their sole discretion.

Payment for Conversion Stock subscribed for shall be made either in cash (if delivered in person), check or money order. Alternatively, subscribers in the Subscription and Community Offerings may pay for the shares subscribed for by authorizing the INSTITUTION on the Order Form to make a withdrawal from the subscriber's Deposit Account at the INSTITUTION in an amount equal to the purchase price of such shares. Funds for which a withdrawal is authorized will remain in the subscriber's Deposit Account but may not be used by the subscriber until the Conversion Stock has been sold or the 45-day period (or such longer period as may be approved by the Commissioner) following the Subscription and Community Offering has expired, whichever occurs first. Thereafter, the withdrawal will be given effect only to the extent necessary to satisfy the subscription (to the extent it can be filled) at the purchase price per share. Interest will continue to be earned on any amounts authorized for withdrawal until such withdrawal is given effect. Such authorized withdrawal from a certificate account shall be without penalty as to premature withdrawal. Any remaining balance in a Deposit Account will earn interest after such withdrawal at the rate and manner applicable to such Deposit Account, provided, that if the authorized

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withdrawal is from a certificate account, and the remaining balance does not meet the applicable minimum balance requirement, without penalty, the remaining balance will earn interest at the same rate and manner as a comparable balance in a passbook account. Interest will be paid by the INSTITUTION at not less than the passbook annual rate on payments for Conversion Stock received in cash or by check. Such interest will be paid from the date payment is received by the INSTITUTION until consummation or termination of the conversion. If for any reason the conversion is not consummated, all payments made by subscribers in the Subscription, Community and Syndicated Community Offerings will be refunded to them with interest. In case of amounts authorized for withdrawal from Deposit Accounts, refunds will be made by cancelling the authorization for withdrawal. The INSTITUTION is prohibited by regulation from knowingly making any loans or granting any lines of credit for the purchase of stock in the conversion, and therefore, will not do so.

16. MANNER OF EXERCISING SUBSCRIPTION RIGHTS THROUGH ORDER FORMS

As soon as practicable after the Prospectus prepared by the Holding Company and INSTITUTION has been declared effective by the Commissioner, FDIC and the SEC, if the holding company form of organization is utilized, Prospectus and Order Forms will be distributed to the Employee Plans, all Eligible Account Holders and Supplemental Eligible Account Holders at their

last known addresses appearing on the records of the INSTITUTION for the purpose of subscribing to shares of Conversion Stock in the Subscription Offering and will be made available for use by those Persons entitled to purchase in the Community Offering. Notwithstanding the foregoing, the INSTITUTION may elect to mail a Prospectus and Order Form only to those Participants who request such materials by returning a postage-paid card to the Holding Company and the

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INSTITUTION by a date specified in the letter informing them of their Subscription Rights. Under such circumstances, the Subscription Offering shall not be closed until the expiration of 30 days after the mailing by the Holding Company and the INSTITUTION of the postage-paid card to Participants.

Each Order Form will be preceded or accompanied by a Prospectus describing the Holding Company, if utilized, the INSTITUTION, the Conversion Stock and the Subscription and Community Offerings. Each Order Form will contain, among other things, the following:

A. A specified date by which all Order Forms must be received by the INSTITUTION, which date shall be not less than twenty (20) days, nor more than forty-five (45) days, following the date on which the Order Forms are mailed by the INSTITUTION, and which date will constitute the termination of the Subscription Offering.

B. The purchase price per share for shares of Conversion Stock to be sold in the Subscription and Community Offerings;

C. A description of the minimum and maximum number of shares of Conversion Stock which may be subscribed for pursuant to the exercise of Subscription Rights or otherwise purchased in the Community Offering;

D. Instructions as to how the recipient of the Order Form is to indicate thereon the number of shares of Conversion Stock for which such person elects to subscribe and the available alternative methods of payment therefor;

E. An acknowledgment that the recipient of the Order Form has received a final copy of the Prospectus prior to execution of the Order Form;

F. Specifically designated blank spaces for dating and signing the Order Form;

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G. Indicate the consequences of failing to properly complete and return the Order Form, including a statement to the effect that all subscription rights are nontransferable, will be void at the end of the Subscription Offering, and can only be exercised by delivering within the subscription

period such properly completed and executed Order Form, together with cash (if delivered in person), check or money order in the full amount of the purchase price as specified in the Order Form for the shares of Conversion Stock for which the recipient elects to subscribe in the Subscription Offering (or by authorizing on the Order Form that the INSTITUTION withdraw said amount from the subscriber's Deposit Account at the INSTITUTION) to the INSTITUTION; and

H. A statement to the effect that the executed Order Form, once received by the INSTITUTION, may not be modified or amended by the subscriber without the consent of the INSTITUTION.

Notwithstanding the above, the INSTITUTION and the Holding Company reserve the right in their sole discretion to accept or reject orders received on photocopied or facsimiled order forms.

17. UNDELIVERED, DEFECTIVE OR LATE ORDER FORM: INSUFFICIENT PAYMENT

In the event Order Forms (a) are not delivered and are returned to the INSTITUTION by the United States Postal Service or the INSTITUTION is unable to locate the addressee, (b) are not received back by the INSTITUTION or are received by the INSTITUTION after the expiration date specified thereon, (c) are defectively filled out or executed, (d) are not accompanied by the full required payment, or, in the case of institutional investors in the Community Offering, by delivering irrevocable orders together with a legally binding commitment to pay in cash, check, money order or wire transfer the full amount of the purchase price prior to 48 hours before the completion of the

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Conversion, unless waived by the INSTITUTION, for the shares of Conversion Stock subscribed for (including cases in which deposit accounts from which withdrawals are authorized are insufficient to cover the amount of the required payment), or (e) are not mailed pursuant to a "no mail" order placed in effect by the account holder, the subscription rights of the person to whom such rights have been granted will lapse as though such person failed to return the contemplated Order Form within the time period specified thereon; provided, however, that the INSTITUTION may, but will not be required to, waive any immaterial irregularity on any Order Form or require the submission of corrected Order Forms or the remittance of full payment for subscribed shares by such date as the INSTITUTION may specify. The interpretation of the INSTITUTION of terms and conditions of the Plan and of the Order Forms will be final, subject to the authority of the Commissioner and FDIC.

18. RESTRICTIONS ON RESALE OR SUBSEQUENT DISPOSITION

A. All shares of Conversion Stock purchased or acquired (either directly or indirectly) by Directors or Officers of the INSTITUTION or the Holding Company on original issue (or otherwise beneficially owned immediately after such original issuance) in the conversion shall be subject

to the restriction that, except as provided in Section 18B, below, or as may be approved by the Commissioner, such shares shall not be sold for a period of one (1) year following the date of purchase.

B. The restriction on disposition of shares of Conversion Stock set forth in Section 18A above shall not apply to the following:

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- (i) Any exchange of such shares in connection with a merger or acquisition involving the INSTITUTION or the Holding Company, as the case may be, which has been approved by the Commissioner; and
- (ii) Any disposition of such shares following the death or judicial declaration of incompetency of such Director or Executive Officer.

C. With respect to all shares of Conversion Stock subject to restrictions on resale or subsequent disposition, each of the following provisions shall apply:

- (i) Each certificate representing shares restricted within the meaning of Section 18A, above, shall bear a legend prominently stamped on its face giving notice of the restriction;
- (ii) Appropriate instructions shall be issued to the stock transfer agent for the INSTITUTION or the Holding Company, as the case may be, with respect to applicable restrictions on transfer of such restricted stock; and
- (iii) Any shares of capital stock of the INSTITUTION or the Holding Company, as the case may be, issued as a stock dividend, stock split, or otherwise with respect to any such restricted stock may not be sold until the restrictions respecting such originally restricted stock are terminated, and any certificate for such shares shall bear a legend advising of such restrictions.

19. VOTING RIGHTS OF STOCKHOLDERS

Upon conversion, the holders of the capital stock of the INSTITUTION shall have the exclusive voting rights with respect to the INSTITUTION as specified in its charter. The holders

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of the common stock of the Holding Company (if a holding company form of organization is utilized) shall have the exclusive voting rights with respect to the Holding Company.

20. ESTABLISHMENT OF LIQUIDATION ACCOUNT

The INSTITUTION shall establish at the time of conversion a liquidation account in an amount equal to its net worth (determined in accordance with generally accepted accounting principles) as set forth in the latest statement of financial condition contained in the proxy statement.

The liquidation account will be maintained by the INSTITUTION for the benefit of the Eligible Account Holders and Supplemental Eligible Account Holders who continue to maintain their Deposit Accounts at the INSTITUTION in the event of a complete liquidation of the institution following the Conversion. Each Eligible Account Holder and Supplemental Eligible Account Holder shall, with respect to each Deposit Account, hold a related inchoate interest in a portion of the liquidation account balance, in relation to each Deposit Account balance at the Eligibility Record Date and/or Supplemental Eligibility Record Date or to such balance as it may be subsequently reduced, as hereinafter provided. The initial liquidation account balance shall not be increased, and shall be subject to downward adjustment to the extent of any downward adjustment of any subaccount balance of any Eligible Account Holder and Supplemental Eligible Account Holder in accordance with the Conversion Regulations.

In the unlikely event of a complete liquidation of the INSTITUTION (and only in such event), following all liquidation payments to creditors (including those to Account Holders to the extent of their Accounts) each Eligible Account Holder and Supplemental Eligible Account Holder shall be entitled to receive a liquidating distribution from the liquidation account, in the amount of the then adjusted subaccount balance for his Deposit Account then held, before any liquidation distribution

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may be made to any holders of the INSTITUTION's capital stock. No merger, consolidation, purchase of bulk assets with assumption of Deposit Accounts and other liabilities, or similar transactions with an FDIC-insured institution, in which the INSTITUTION is not the surviving institution, shall be deemed to be a complete liquidation for this purpose. In such transactions, the liquidation account shall be assumed by the surviving institution.

The initial subaccount balance for a Deposit Account held by an Eligible

Account Holder and Supplemental Eligible Account Holder shall be determined by multiplying the opening balance in the liquidation account by a fraction, the numerator of which is the amount of such Eligible Account Holder's and/or Supplemental Eligible Account Holder's Qualifying Deposit and the denominator of which is the total amount of all Qualifying Deposits of all Eligible Account Holders and Supplemental Eligible Account Holders in the INSTITUTION. Such initial subaccount balance shall not be increased, but shall be subject to downward adjustment as described below.

If, at the close of business on the last day of any period for which the INSTITUTION or the Holding Company, as the case may be, has prepared audited financial statements subsequent to the effective date of conversion, the deposit balance in the Deposit Account of an Eligible Account Holder or Supplemental Eligible Account Holder is less than the lesser of (i) the balance in the Deposit Account at the close of business on the last day of any period for which the INSTITUTION or the Holding Company, as the case may be, has prepared audited financial statements subsequent to the Eligibility Record Date or Supplemental Eligibility Record Date, or (ii) the amount in such Deposit Account as of the Eligibility Record Date or Supplemental Eligibility Record Date, the subaccount balance for such Deposit Account shall be adjusted by reducing such subaccount balance in an amount proportionate to the reduction in such deposit balance. In the event of such downward

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adjustment, the subaccount balance shall not be subsequently increased, notwithstanding any subsequent increase in the deposit balance of the related Deposit Account. If any such Deposit Account is closed, the related subaccount shall be reduced to zero. For purposes of this Section and the Conversion Regulations, a time account shall be deemed to be closed upon its maturity date regardless of any renewal thereof. A distribution of each subaccount balance may be made only in the event of a complete liquidation of the INSTITUTION subsequent to the Conversion and only out of funds available for such purpose after payment of all creditors.

The Institution shall not be required to set aside funds for the purpose of establishing the liquidation account, and the creation and maintenance of the liquidation account shall not operate to restrict the use or application of any of the net worth accounts of the INSTITUTION, except that the INSTITUTION shall not declare or pay a cash dividend on, or repurchase any of, its capital stock if the effect thereof would cause its net worth to be reduced below the amount required for the liquidation

account.

21. TRANSFER OF DEPOSIT ACCOUNTS AND CONTINUITY OF THE INSTITUTION

Upon conversion, each Deposit Account Holder having a Deposit Account at the INSTITUTION at the time of conversion will continue to have a Deposit Account, without payment therefor, in the same amount and subject to the same terms and conditions (except for voting and liquidation rights) as in effect prior to the conversion.

After conversion, the INSTITUTION will succeed to all the rights, powers, franchises, debts, liabilities, interests, duties and obligations of the INSTITUTION before conversion, including but not limited to all rights and interests of the INSTITUTION in and to its assets and properties,

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whether real, personal or mixed. All of the insured deposits of the INSTITUTION will continue to be insured by the FDIC to the extent provided by applicable law.

22. RESTRICTIONS ON ACQUISITION OF THE INSTITUTION AND HOLDING COMPANY

A. In accordance with Conversion Regulations, except with the prior approval of the Commissioner, no Person or group of Persons acting in concert, other than the Holding Company (if a holding company form of organization is utilized), for a period of three years following the Effective Date of the Conversion, shall directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10% of any class of an equity security of the INSTITUTION.

B. 1. The Articles of Incorporation of the converted INSTITUTION contains a provision stipulating that no Person or group of Persons acting in concert, except the Holding Company (if a holding company form of organization is utilized), for a period of five years following the date of conversion shall directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10% of any class of an equity security of the INSTITUTION, without the prior written approval of the Commissioner. In addition, such Articles of Incorporation will also provide that for a period of three years following conversion shares beneficially owned in violation of the above-described provision shall not be entitled to vote and shall not be voted by any person or counted as voting stock in connection with any matter submitted to stockholders for a vote. In addition, special meetings of the stockholders relating to changes in control or amendment of the Articles of Incorporation may only be called by the Board of Directors, and shareholders shall not be permitted to cumulate their votes for the election of directors.

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B. 2. The Certificate of Incorporation of the Holding Company, if a holding company form of organization is utilized, will contain a provision stipulating that in no event shall any record owner of any outstanding shares of the Holding Company's common stock who beneficially owns in excess of 10% of such outstanding shares be entitled or permitted to any vote in respect to any shares held in excess of 10%. In addition, the Certificate of Incorporation and Bylaws of the Holding Company contain provisions which provide for staggered terms of the directors, noncumulative voting for directors, limitations on the calling of special meetings, a fair price provision for certain business combinations and certain notice requirements.

C. For the purposes of this Section 22.B.1:

- (i) The term "person" includes an individual, a group acting in concert, a corporation, a partnership, an association, a joint stock company, a trust, an unincorporated organization or similar company, a syndicate or any other group formed for the purpose of acquiring, holding or disposing of securities of an insured institution;
- (ii) The term "offer" includes every offer to buy or acquire, solicitation of an offer to sell, tender offer for, or request or invitation for tenders of, a security or interest in a security for value;
- (iii) The term "acquire" includes every type of acquisition, whether effected by purchase, exchange, operation of law or otherwise; and
- (iv) The term "security" includes non-transferable subscription rights issued pursuant to a plan of conversion as well as a "security" as defined in 15 U.S.C. Section 78c(a)(10).

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23. PAYMENT OF DIVIDENDS AND REPURCHASE OF STOCK

The INSTITUTION shall not declare or pay a cash dividend on, or repurchase any of, its capital stock if the effect thereof would cause its regulatory capital to be reduced below the greatest of the amount required for the Liquidation Account; the amount required by the Commissioner; or the amount required by federal law. Otherwise, the INSTITUTION may declare dividends or make capital distributions in accordance with applicable law and regulations.

24. AMENDMENT OF PLAN

If deemed necessary or desirable, the Plan may be substantively amended

at any time prior to solicitation of proxies from Voting Members to vote on the Plan by the INSTITUTION's Board of Directors, and at any time thereafter by such vote of such Board of Directors with the concurrence of the Commissioner and FDIC. Amendment of the Plan may be necessary as a result of comments from the Commissioner and FDIC. Any amendment to the Plan made after approval by the Eligible Account Holders with the approval of the Commissioner and FDIC shall not necessitate further approval by the Eligible Account Holders unless otherwise required by the Commissioner and FDIC. The Plan may be terminated by majority vote of the INSTITUTION's Board of Directors at any time prior to the Special Meeting to vote on this Plan, and at any time thereafter with the concurrence of the Commissioner and FDIC.

By adoption of the Plan, the Voting Members of the INSTITUTION authorize the Board of Directors to amend or terminate the Plan under the circumstances set forth in this Section.

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25. ARTICLES OF INCORPORATION AND BYLAWS

The INSTITUTION shall take all appropriate steps to amend its Articles of Incorporation to read in the form of Articles of Incorporation for an Illinois stock savings bank as specified in the Savings Bank Act and the regulations of the Office of Banks and Real Estate and approved by the Board of Directors of the INSTITUTION. By their approval of the Plan, the members of the INSTITUTION will thereby approve and adopt such amended Articles of Incorporation. The INSTITUTION shall also take all appropriate steps to adopt Bylaws legally sufficient for an Illinois stock savings bank. The name of the converted INSTITUTION shall be Elgin Financial Center, S.B.

26. CONSUMMATION OF CONVERSION

The conversion of the INSTITUTION shall be deemed to take place and be effective upon the completion of all requisite organizational procedures for amending Articles of Incorporation for an Illinois stock savings bank for the INSTITUTION and sale of all Conversion Stock.

27. REGISTRATION AND MARKETING

Within the time period required by applicable laws and regulations, the INSTITUTION or the Holding Company, as the case may be, will register the securities issued in connection with the conversion pursuant to the Securities Exchange Act of 1934 and will not deregister such securities for a period of at least three years thereafter, except that the maintenance of registration for three years requirement may be fulfilled by any successor to the INSTITUTION or any holding company of the INSTITUTION. In addition, the INSTITUTION/Holding Company will use its best efforts to encourage and assist a market-maker to establish and maintain a market for the Conversion Stock and to list those securities on a national or regional securities exchange or the NASDAQ system.

28. RESIDENTS OF FOREIGN COUNTRIES AND CERTAIN STATES

The INSTITUTION will make reasonable efforts to comply with the securities laws of all States in the United States in which Persons entitled to subscribe for shares of Conversion Stock pursuant to the Plan reside. No Person will be issued subscription rights or be permitted to purchase shares of Conversion Stock in the Subscription Offering if such Person resides in a foreign country.

29. EXPENSES OF CONVERSION

The INSTITUTION shall use its best efforts to assure that expenses incurred by it in connection with the conversion shall be reasonable.

30. CONDITIONS TO CONVERSION

The conversion of the INSTITUTION pursuant to this Plan is expressly conditioned upon the following:

(a) Prior receipt by the INSTITUTION of either rulings of the United States Internal Revenue Service and the Illinois taxing authorities, or opinions of counsel or independent auditors, substantially to the effect that the conversion will not result in any adverse federal or state tax consequences to Eligible Account Holders or to the INSTITUTION and the Holding Company before or after the conversion;

(b) The sale of all of the Conversion Stock offered in the conversion;
and

(c) The completion of the conversion within the time period specified in Section 3 of this Plan.

31. INTERPRETATION

All interpretations of this Plan and application of its provisions to particular circumstances by a majority of the Board of Directors of the INSTITUTION shall be final, subject to the authority of the Commissioner and FDIC.

ARTICLES OF INCORPORATION

of

ELGIN FINANCIAL CENTER, S.B.

ARTICLE ONE. CORPORATE TITLE

The full name of the savings bank is Elgin Financial Center, S.B. ("Savings Bank").

ARTICLE TWO. OFFICE

The business office of the Savings Bank shall be located at 1695 Larkin Avenue, in the City of Elgin, County of Kane, State of Illinois.

ARTICLE THREE. DURATION

The duration of the savings bank shall be perpetual.

ARTICLE FOUR. DIRECTORS

The Savings Bank shall be under the direction of a Board of Directors. The initial number of directors to be elected shall be nine (9). The number of directors to be elected may from time to time be changed as provided in the Savings Bank's bylaws, but in no event shall the number of directors elected be less than five (5).

ARTICLE FIVE. DEPOSITS

The Deposit Accounts which the Savings Bank may issue shall be all accounts that are permissible under applicable laws and regulations.

ARTICLE SIX. PURPOSE AND POWERS

The purpose of the Savings Bank is to pursue any or all of the lawful objectives of an Illinois savings bank chartered under the Illinois Savings Bank Act (the "Act"), including, but not limited to, taking of an unlimited dollar amount of deposits and the making of loans, and to exercise all the express, implied and incidental powers conferred thereby and by all acts amendatory thereof and supplemental thereto, subject to the Constitution and laws of the United States as they are now in effect, or as they may hereafter

be amended, and subject to all lawful and applicable rules,

regulations and orders of the Commissioner of Banks and Real Estate for the State of Illinois (the "Commissioner").

ARTICLE SEVEN. CAPITAL STOCK

The total number of shares of all classes of the capital stock which the Savings Bank has authority to issue is twenty-seven million (27,000,000), of which twenty-five million (25,000,000) shall be common stock, par value \$0.01 per share and of which two million (2,000,000) shall be preferred stock, par value \$0.01 per share. The shares may be issued from time to time as authorized by the Board of Directors without the approval of stockholders except as otherwise provided in this Article Seven or to the extent that such approval is required by governing law, rule, or regulation. The consideration for the issuance of the shares shall be paid in full before their issuance and shall not be less than the par value. Neither promissory notes nor future services shall constitute payment or part payment for the issuance of shares of the Savings Bank. The consideration for the shares shall be cash, tangible or intangible property (to the extent direct investment in such property would be permitted to the Savings Bank), labor, or services actually performed for the Savings Bank or any combination of the foregoing. In the absence of actual fraud in the transaction, the value of such property, labor, or services, as determined by the Board of Directors of the Savings Bank, shall be conclusive. Upon payment of such consideration, such shares shall be deemed to be fully paid and nonassessable. In the case of a stock dividend, that part of the surplus of the Savings Bank which is transferred to stated capital upon the issuance of shares as a share dividend shall be deemed to be the consideration for their issuance.

Except for shares issuable in connection with the conversion of the Savings Bank from the mutual to the stock form of capitalization, no shares of capital stock (including shares issuable upon conversion, exchange, or exercise of other securities) shall be issued, directly or indirectly, to officers, directors, or controlling persons of the Savings Bank other than as part of a general public offering or as qualifying shares to a director, unless their issuance or the plan under which they would be issued has been approved by a majority of the total votes eligible to be cast at a legal meeting.

Nothing contained in this Article 7 (or in any supplementary articles hereto) shall entitle the holders of any class or series of capital stock to vote as a separate class or series or to more than one vote per share, except as to the cumulation of votes for the election of directors: provided, that this restriction on voting separately by class or series shall not apply:

- (i) To any provision which would authorize the holders of preferred stock, voting as a class or series, to elect some members of the Board of Directors, less than a majority thereof, in the event of

default in the payment of dividends on any class or series of preferred stock;

- (ii) To any provision which would require the holders of preferred stock, voting as a class or series, to approve the merger or consolidation of the Savings Bank with another corporation or the sale, lease, or conveyance (other than by mortgage or

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pledge) of properties or business in exchange for securities of a corporation other than the Savings Bank if the preferred stock is exchanged for securities of such other corporation: Provided, That no provision may require such approval for transactions undertaken with the assistance or pursuant to the direction of the Commissioner or the Federal Deposit Insurance Corporation;

- (iii) To any amendment which would adversely change the specific terms of any class or series of capital stock as set forth in this Section 5 (or in any supplementary sections hereto), including any amendment which would create or enlarge any class or series ranking prior thereto in rights and preferences. An amendment which increases the number of authorized shares of any class or series of capital stock, or substitutes the surviving Savings Bank in a merger or consolidation for the Savings Bank, shall not be considered to be such an adverse change.

A description of the different classes and series (if any) of the Savings Bank's capital stock and a statement of the designations, and the relative rights, preferences, and limitations of the shares of each class of and series (if any) of capital stock are as follows:

- A. Common Stock. Except as provided in this Article 7 (or in any supplementary articles hereto) the holders of the common stock shall exclusively possess all voting power. Each holder of shares of common stock shall be entitled to one vote for each share held by such holder, except as to the cumulation of votes for the election of directors.

Whenever there shall have been paid, or declared and set aside for payment, to the holders of the outstanding shares of any class of stock having preference over the common stock as to the payment of dividends, the full amount of dividends and of sinking fund, or retirement fund, or other retirement payments, if any, to which such holders are respectively entitled in preference to the common stock, then dividends may be paid on the common stock and on any class or series of stock entitled to participate therewith as to dividends out of any assets legally available for the payment of dividends.

In the event of any liquidation, dissolution, or winding up of the Savings Bank, the holders of the common stock (and the holders of any class or series of stock entitled to participate with the common stock in the distribution of assets) shall be entitled to receive, in cash or in kind, the assets of the Savings Bank available for distribution remaining after: (i) payment or provision for payment of the Savings Bank's debts and liabilities; (ii) distributions or provision for distributions in settlement of its liquidation account; and (iii) distributions or provision for distributions to holders of any class or series of stock having preference over the common stock in the liquidation, dissolution, or winding up of the Savings Bank. Each share of common

stock shall have the same relative rights as and be identical in all respects with all the other shares of common stock.

- B. Preferred Stock. The Savings Bank may provide in supplementary sections to its articles of incorporation for one or more classes of preferred stock, which shall be separately identified. The shares of any class may be divided into and issued in series, with each series separately designated so as to distinguish the shares thereof from the shares of all other series and classes. The terms of each series shall be set forth in a supplementary section to the articles of incorporation. All shares of the same class shall be identical except as to the following relative rights and preferences, as to which there may be variations between different series:
- (a) The distinctive serial designation and the number of shares constituting such series;
 - (b) The dividend rate or the amount of dividends to be paid on the shares of such series, whether dividends shall be cumulative and, if so, from which date(s), the payment date(s) for dividends, and the participating or other special rights, if any, with respect to dividends;
 - (c) The voting powers, full or limited, if any, of the shares of such series;
 - (d) Whether the shares of such series shall be redeemable and, if so, the price(s) at which, and the terms and conditions on which, such shares may be redeemed;
 - (e) The amount(s) payable upon the shares of such series in the event of voluntary or involuntary liquidation, dissolution, or

winding up of the Savings Bank;

- (f) Whether the shares of such series shall be entitled to the benefit of a sinking or retirement fund to be applied to the purchase or redemption of such shares, and if so entitled, the amount of such fund and the manner of its application, including the price(s) at which such shares may be redeemed or purchased through the application of such fund;
- (g) Whether the shares of such series shall be convertible into, or exchangeable for, shares of any other class or classes of stock of the Savings Bank and, if so, the conversion price(s) or the rate(s) of exchange, and the adjustments thereof, if any, at which such conversion or exchange may be made, and any other terms and conditions of such conversion or exchange;

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- (h) The price or other consideration for which the shares of such series shall be issued; and
- (i) Whether the shares of such series which are redeemed or converted shall have the status of authorized but unissued shares of serial preferred stock and whether such shares may be reissued as shares of the same or any other series of serial preferred stock.

Each share of each series of serial preferred stock shall have the same relative rights as and be identical in all respects with all the other shares of the same series.

The Board of Directors shall have authority to divide, by the adoption of supplementary articles, any authorized class of preferred stock into series, and, within the limitations set forth in this section and the remainder of these articles of incorporation, fix and determine the relative rights and preferences of the shares of any series so established.

Prior to the issuance of any preferred shares of a series established by a supplementary article adopted by the Board of Directors, the Savings Bank shall file with the Commissioner a dated copy of that supplementary article establishing and designating the series and fixing and determining the relative rights and preferences thereof.

ARTICLE EIGHT. CERTAIN PROVISIONS APPLICABLE FOR FIVE YEARS

Notwithstanding anything contained in the Savings Bank's articles of incorporation or bylaws to the contrary, for a period of five years from the date of consummation of the conversion of the Savings Bank from mutual to stock form, the following provision shall apply:

Beneficial Ownership Limitation. Except for sales of stock required by the federal insurer of accounts or the Commissioner of Banks and Real Estate, no person shall directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10 percent of any class of any equity security of the Savings Bank. This limitation shall not apply to a transaction in which the Savings Bank forms a holding company without a change in the respective beneficial ownership interests of its stockholders other than pursuant to the exercise of any dissenter and appraisal rights, the purchase of shares by underwriters in connection with a public offering, or the purchase of shares by a employee stock benefit plan. In the event shares are acquired in violation of this Article, all shares beneficially owned by any person in excess of 10% shall be considered "excess shares" and shall not be counted as shares entitled to vote and shall not be voted by any person or counted as voting shares in connection with any matters submitted to the stockholders for a vote. For purposes of this provision, the following definitions apply: the term "person" includes an individual, a group acting in concert, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or similar company, a syndicate or any other group formed

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to acquire, hold or dispose of the equity securities of the Savings Bank; the term "offer" includes every offer to buy or otherwise acquire, solicitation of an offer to sell, tender offer for, or request or invitation for tenders of, a security or interest in a security for value; the term "acquire" includes every type of acquisition, whether effected by purchase, exchange, operation of law or otherwise; and the term "acting in concert" means knowing participation in a joint activity or conscious parallel action towards a common goal whether pursuant to an express agreement, or a combination or pooling of voting or other interests in the securities of an issuer for a common purpose pursuant to any contract, understanding, relationship, agreement or other arrangements, whether written or otherwise.

ARTICLE NINE. PREEMPTIVE RIGHTS

Holders of the capital stock of the Savings Bank shall not be entitled to preemptive rights with respect to any shares of the Savings Bank which may be issued.

ARTICLE TEN. LIQUIDATION ACCOUNT

Pursuant to the requirements of the Act and regulations of the Commissioner, the Savings Bank shall establish and maintain a liquidation account for the benefit of its savings account holders as of July 31, 1996 ("Eligible Account Holders") and _____ ("Supplemental Account

Holder"). In the event of a complete liquidation of the Savings Bank, it shall comply with such regulations with respect to the amount and the priorities on liquidation of the inchoate interest of each of the Savings Bank's Eligible Account Holders and Supplemental Account Holders in the liquidation account, to the extent it is still in existence; provided, however, that an inchoate interest in the liquidation account shall not entitle such account holder to any voting rights at meetings of the Savings Bank's stockholders.

ARTICLE ELEVEN. AMENDMENT OF ARTICLES OF INCORPORATION

Except as otherwise provided by law, no amendment, addition, alteration, change, or repeal of these Articles of Incorporation shall be made, unless such is first proposed by the Board of Directors of the Savings Bank and thereafter approved by the stockholders by a majority of the total votes eligible to be cast at a legal meeting.

ARTICLE TWELVE. CUMULATIVE VOTING LIMITATION

Stockholders shall not be permitted to cumulate their votes for the election of directors.

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ARTICLE THIRTEEN. QUORUM

The quorum required for action of the stockholders (except as otherwise provided by law) is a majority of votes which all stockholders of the Savings Bank are entitled to cast.

ARTICLE FOURTEEN. SPECIAL MEETINGS

Special Meetings of stockholders relating to changes in control of the Savings Bank or amendments to these Articles of Incorporation shall be called only upon direction of the Board of Directors.

Dated this ____ day of _____ 199_.

ELGIN FINANCIAL CENTER, S.B.

Attest: _____
Ursula Wilson
Secretary

By: _____
Barrett J. O'Connor
President and Chief Executive Officer

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BYLAWS OF
ELGIN FINANCIAL CENTER, S.B.

ARTICLE I. BUSINESS OFFICE

The business office of Elgin Financial Center, S.B. ("Savings Bank") shall be located at 1695 Larkin Avenue, in the City of Elgin, County of Kane, State of Illinois.

ARTICLE II. SHAREHOLDERS

Section 1. Place of Meetings. All annual and special meetings of shareholders shall be held at the home office of the Savings Bank or at such other place in the County in which the principal place of business of the Savings Bank is located as the board of directors may determine.

Section 2. Annual Meeting. The date of the annual meeting of the shareholders shall be the third Wednesday in January of each year.

Section 3. Special Meetings. For a period of five years from the date of the completion of the conversion of the Savings Bank from mutual to stock form, special meetings of the shareholders relating to a change in control of the Savings Bank or to an amendment of the Articles of Incorporation of the Savings Bank may be called only by the board of directors. Thereafter, special meetings of the shareholders for any purpose or purposes, unless otherwise prescribed by the regulations of the Commissioner of Banks and Real Estate, State of Illinois ("Commissioner"), may be called at any time by the chairman of the board, the president, or a majority of the board of directors, and shall be called by the chairman of the board, the president or the secretary upon the written request of the holders of not less than one-tenth of all the outstanding capital stock of the Savings Bank entitled to vote at the meeting. Such written request shall state the purpose or purposes of the meeting and shall be delivered at the home office of the Savings Bank addressed to the chairman of the board, the president or the secretary.

Section 4. Conduct of Meetings. Annual and special meetings shall be conducted in accordance with the most current edition of Robert's Rules of Order unless otherwise prescribed by the Illinois Savings Bank Act (the "Act") or regulations of the Commissioner or these bylaws. The board of directors shall designate, when present, either the chairman of the board or president to preside at such meetings.

Section 5. Notice of Meetings. (a) Notice of an annual meeting shall be published once not fewer than 10 days nor more than 40 days before the date of the meeting. The notice shall also be posted in a conspicuous place in each office of the Savings Bank. The notice must state the time, place, and purpose of the meeting.

(b) For any special meeting or for any annual meeting that is to consider any proposition that requires an affirmative vote of two-thirds of the shareholders or any proposition to amend the Articles of Incorporation of the Savings Bank, the notice must be by mail, postmarked between 10 and 40 days before the date of the meeting, and must also be posted at the Savings Bank's offices as if for an annual meeting, beginning on the date notice is given. All notices must state the time, place, and purpose of the meeting. If mailed, such notice shall be deemed to be delivered when deposited in the mail, addressed to the shareholder at the address as it appears on the stock transfer books or records of the Savings Bank as of the record date prescribed in Section 6 of this Article II, with postage prepaid.

(c) When any shareholders' meeting, either annual or special, is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. It shall not be necessary to give any notice of the time and place of any meeting adjourned for less than 30 days or of the business to be transacted at the meeting, other than an announcement at the meeting at which such adjournment is taken.

Section 6. Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the board of directors shall fix in advance a date as the record date for any such determination of shareholders. Such date in any case shall be not more than 40 days and not fewer than 10 days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment.

Section 7. Voting Lists. At least 20 days before each meeting of the shareholders, the officer or agent having charge of the stock transfer books for shares of the Savings Bank shall make a complete list of the shareholders entitled to vote at such meeting, or any adjournment, arranged in alphabetical order, with the address and the number of shares held by each. This list of shareholders shall be kept on file at the home office of the Savings Bank and shall be subject to inspection by any shareholder at any time during usual business hours, for a period of 20 days prior to such meeting. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection by any shareholder during the entire time of the meeting. The original stock transfer book shall constitute prima facie evidence of the shareholders entitled to examine such list or transfer books or to vote at any meeting of shareholders.

In lieu of making the shareholder list available for inspection by shareholders as provided in the preceding paragraph, the board of directors may

elect to follow the procedures prescribed by the Act or in regulations of the Commissioner as now or hereafter in effect.

Section 8. Quorum. A majority of the outstanding shares of the Savings Bank entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If less than a majority of the outstanding shares is represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to constitute less than a quorum.

Section 9. Proxies. At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by his duly authorized attorney in fact. No proxy shall be voted at any meeting unless such proxy shall have been placed on file with the secretary of the Savings Bank for verification at least ten (10) business days prior to the date on which such meeting shall convene. Proxies solicited on behalf of the management shall be voted as directed by the shareholder or, in the absence of such direction, as determined by a majority of the board of directors. No proxy shall be valid more than eleven months from the date of its execution except for a proxy coupled with an interest.

Section 10. Voting of Shares in the Name of Two or More Persons. When ownership stands in the name of two or more persons, in the absence of written directions to the Savings Bank to the contrary, at any meeting of the shareholders of the Savings Bank any one or more of such shareholders may cast, in person or by proxy, all votes to which such ownership is entitled. In the event an attempt is made to cast conflicting votes, in person or by proxy, by the several persons in whose names shares of stock stand, the vote or votes to which those persons are entitled shall be cast as directed by a majority of those holding such and present in person or by proxy at such meeting, but no votes shall be cast for such stock if a majority cannot agree.

Section 11. Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted by any officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine. Shares held by an administrator, executor, guardian or conservator may be voted by him, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name. Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer into his name if authority to do so is contained in an appropriate order of the court or other

public authority by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee and thereafter the pledgee, shall be entitled to vote the shares so transferred.

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Neither treasury shares of its own stock held by the Savings Bank, nor shares held by another corporation, if a majority of the shares entitled to vote for the election of directors of such other corporation are held by the Savings Bank, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting.

Section 12. Cumulative Voting. Shareholders of the Savings Bank shall not be permitted to cumulate their votes with respect to the election of directors.

Section 13. Inspectors of Election. In advance of any meeting of shareholders, the board of directors may appoint any persons other than nominees for office as inspectors of election to act at such meeting or any adjournment. The number of inspectors shall be either one or three. Any such appointment shall not be altered at the meeting. If inspectors of election are not so appointed, the chairman of the board or the president may, or on the request of not fewer than 10 percent of the votes represented at the meeting shall, make such appointment at the meeting. If appointed at the meeting, the majority of the votes present shall determine whether one or three inspectors are to be appointed. In case any person appointed as inspector fails to appear or fails or refuses to act, the vacancy may be filled by appointment by the board of directors in advance of the meeting, or at the meeting by the chairman of the board or the president.

Unless otherwise prescribed by the Act or regulations of the Commissioner, the duties of such inspectors shall include: determining the number of shares and the voting power of each share, the shares represented at the meeting, the existence of a quorum, and the authenticity, validity and effect of proxies; receiving votes, ballots, or consents; hearing and determining all challenges and questions in any way arising in connection with the rights to vote; counting and tabulating all votes or consents; determining the result; and such acts as may be proper to conduct the election or vote with fairness to all shareholders.

Section 14. Nominating Committee. The Chairman of the Board, subject to the approval of the board of directors, may appoint a nominating committee of not less than three (3) members for selecting the nominees for election as directors. The nominating committee shall deliver written nominations to the secretary of the Savings Bank at least ten (10) days prior to the date of the annual or special meeting at which the election is to take place. No nominations for directors except those made by the nominating committee shall be voted upon at the annual or special meeting unless other nominations by shareholders are made in writing and delivered to the secretary of the Savings Bank at least five (5) days prior to the date of the annual or special meeting.

Ballots bearing the names of all persons nominated by the nominating committee and by shareholders shall be provided for use at the annual or special meeting. However, if the nominating committee shall fail or refuse to act as herein provided prior to the annual or special meeting, or if no nominating committee has been appointed, or in the event of death or refusal to serve as a nominee, nominations for directors may be made at the annual or special meeting by any shareholder entitled to vote and shall be voted upon.

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Section 15. New Business. Any new business to be taken up at the annual meeting shall be stated in writing and filed with the secretary of the Savings Bank at least ten (10) days before the date of the annual meeting, and all business so stated, proposed, and filed shall be considered at the annual meeting, but no other proposal shall be acted upon at the annual meeting. Any shareholder may make any other proposal at the annual meeting and the same may be discussed and considered, but unless stated in writing and filed with the secretary at least 5 days before the meeting, such proposal shall be laid over for action at an adjourned, special, or annual meeting of the shareholders taking place 30 days or more thereafter. This provision shall not prevent the consideration and approval or disapproval at the annual meeting of reports of officers, directors and committees; but in connection with such reports no new business shall be acted upon at such annual meeting unless stated and filed as herein provided.

Section 16. Informal Action by Shareholders. Any action required to be taken at a meeting of shareholders, or any other action which may be taken at a meeting of the shareholders, may be taken without a meeting if consent in writing, setting forth the action so taken, shall be given by all of the shareholders entitled to vote with respect to the subject matter.

ARTICLE III. BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Savings Bank shall be under the direction of its board of directors. The board of directors shall annually elect a chairman of the board and a president from among its members and shall designate, when present, either the chairman of the board or the president to preside at its meetings.

Section 2. Number and Term. The board of directors shall consist of nine (9) members and shall be divided into three classes as nearly equal in number as possible. The members of each class shall be elected for a term of three years and until their successors are elected and qualified. One class shall be elected by ballot annually.

Section 3. Regular Meetings. A regular meeting of the board of directors shall be held without other notice than this bylaw immediately after, and at the same place as, the annual meeting of shareholders. The board of directors may provide, by resolution, the time and place for the holding of additional regular meetings without other notice than such resolution.

Section 4. Qualification. Each director shall at all times be the beneficial owner of not less than 100 shares of capital stock of the Savings Bank unless the Savings Bank is a wholly owned subsidiary of a holding company.

Section 5. Special Meetings. Special meetings of the board of directors may be called by the Commissioner of Banking and Real Estate, or by the president and the secretary and shall be called by either the president or secretary upon request in writing signed by a majority of directors. At least twelve hours' notice must be received by each director of the time, place and purpose of such meeting. A meeting may be held on shorter notice if all directors consent. No business shall

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be considered at any special meeting except that specified in the call without consent of all of the directors.

Section 6. Notice. Written notice of any special meeting shall be given to each director at least 24 hours prior thereto when delivered personally or by telegram, or at least five days prior thereto when delivered by mail at the address at which the director is most likely to be reached. Such notice shall be deemed to be delivered when deposited in the mail so addressed, with postage prepaid if mailed, or when delivered to the telegraph company if sent by telegram. Any director may waive notice of any meeting by a writing filed with the secretary. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the board of directors need be specified in the notice or waiver of notice of such meeting.

Section 7. Quorum. A majority of the number of directors fixed by Section 2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the board of directors, but if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time. Notice of any adjourned meeting shall be given in the same manner as prescribed by Section 6 of this Article III.

Section 8. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless a greater number is prescribed by the Act or regulations of the Commissioner or by these bylaws.

Section 9. Action Without a Meeting. Any action required or permitted to be taken by the board of directors at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors.

Section 10. Resignation. Any director may resign at any time by sending a

written notice of such resignation to the home office of the Savings Bank addressed to the chairman of the board or president. Unless otherwise specified such resignation shall take effect upon receipt by the chairman of the board or president. More than three consecutive absences from regular meetings of the board of directors, unless excused by resolution of the board of directors, shall automatically constitute a resignation, effective when such resignation is accepted by the board of directors.

Section 11. Vacancies. Any vacancy occurring in the board of directors may be filled by the affirmative vote of a majority of the remaining directors, although less than a quorum of the board of directors. A director elected to fill a vacancy shall be elected to serve until the next election of directors by the shareholders. Any directorship to be filled by reason of an increase in the number of directors may be filled by election by the board of directors for a term of office continuing only until the next election of directors by the shareholders.

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Section 12. Advisory Directors. Advisory directors may be appointed and their compensation for services (in an amount not to exceed those fees paid to voting directors) determined by resolution of the board of directors of the Savings Bank. Only former directors of the Savings Bank (including former directors of other savings banks and associations which have merged with, or otherwise been acquired by the Savings Bank) shall be eligible to serve as advisory directors. Advisory directors shall be available for consultation with an advice to the management of the Savings Bank. Advisory directors may attend meetings of the board of directors, but shall have no vote on any matter acted upon by such board. Advisory directors must attend at least 50% of all meetings of the board of directors, on an annual basis, in order to maintain their status as an Advisory Director.

Section 13. Presumption of Assent. A director of the Savings Bank who is present at a meeting of the board of directors at which action on any Savings Bank matter is taken shall be presumed to have assented to the action taken unless his dissent or abstention shall be entered in the minutes of the meeting or unless he shall file a written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the secretary of the Savings Bank within five days after the date a copy of the minutes of the meeting is received. Such right to dissent shall not apply to a director who voted in favor of such action.

Section 14. Removal of Directors. At a meeting of shareholders called expressly for that purpose, any director may be removed for cause by a vote of the holders of a majority of the shares then entitled to vote at an election of directors. Whenever the holders of the shares of any class are entitled to elect one or more directors by the provisions of the Articles of Incorporation or supplemental sections thereto, the provisions of this section shall apply, in respect to the removal of a director or directors so elected, to the vote of the

holders of the outstanding shares of that class and not to the vote of the outstanding shares as a whole.

Section 15. Age Limitation. No person shall be eligible for election, reelection, appointment, or reappointment to the board of directors of the Savings Bank if such person is then more than 70 years of age. No directors shall serve beyond the annual meeting of the Savings Bank immediately following his attainment of 70 years of age. This age limitation shall not apply to a person serving as an advisory director of the Savings Bank.

Section 16. Indemnification. Every person shall be indemnified or reimbursed by the Savings Bank for reasonable expenses including liabilities (other than adjudicated liabilities to the Savings Bank) actually incurred by him in connection with any action, suit or proceeding, civil or criminal to which he is a party by reason of the fact that he or she is or was a Director or Officer of the Savings Bank or is or was serving, at the request of the Savings Bank or because of his or her capacity as an Officer or Director of the Savings Bank, as a Director or officer of any other corporation or organization; provided, however, (1) that no person shall be so indemnified or reimbursed in relation to any matter in such action, suit or proceeding as to which he or she shall have been finally adjudged guilty of or liable for willful misconduct, gross neglect of duty, or criminal acts in the performance of his duties to the Savings Bank; (2) that no person is subject to an Order of Removal, Suspension, or Industry wide Prohibition; (3) that no person is subject to a

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final order assessing civil money penalties or requiring affirmative action by an individual or individuals in the form of payments to a Savings Bank; and (4) that no person shall be so indemnified or reimbursed for amounts paid in compromise settlement of any matter in such action, suit or proceeding except with the approval of (a) a court of competent jurisdiction, or (b) the holders of a majority of the outstanding shares of the Savings Bank, or (c) the Board of Directors acting by a vote of Directors not parties to the same or substantially the same suit or proceeding, constituting a majority of the whole number of the Directors. The Savings Bank may purchase and maintain insurance against its liability to indemnify any person pursuant to the preceding sentence, and may purchase and maintain insurance on behalf of any such person against any liability asserted against him or her or expense or liability incurred by him or her in, or arising out of, any capacity described in the preceding sentence whether or not he or she is entitled to indemnification from the Savings Bank under the provisions of such sentence, provided, however, that the Savings Bank may not pay premiums for insurance for indemnification of any such person in respect of matters as to which he or she is adjudged guilty of or liable for willful misconduct, gross neglect of duty or criminal acts. Notwithstanding the foregoing provisions of this Bylaw, it is intended hereby to afford the Officers and Directors of the Savings Bank indemnity to the highest degree permitted or contemplated by any policy of indemnity or liability insurance carried by the Savings Bank. The

foregoing right of indemnification or reimbursement shall not be exclusive of other rights to which such persons may be entitled as a matter of law.

Section 17. Director Liability. A director is not personally liable to the Savings Bank or its shareholders for monetary damages for breach of their fiduciary duty; provided, however, that such liability is not eliminated or limited for any of the following:

- A. An act or omission that is grossly negligent;
- B. A breach of the duty of loyalty to the Savings Bank or its shareholders;
- C. Acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- D. A transaction from which the director derived an improper personal benefit; or
- E. An act or omission occurring before the effective date of this Section 17 of Article 3, of the bylaws of the Savings Bank.

ARTICLE IV. EXECUTIVE AND OTHER COMMITTEES

Section 1. Appointment. The Chairman of the Board shall appoint all committees, standing or special, as may be deemed necessary to carry out the corporate powers of the Savings Bank and shall provide for the filling of vacancies on such committees.

Section 2. Authority. The executive committee, when the board of directors is not in session, shall have and may exercise all of the authority of the board of directors except to the extent, if any, that such authority shall be limited by the resolution appointing the executive committee; and except also that the executive committee shall not have the authority of the board of directors with reference to: the declaration of dividends; the amendment of the Articles of Incorporation or bylaws

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of the Savings Bank, or recommending to the shareholders a plan of merger, consolidation, or conversion; the sale, lease or other disposition of all or substantially all of the property and assets of the Savings Bank otherwise than in the usual and regular course of its business; a voluntary dissolution of the Savings Bank; a revocation of any of the foregoing; or the approval of a transaction in which any member of the executive committee, directly or indirectly, has any material beneficial interest.

Section 3. Tenure. Subject to the provisions of Section 8 of this Article IV, each member of the executive committee shall hold office until the next regular annual meeting of the board of directors following his or her designation and until a successor is designated as a member of the executive committee.

Section 4. Meetings. Regular meetings of the executive committee may be held without notice at such times and places as the executive committee may fix from time to time by resolution. Special meetings of the executive committee may be called by any member thereof upon not less than one day's notice stating the place, date and hour of the meeting, which notice may be written or oral. Any member of the executive committee may waive notice of any meeting and no notice of any meeting need be given to any member thereof who attends in person. The notice of a meeting of the executive committee need not state the business proposed to be transacted at the meeting.

Section 5. Quorum. A majority of the members of the executive committee shall constitute a quorum for the transaction of business at any meeting thereof, and action of the executive committee must be authorized by the affirmative vote of a majority of the members present at a meeting at which a quorum is present.

Section 6. Action Without a Meeting. Any action required or permitted to be taken by the executive committee at a meeting may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the members of the executive committee.

Section 7. Vacancies. Any vacancy in the executive committee may be filled by a resolution adopted by a majority of the full board of directors.

Section 8. Resignations and Removal. Any member of the executive committee may be removed at any time with or without cause by resolution adopted by a majority of the full board of directors. Any member of the executive committee may resign from the executive committee at any time by giving written notice to the president or secretary of the Savings Bank. Unless otherwise specified, such resignation shall take effect upon its receipt; the acceptance of such resignation shall not be necessary to make it effective.

Section 9. Procedure. The executive committee shall elect a presiding officer from its members and may fix its own rules of procedure which shall not be inconsistent with these bylaws. It shall keep regular minutes of its proceedings and report the same to the board of directors for its information at the meeting held next after the proceedings shall have occurred.

Section 10. Other Committees. The board of directors may by resolution establish an audit, loan, or other committees composed of directors as they may determine to be necessary or appropriate for the conduct of the business of the Savings Bank and may prescribe the duties, constitution and procedures thereof.

ARTICLE V. OFFICERS

Section 1. Positions - Election - Duties. The officers of the Savings Bank shall consist of a president, one or more vice presidents, a secretary and a treasurer, who shall have such powers and duties as may be assigned to them by

law or these Bylaws. Any two or more offices may be held by the same person except that one person shall not hold the offices of president and secretary. The directors may leave unfilled any office except those of president, vice president, secretary and treasurer. In addition to the foregoing offices, there may be elected one or more assistant secretaries and assistant treasurers, or an assistant secretary and treasurer, whose duties shall be to assist the principal secretary and treasurer or secretary and treasurer and in the absence of such principal officers or in the case of their inability to act, such assistants shall be vested with all of the powers and duties of their respective principals. Any one of such officers may be designated to act as the executive officer of the Savings Bank. All officers shall hold office until their successors are elected and qualified.

President. The president (in the absence of resolution of the Board to the contrary) shall preside at all meetings of the shareholders and directors and shall be an ex officio member of all committees. He shall advise and assist all officers of the Savings Bank in the discharge of their duties.

Vice President. The seniority of the vice presidents shall be determined at the time they are elected, and they shall preside at meetings and serve in the absence of the president according to such rank. They shall perform the duties of the president in case of his/her absence or inability to act, and assist the president and executive officer in the discharge of their duties as the directors may determine. The directors may designate additional duties to be performed by the vice president.

Secretary. The secretary shall keep the minutes of the meetings of the shareholders and of the directors; be custodian of the seal of the corporation and see that the seal is affixed to all documents the execution of which requires the same; keep a record of the names and addresses of the officers and directors, including any changes thereof, and notify the Commissioner of Banks and Real Estate of any such change and in general perform all duties incident to the office of the secretary.

Treasurer. The treasurer, with the approval of the directors, shall designate the bank or banks to be used as depositories for the funds of the Savings Bank. He/she shall exercise all duties incident to the office of treasurer and shall have additional duties as may be assigned to him/her by the directors.

Executive Officer - Title, Powers and Duties. The President shall be the executive officer of the Savings Bank. In addition to his other powers and duties, he shall be responsible for the following: keeping the books and accounts, receiving and safekeeping all monies, securities and other property of the Savings Bank; accounting for all receipts, fees and charges of every character for services on behalf of the Savings Bank to any member or prospective member; recording conveyances to the Savings Bank, mortgages and other papers required to be recorded; such action from time to time as may be

necessary to keep insured the interests of the Savings Bank in any property; protection of the interests of the Savings Bank in all tax or special assessment sales, forfeitures or foreclosures; reports of the financial condition of the Savings Bank at the annual meeting of the members and meetings of the directors; filing annual and such other reports with the Commissioner of Banks and Real Estate as may be required, including the publication thereof, causing notices for annual and special meetings in accordance with legal requirements; and keeping records of any transaction that directors, officers, employees, or agents may have in connection with the Savings Bank's shares or other property, it being incumbent upon them to report the same to him/her.

Section 2. Election and Term of Office. The officers of the Savings Bank shall be elected annually at the first meeting of the board of directors held after each annual meeting of the shareholders. If the election of officers is not held at such meeting, such election shall be held as soon thereafter as possible. Each officer shall hold office until a successor has been duly elected and qualified or until the officer's death, resignation or removal in the manner hereinafter provided. Election or appointment of an officer, employee or agent shall not of itself create contractual rights. The board of directors may authorize the Savings Bank to enter into an employment contract with any officer in accordance with the Act or regulations of the Commissioner; but no such contract shall impair the right of the board of directors to remove any officer at any time in accordance with Section 3 of this Article V.

Section 3. Removal. Any officer may be removed by the board of directors whenever in its judgment the best interests of the Savings Bank will be served thereby, but such removal, other than for cause, shall be without prejudice to the contractual rights, if any, of the person so removed.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the board of directors for the unexpired portion of the term.

Section 5. Remuneration. The remuneration of the officers shall be fixed from time to time by the board of directors.

Section 6. Age Limitation. No person shall be eligible for election, reelection, appointment, or reappointment as an officer of the Savings Bank if such person is then more than 70 years of age. No officer shall serve beyond the annual meeting of the Savings Bank immediately following his attainment of 70 years of age.

ARTICLE VI. CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Contracts. To the extent permitted by the Act or the regulations of the Commissioner, and except as otherwise prescribed by these bylaws with respect to certificates for shares, the board of directors may authorize any officer, employee, or agent of the Savings Bank to enter into any

contract or execute and deliver any instrument in the name of and on behalf of the Savings Bank. Such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Savings Bank and no evidence of indebtedness shall be issued in its name unless authorized by the board of directors. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Savings Bank shall be signed by one or more officers, employees or agents of the Savings Bank in such manner as shall from time to time be determined by the board of directors.

Section 4. Deposits. All funds of the Savings Bank not otherwise employed shall be deposited from time to time to the credit of the Savings Bank in any duly authorized depositories as the board of directors may select.

ARTICLE VII. CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 1. Certificates for Shares. Certificates representing shares of capital stock of the Savings Bank shall be in such form as shall be determined by the board of directors in accordance with the Act or the regulations of the Commissioner. Such certificates shall be signed by the chief executive officer or by any other officer of the Savings Bank authorized by the board of directors, attested by the secretary or an assistant secretary, and sealed with the corporate seal or a facsimile thereof. The signatures of such officers upon a certificate may be facsimiles if the certificate is manually signed on behalf of a transfer agent or a registrar, other than the Savings Bank itself or one of its employees. Each certificate for shares of capital stock shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Savings Bank. All certificates surrendered to the Savings Bank for transfer shall be canceled and no new certificate shall be issued until the former certificate for a like number of shares has been surrendered and canceled, except that in case of a lost or destroyed certificate, a new certificate may be issued upon such terms and indemnity to the Savings Bank as the board of directors may prescribe.

Section 2. Transfer of Shares. Transfer of shares of capital stock of the Savings Bank shall be made only on its stock transfer books. Authority for such transfer shall be given only by the holder of record or by his legal representative, who shall furnish proper evidence of such authority, or by his attorney authorized by a duly executed power of attorney and filed with the Savings Bank.

Such transfer shall be made only on surrender for cancellation of the certificate for such shares. The person in whose name shares of capital stock stand on the books of the Savings Bank shall be deemed by the Savings Bank to be the owner for all purposes.

ARTICLE VIII. EXECUTION OF INSTRUMENTS

The president, or a vice president, and secretary, or an assistant secretary, shall sign all documents and instruments in writing required by the directors or authorized by them to be executed on behalf of the Savings Bank. Acting jointly with the secretary, or an assistant secretary, the president, or a vice president, may release or partially release mortgages upon the repayment in full or partial payment of loans.

ARTICLE IX. CAPITAL ACCOUNTS

If authorized by the Articles of Incorporation or by an amendment thereto, capital stock shares may be issued in the amount set forth in the Articles of Incorporation and shall be in conformity with all applicable provisions of the Savings Bank Act and these Bylaws relating to same.

Cash dividends may be declared annually, semiannually or quarterly on capital stock shares in accordance with the Savings Bank Act. A stock dividend may be declared out of undivided profits at any time.

ARTICLE X. DEPOSIT ACCOUNTS

Deposit accounts may be issued on such terms as the board of directors may prescribe and shall be in accord with all applicable laws and regulations. The Board of Directors shall have power to reject any application for a savings account.

ARTICLE XI. FISCAL YEAR; ANNUAL AUDIT

The fiscal year of the Savings Bank shall end on December 31 of each year. The Savings Bank shall be subject to an annual audit as of the end of its fiscal year by independent public accountants appointed by and responsible to the board of directors. The appointment of such accountants shall be subject to annual ratification by the shareholders.

ARTICLE XII. DIVIDENDS

Subject to the terms of the Savings Bank's Articles of Incorporation, the Act and the regulations and orders of the Commissioner, the board of directors

may, from time to time, declare, and the Savings Bank may pay, dividends on its outstanding shares of capital stock.

ARTICLE XIII. CORPORATE SEAL

The board of directors shall provide a Savings Bank seal, which shall be a disk with the words "Elgin Financial Center, SB" in the margin and "Incorporated 1924 Seal" in the center, and shall be in the custody of the Secretary.

ARTICLE XIV. AMENDMENTS

These bylaws may be amended or repealed and new Bylaws may be adopted at any meeting of the directors by a majority vote of the directors present at the meeting, but, no amendment shall be effective until approved by the Commissioner of Banks and Real Estate in accordance with the Savings Bank Act. Provided, however, that no vote shall be taken upon a proposed amendment or repeal or the adoption of new Bylaws, unless and until the directors have been notified in writing of such proposal and furnished with a copy of the proposed amendment or new Bylaws at least 48 hours prior to the meeting.

EFC BANCORP, INC.

BYLAWS

ARTICLE I - STOCKHOLDERS

Section 1. Annual Meeting.

An annual meeting of the stockholders, for the election of Directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date, and at such time as the Board of Directors shall each year fix, which date shall be within thirteen (13) months subsequent to the later of the date of incorporation or the last annual meeting of stockholders.

Section 2. Special Meetings.

Subject to the rights of the holders of any class or series of preferred stock of the Corporation, special meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution adopted by a majority of the total number of Directors which the Corporation would have if there were no vacancies on the Board of Directors (hereinafter the "Whole Board").

Section 3. Notice of Meetings.

Written notice of the place, date, and time of all meetings of the stockholders shall be given, not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereinafter, as required from time to time by the Delaware General Corporation Law or the Certificate of Incorporation of the Corporation).

When a meeting is adjourned to another place, date or time, written notice need not be given of the adjourned meeting if the place, date and time thereof are announced at the meeting at which the adjournment is taken; provided, however, that if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, or if a new record date is fixed for the adjourned meeting, written notice of the place, date, and time of the adjourned meeting shall be given in

conformity herewith. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

Section 4. Quorum.

At any meeting of the stockholders, the holders of a majority of all of the shares of the stock entitled to vote at the meeting, present in person or by proxy (after giving effect to the provisions

of Article FOURTH of the Corporation's Certificate of Incorporation), shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law. Where a separate vote by a class or classes is required, a majority of the shares of such class or classes present in person or represented by proxy (after giving effect to the provisions of Article FOURTH of the Corporation's Certificate of Incorporation) shall constitute a quorum entitled to take action with respect to that vote on that matter.

If a quorum shall fail to attend any meeting, the chairman of the meeting or the holders of a majority of the shares of stock entitled to vote who are present, in person or by proxy, may adjourn the meeting to another place, date, or time.

If a notice of any adjourned special meeting of stockholders is sent to all stockholders entitled to vote thereat, stating that it will be held with those present in person or by proxy constituting a quorum, then except as otherwise required by law, those present in person or by proxy at such adjourned meeting shall constitute a quorum, and all matters shall be determined by a majority of the votes cast at such meeting.

Section 5. Organization.

Such person as the Board of Directors may have designated or, in the absence of such a person, the Chairman of the Board of the Corporation or, in his or her absence, such person as may be chosen by the holders of a majority of the shares entitled to vote who are present, in person or by proxy, shall call to order any meeting of the stockholders and act as chairman of the meeting. In the absence of the Secretary of the Corporation, the secretary of the meeting shall be such person as the chairman appoints.

Section 6. Conduct of Business.

(a) The chairman of any meeting of stockholders shall determine the order of business and the procedures at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

(b) At any annual meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting: (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the Corporation who is entitled to vote with respect thereto and who complies with the notice procedures set forth in this Section 6(b). For business to be properly brought before an annual meeting by a stockholder, the business must relate to a proper subject matter for stockholder action and the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation. To be timely, a stockholder's notice must be delivered or mailed to and received at the principal executive offices of the Corporation not less than ninety (90) days prior to the date of the annual meeting; provided, however, that in the event that less than one

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hundred (100) days' notice or prior public disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be received not later than the close of business on the 10th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made. A stockholder's notice to the Secretary shall set forth as to each matter such stockholder proposes to bring before the annual meeting: (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (ii) the name and address, as they appear on the Corporation's books, of the stockholder proposing such business; (iii) the class and number of shares of the Corporation's capital stock that are beneficially owned by such stockholder; and (iv) any material interest of such stockholder in such business. Notwithstanding anything in these Bylaws to the contrary, no business shall be brought before or conducted at an annual meeting except in accordance with the provisions of this Section 6(b). The Officer of the Corporation or other person presiding over the annual meeting shall, if the facts so warrant, determine and declare to the meeting that business was not properly brought before the meeting in accordance with the provisions of this Section 6(b) and, if he should so determine, he shall so declare to the meeting and any such business so determined to be not properly brought before the meeting shall not be transacted.

At any special meeting of the stockholders, only such business shall be conducted as shall have been brought before the meeting by or at the direction of the Board of Directors.

(c) Only persons who are nominated in accordance with the procedures set forth in these Bylaws shall be eligible for election as Directors. Nominations of persons for election to the Board of Directors of the Corporation may be made at a meeting of stockholders at which directors are to be elected only: (i) by or at the direction of the Board of Directors; or (ii) by any stockholder of the Corporation entitled to vote for the election of Directors at the meeting who complies with the notice

procedures set forth in this Section 6(c). Such nominations, other than those made by or at the direction of the Board of Directors, shall be made by timely notice in writing to the Secretary of the Corporation. To be timely, a stockholder's notice shall be delivered or mailed to and received at the principal executive offices of the Corporation not less than ninety (90) days prior to the date of the meeting; provided, however, that in the event that less than one hundred (100) days' notice or prior disclosure of the date of the meeting is given or made to stockholders, notice by the stockholder to be timely must be so received not later than the close of business on the 10th day following the day on which such notice of the date of the meeting was mailed or such public disclosure was made. Such stockholder's notice shall set forth: (i) as to each person whom such stockholder proposes to nominate for election or re-election as a Director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (ii) as to the stockholder giving the notice (x) the name and address, as they appear on the Corporation's books, of such stockholder and (y) the class and number of shares of the Corporation's capital stock that are beneficially owned by such stockholder. At the request of the Board of Directors, any person nominated by the Board of Directors for election as a Director shall furnish to the Secretary of the Corporation that information required to be set forth

in a stockholder's notice of nomination which pertains to the nominee. No person shall be eligible for election as a Director of the Corporation unless nominated in accordance with the provisions of this Section 6(c). The Officer of the Corporation or other person presiding at the meeting shall, if the facts so warrant, determine that a nomination was not made in accordance with such provisions and, if he or she shall so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

Section 7. Proxies and Voting.

At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing filed in accordance with the procedure established for the meeting. Any facsimile telecommunication or other reliable reproduction of the writing or transmission created pursuant to this paragraph may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

All voting, including on the election of Directors but excepting where otherwise required by law or by the governing documents of the Corporation,

may be made by a voice vote; provided, however, that upon demand therefor by a stockholder entitled to vote or his or her proxy, a stock vote shall be taken. Every stock vote shall be taken by ballot, each of which shall state the name of the stockholder or proxy voting and such other information as may be required under the procedures established for the meeting. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his ability.

All elections shall be determined by a plurality of the votes cast, and except as otherwise required by law or the Certificate of Incorporation, all other matters shall be determined by a majority of the votes cast.

Section 8. Stock List.

A complete list of stockholders entitled to vote at any meeting of stockholders, arranged in alphabetical order for each class of stock and showing the address of each such stockholder and the number of shares registered in his or her name, shall be open to the examination of any such stockholder, for any purpose germane to the meeting, during ordinary business hours for a period of at least ten (10) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or if not so specified, at the place where the meeting is to be held.

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The stock list shall also be kept at the place of the meeting during the whole time thereof and shall be open to the examination of any such stockholder who is present. This list shall presumptively determine the identity of the stockholders entitled to vote at the meeting and the number of shares held by each of them.

Section 9. Consent of Stockholders in Lieu of Meeting.

Subject to the rights of the holders of any class or series of preferred stock of the Corporation, any action required or permitted to be taken by the stockholders of the Corporation must be effected at an annual or special meeting of stockholders of the Corporation and may not be effected by any consent in writing by such stockholders.

ARTICLE II -- BOARD OF DIRECTORS

Section 1. General Powers, Number, Term of Office and Limitations.

The business and affairs of the Corporation shall be under the direction of its Board of Directors. The number of Directors who shall constitute the Whole Board shall be such number as the Board of Directors shall from time to time have designated, except that in the absence of such designation shall be nine. The Board of Directors shall annually elect a Chairman of the Board from among its members who shall, when present, preside at its meetings.

The Directors, other than those who may be elected by the holders of any class or series of Preferred Stock, shall be divided, with respect to the time for which they severally hold office, into three classes, with the term of office of the first class to expire at the first annual meeting of stockholders, the term of office of the second class to expire at the annual meeting of stockholders one year thereafter and the term of office of the third class to expire at the annual meeting of stockholders two years thereafter, with each Director to hold office until his or her successor shall have been duly elected and qualified. At each annual meeting of stockholders, Directors elected to succeed those Directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each Director to hold office until his or her successor shall have been duly elected and qualified.

Section 2. Vacancies and Newly Created Directorships.

Subject to the rights of the holders of any class or series of Preferred Stock, and unless the Board of Directors otherwise determines, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the Directors then in office, though less than a quorum, and Directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires and until such Director's successor shall have

been duly elected and qualified. No decrease in the number of authorized directors constituting the Board shall shorten the term of any incumbent Director.

Section 3. Regular Meetings.

Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all Directors. A

notice of each regular meeting shall not be required.

Section 4. Special Meetings.

Special meetings of the Board of Directors may be called by one-third (1/3) of the Directors then in office (rounded up to the nearest whole number), by the Chairman of the Board or the President or, in the event that the Chairman of the Board or President are incapacitated or otherwise unable to call such meeting, by the Secretary, and shall be held at such place, on such date, and at such time as they, or he or she, shall fix. Notice of the place, date, and time of each such special meeting shall be given each Director by whom it is not waived by mailing written notice not less than five (5) days before the meeting or by telegraphing or telexing or by facsimile transmission of the same not less than twenty-four (24) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 5. Quorum.

At any meeting of the Board of Directors, a majority of the Whole Board shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof.

Section 6. Participation in Meetings By Conference Telephone.

Members of the Board of Directors, or of any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

Section 7. Conduct of Business.

At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board may from time to time determine, and all matters shall be determined by the vote of a majority of the Directors present, except as otherwise provided herein or required by law. Action may be taken by the Board of Directors without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors.

Section 8. Powers.

The Board of Directors may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

Section 9. Compensation of Directors.

Directors, as such, may receive, pursuant to resolution of the Board of Directors, fixed fees and other compensation for their services as Directors, including, without limitation, their services as members of committees of the Board of Directors.

Section 10. Advisory Directors.

Advisory directors may be appointed and their compensation for services (in an amount not to exceed those fees paid to voting directors) determined by resolution of the board of directors of the Corporation. Only former directors of the Corporation (including former directors of other corporations which have merged with, or otherwise been acquired by the Corporation) shall be eligible to serve as advisory directors. Advisory directors shall be available for consultation with an advice to the management of the Corporation. Advisory directors may attend meetings of the board of directors, but shall have no vote on any matter acted upon such board. Advisory directors must attend at least 50% of all meetings of the board of directors, on an annual basis, in order to maintain their status as an Advisory Director.

Section 11. Age Limitation.

No person shall be eligible for election, reelection, appointment, or reappointment to the board of directors of the Corporation if such person is then more than 70 years of age. No directors shall serve beyond the annual meeting of the Corporation immediately following his attainment of 70 years of age. This age limitation shall not apply to a person serving as an advisor director of the Corporation.

ARTICLE III -- COMMITTEES

Section 1. Committees of the Board of Directors.

The Board of Directors, by a vote of a majority of the Board of Directors, may from time to time designate committees of the Board, with such lawfully delegable powers and duties as it thereby confers, to serve at the pleasure of the Board and shall, for these committees and any others provided for herein, elect a Director or Directors to serve as the member or members, designating, if it desires, other Directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. Any committee so designated may exercise the power and authority of the Board of Directors to declare a dividend, to authorize the issuance of stock or to adopt a certificate of ownership and merger pursuant to Section 253 of the

Directors shall so provide. In the absence or disqualification of any member of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum, may by unanimous vote appoint another member of the Board of Directors to act at the meeting in the place of the absent or disqualified member.

Section 2. Conduct of Business.

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise provided herein or required by law. Adequate provision shall be made for notice to members of all meetings. The quorum requirements for each such committee shall be a majority of the members of such committee unless otherwise determined by the Board of Directors by a majority vote of the Board of Directors which such quorum determined by a majority of the Board may be one-third of such members and all matters considered by such committees shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing, and the writing or writings are filed with the minutes of the proceedings of such committee.

Section 3. Nominating Committee.

The Board of Directors shall appoint a Nominating Committee of the Board, consisting of not less than three (3) members. The Nominating Committee shall have authority: (a) to review any nominations for election to the Board of Directors made by a stockholder of the Corporation pursuant to Section 6(c)(ii) of Article I of these Bylaws in order to determine compliance with such Bylaw; and (b) to recommend to the Whole Board nominees for election to the Board of Directors to replace those Directors whose terms expire at the annual meeting of stockholders next ensuing.

ARTICLE IV -- OFFICERS

Section 1. Generally.

(a) The Board of Directors as soon as may be practicable after the annual meeting of stockholders shall choose a Chairman of the Board, Chief Executive Officer, a President, one or more Vice Presidents, a Secretary and a Treasurer and from time to time may choose such other officers as it may deem proper. The Chairman of the Board shall be chosen from among the Directors. Any number of offices may be held by the same person.

(b) The term of office of all Officers shall be until the next annual election of Officers and until their respective successors are chosen but any Officer may be removed from office at any time by the affirmative vote of a majority of the authorized number of Directors then constituting the Board of Directors.

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(c) All Officers chosen by the Board of Directors shall have such powers and duties as generally pertain to their respective Offices, subject to the specific provisions of this ARTICLE IV. Such officers shall also have such powers and duties as from time to time may be conferred by the Board of Directors or by any committee thereof.

(d) The Board of Directors may, except as otherwise required by law, remove any Officer of the Corporation with or without cause, and from time to time, devolve the powers and duties of any Officer upon any other person for the time being, and to confer upon any Officer of the Corporation the power to appoint, remove or suspend subordinate officers, employees and agents.

Section 2. Chairman of the Board of Directors.

The Chairman of the Board shall, subject to the provisions of these Bylaws and to the direction of the Board of Directors, serve in general executive capacity and unless the Board has designated another person, when present, shall preside at all meetings of the stockholders of the Corporation. The Chairman of the Board shall perform all duties and have all powers which are commonly incident to the office of Chairman of the Board or which are delegated to him or her by the Board of Directors. He or she shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized.

Section 3. President and Chief Executive Officer.

The President and Chief Executive Officer (the "President") shall have general responsibility for the management and control of the business and affairs of the Corporation and shall perform all duties and have all powers which are commonly incident to the offices of President and Chief Executive Officer or which are delegated to him or her by the Board of Directors. Subject to the direction of the Board of Directors, the President and Chief Executive Officer shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision of all of the other Officers (other than the Chairman of the Board), employees and agents of the Corporation.

Section 4. Vice President.

The Vice President or Vice Presidents shall perform the duties of the President in his absence or during his inability to act. In addition, the Vice Presidents shall perform the duties and exercise the powers usually incident to their respective offices and/or such other duties and powers as may be properly assigned to them by the Board of Directors, the Chairman of the Board or the President. A Vice President or Vice Presidents may be designated as Executive Vice President or Senior Vice President.

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Section 5. Secretary.

The Secretary or Assistant Secretary shall issue notices of meetings, shall keep their minutes, shall have charge of the seal and the corporate books, shall perform such other duties and exercise such other powers as are usually incident to such office and/or such other duties and powers as are properly assigned thereto by the Board of Directors, the Chairman of the Board or the President. Subject to the direction of the Board of Directors, the Secretary shall have the power to sign all stock certificates.

Section 6. Treasurer.

The Treasurer shall be the Comptroller of the Corporation and shall have the responsibility for maintaining the financial records of the Corporation. He or she shall make such disbursements of the funds of the Corporation as are authorized and shall render from time to time an account of all such transactions and of the financial condition of the Corporation. The Treasurer shall also perform such other duties as the Board of Directors may from time to time prescribe. Subject to the direction of the Board of Directors, the Treasurer shall have the power to sign all stock certificates.

Section 7. Assistant Secretaries and Other Officers.

The Board of Directors may appoint one or more Assistant Secretaries and such other Officers who shall have such powers and shall perform such duties as are provided in these Bylaws or as may be assigned to them by the Board of Directors, the Chairman of the Board or the President.

Section 8. Action with Respect to Securities of Other Corporations.

Unless otherwise directed by the Board of Directors, the President or any Officer of the Corporation authorized by the President shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

Section 9. Age Limitation.

No person shall be eligible for election, reelection, appointment, or reappointment as an officer of the Corporation if such person is then more than 70 years of age. No officer shall serve beyond the annual meeting of the Corporation immediately following his attainment of 70 years of age.

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ARTICLE V -- STOCK

Section 1. Certificates of Stock.

Each stockholder shall be entitled to a certificate signed by, or in the name of the Corporation by, the Chairman of the Board or the President, and by the Secretary or an Assistant Secretary, or any Treasurer or Assistant Treasurer, certifying the number of shares owned by him or her. Any or all of the signatures on the certificate may be by facsimile.

Section 2. Transfers of Stock.

Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer shares of the stock of the Corporation. Except where a certificate is issued in accordance with Section 4 of Article V of these Bylaws, an outstanding certificate for the number of shares involved shall be surrendered for cancellation before a new certificate is issued therefor.

Section 3. Record Date.

In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders, or to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date shall not be more than sixty (60) nor less than ten (10) days before the date of any meeting of stockholders, nor more than sixty (60) days prior to the time for such other action as hereinbefore described; provided, however, that if no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the next day preceding the day on which the meeting is held, and, for determining stockholders entitled to receive payment of any dividend or other distribution or allotment or rights or to exercise any rights of

change, conversion or exchange of stock or for any other purpose, the record date shall be at the close of business on the day on which the Board of Directors adopts a resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

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Section 4. Lost, Stolen or Destroyed Certificates.

In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board of Directors may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

Section 5. Regulations.

The issue, transfer, conversion and registration of certificates of stock shall be governed by such other regulations as the Board of Directors may establish.

ARTICLE VI -- NOTICES

Section 1. Notices.

Except as otherwise specifically provided herein or required by law, all notices required to be given to any stockholder, Director, Officer, employee or agent shall be in writing and may in every instance be effectively given by hand delivery to the recipient thereof, by depositing such notice in the mails, postage paid, or by sending such notice by prepaid telegram or mailgram or other courier. Any such notice shall be addressed to such stockholder, Director, Officer, employee or agent at his or her last known address as the same appears on the books of the Corporation. The time when such notice is received, if hand delivered, or dispatched, if delivered through the mails or by telegram or mailgram or other courier, shall be the time of the giving of the notice.

Section 2. Waivers.

A written waiver of any notice, signed by a stockholder, Director, Officer, employee or agent, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such stockholder, Director, Officer, employee or agent. Neither the business nor the purpose of any meeting need be specified

in such a waiver.

ARTICLE VII -- MISCELLANEOUS

Section 1. Facsimile Signatures.

In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

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Section 2. Corporate Seal.

The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary or an assistant to the Treasurer.

Section 3. Reliance Upon Books, Reports and Records.

Each Director, each member of any committee designated by the Board of Directors, and each Officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its Officers or employees, or committees of the Board of Directors so designated, or by any other person as to matters which such Director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 4. Fiscal Year.

The fiscal year of the Corporation shall be as fixed by the Board of Directors.

Section 5. Time Periods.

In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

Section 6. Adoption of Regulations.

The Board of Directors may, except as otherwise required by law, adopt from time to time regulations, not inconsistent with these Bylaws, for the management of the Corporation's business and affairs.

ARTICLE VIII -- AMENDMENTS

The Board of Directors may amend, alter or repeal these Bylaws at any meeting of the Board, provided notice of the proposed change was given not less than two (2) days prior to the meeting. The stockholders shall also have power to amend, alter or repeal these Bylaws at any meeting of stockholders provided notice of the proposed change was given in the notice of the meeting; provided, however, that, notwithstanding any other provisions of the Bylaws or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the voting stock required by law, the Certificate of

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Incorporation, any Preferred Stock Designation or these Bylaws, the affirmative votes of the holders of at least 80% of the voting power of all the then-outstanding shares of the Voting Stock, voting together as a single class, shall be required to alter, amend or repeal any provisions of these Bylaws.

The above Bylaws, as amended, are effective as of December 16, 1997.

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January 5, 1997

Board of Directors
Elgin Financial Center, S.B.
1695 Larkin Avenue
Elgin, Illinois 60213

Re: The Offering of up to 6,031,750 Shares of EFC Bancorp, Inc. Common Stock

Gentlemen:

You have requested our opinion concerning certain matters of Delaware law in connection with the conversion of Elgin Financial Center, S.B. (the "Bank"), an Illinois state-chartered savings bank, from the mutual form of ownership to the stock form of ownership (the "Conversion"), and the related subscription offering, community offering and syndicated community offering (the "Offerings") by EFC Bancorp, Inc., a Delaware corporation (the "Company"), of up to 6,031,750 shares of its common stock, par value \$.01 per share, ("Common Stock"), (6,936,513 shares if the Estimated Valuation Range is increased up to 15% to reflect changes in market and financial conditions following commencement of the Offerings).

In connection with your request for our opinion, you have provided to us and we have reviewed the Company's certificate of incorporation filed with the Delaware Secretary of State on October 10, 1997 (the "Certificate of Incorporation"); the Company's Bylaws; the Company's Registration Statement on Form S-1, as filed with the Securities and Exchange Commission initially on October 24, 1997 (the "Registration Statement"); the Plan of Conversion; a consent of the sole incorporator of the Company; resolutions of the Board of Directors of the Company (the "Board") concerning the organization of the Company, and the ESOP and; the Offerings and designation of a Pricing Committee of the Board; and the form of stock certificate approved by the Board to represent shares of Common Stock. We have also been furnished a certificate of the Delaware Secretary of State certifying the Company's good standing as a Delaware corporation. Capitalized terms used but not defined herein shall have the meaning given them in the Certificate of Incorporation.

In rendering this opinion, we have relied upon the opinion of Morris, Nichols, Arsht & Tunnell as to matters of Delaware law, upon which opinion we believe we are justified in relying. We have examined the opinion of Morris, Nichols, Arsht & Tunnell, which opinion is in form satisfactory to us.

We understand that the Company will loan to the trust for the Bank's Employee Stock Ownership Plan (the "ESOP") the funds which the ESOP Trust will use to purchase shares of Common Stock for which the ESOP Trust subscribes pursuant to the Offerings and for purposes of rendering the opinion set forth in paragraph 2 below, we assume that: (a) the Board has duly authorized the loan to the ESOP Trust (the "Loan"); (b) the ESOP serves a valid corporate purpose; (c) the Loan will be made at an interest rate and on other terms that are fair to the Company; (d) the terms of the Loan will be set forth in customary and appropriate documents including, without limitation, a promissory note representing the indebtedness of the ESOP Trust to the Company as a result of the Loan; and (e) the closing for the Loan and for the sale of Common Stock to the ESOP Trust will be held after the closing for the sale of the other shares of Common Stock sold in the Offerings and the receipt by the Company of the proceeds thereof.

Based upon and subject to the foregoing, and limited in all respects to matters of Delaware law, it is our opinion that:

1. The Company has been duly organized and is validly existing in good standing as a corporation under the laws of the State of Delaware.
2. Upon the due adoption by the Pricing Committee of a resolution fixing the number of shares of Common stock to be sold in the Offerings, the Common Stock to be issued in the Offerings (including the shares to be issued to the ESOP Trust) will be duly authorized and, when such shares are sold and paid for in accordance with the terms set forth in the Prospectus and such resolution of the Pricing Committee, and certificates representing such shares in the form provided to us are duly and properly issued, will be validly issued, fully paid and nonassessable.

The following provisions of the Certificate of Incorporation may not be given effect by a court applying Delaware law, but in our opinion the failure to give effect to such provisions will not affect the duly authorized, validly issued, fully paid and nonassessable status of the Common Stock:

1. (a) Subsections C.3 and C.6 of Article FOURTH and Section D of Article EIGHTH, which grant the Board the authority to construe and apply the provisions of those Articles, subsection C.4 of Article FOURTH, to the

extent that subsection obligates any person to provide to the Board the information such subsection authorizes the Board to demand, and the provision of subsection C.7 of Article EIGHTH empowering the Board to determine the Fair Market Value of property offered or paid for the Company's stock by an Interested Stockholder, in each case to the extent, if any, that a court applying Delaware law were to impose equitable limitations upon such authority; and

- (b) Article NINTH of the Certificate of Incorporation, which authorizes the Board to consider the effect of any offer to acquire the Company on constituencies other than stockholders in evaluating any such offer.

This opinion is furnished solely for your benefit and may not be relied upon by any other person. We consent to the filing of this opinion as an exhibit to the Registration Statement on Form S-1, Notice of the Application for Conversion, and the Application for Conversion and to the use of the name of our firm where it appears in the Registration Statement, Notice of the Application for Conversion, Application for Conversion and in the Prospectus.

Very truly yours,

/s/ Muldoon, Murphy & Faucette
MULDOON, MURPHY & FAUCETTE

Exhibit 5.1 Opinion of Morris, Nichols, Arsht & Tunnell re: legality.

[Letterhead]

January 5, 1998

Muldoon, Murphy & Faucette
5101 Wisconsin Avenue, N.W.
Washington, DC 20016

Ladies and Gentlemen:

You have requested our opinion concerning certain matters of Delaware law in connection with the conversion of Elgin Financial Center, S.B., an Illinois chartered savings bank (the "Bank"), from the mutual form of ownership to stock form of ownership (the "Conversion"), and in connection with the conversion, the concurrent issuance of the Bank's outstanding capital stock to EFC Bancorp, Inc., a Delaware corporation (the "Company"), and the subscription and community offering (the "Offering") by the Company of up to 6,031,750 shares of its common stock, par value \$.01 per share (the "Common Stock").

In connection with your request for our opinion, you have provided to us, and we have reviewed, the Company's certificate of incorporation (the "Certificate of Incorporation"), its by-laws, the Registration Statement on Form S-1 filed with the Securities and Exchange Commission in connection with the Offering (the "Registration Statement"), including the prospectus constituting a part thereof (the "Prospectus"), a consent of the sole incorporator

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of the Company, resolutions of the Board of Directors of the Company (the "Board") concerning, inter alia, the organization of the Company, the Offering and the designation of a Pricing Committee of the Board (the "Pricing Committee"), and the form of stock certificate approved by the Board to represent shares of Common Stock. We have also obtained a certificate of the Delaware Secretary of State as to the Company's good standing as a Delaware corporation. Capitalized terms used but not defined herein shall have the meanings given them in the Certificate of Incorporation.

We understand that the Company will loan to the Bank's Employee Stock Ownership Plan (the "ESOP") the funds the ESOP will use to purchase the shares of Common Stock for which the ESOP has subscribed as part of the Offering. In this regard, we have assumed, for purposes of rendering the opinion set forth in paragraph 2 below, that: (a) the Board has duly authorized the loan to the ESOP (the "Loan"); (b) the Loan serves a valid corporate purpose; (c) the Loan will be made at an interest rate and on other terms that are fair to the Company; (d) the terms of the Loan will be set forth in customary and appropriate documents including, without limitation, a promissory note representing the indebtedness of the ESOP to the Company as a result of the Loan; and (e) the closing for the Loan and for the sale of Common Stock to the ESOP will be held after the closing for the sale of the other shares of

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Common Stock sold in the Offering and the receipt by the Company of the proceeds thereof.

We call your attention to the fact that the opinions expressed herein are limited in all respects to matters of Delaware corporate law. We express no opinion concerning the requirements of any other law, rule or regulation, state or federal, applicable to the Bank, the Company, the Offering or the Conversion, including, without limitation, those applicable to state chartered savings banks or their holding companies.

Based upon and subject to the foregoing, it is our opinion that:

1. The Company has been duly organized and is validly existing in good standing as a corporation under the laws of the State of Delaware, with the corporate power and authority to own its property and conduct its business as now conducted as described in the Prospectus.

2. Upon the due adoption by the Pricing Committee of a resolution fixing the number of shares of Common Stock to be sold in the Offering, the Common Stock to be issued in the Offering (including the shares to be issued to the ESOP) will be duly authorized and, when such shares are sold and paid for in accordance with the terms set forth in the Prospectus and such resolution of the Pricing Committee, and certificates representing such shares in the form provided to us are duly and properly

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issued, will be validly issued, fully paid and nonassessable, with no personal liability for the payment of the Company's debts arising solely by virtue of the ownership thereof; such issuance and sale will not be in violation of or subject to any preemptive rights provided for by Delaware law or by the Certificate of Incorporation.

The following provisions of the Certificate of Incorporation may not be given effect by a court applying Delaware law, but in our opinion the failure to give effect to such provisions will not affect the duly authorized, validly issued, fully paid and nonassessable status of the Common Stock:

(a) Subsections C.3 and C.6 of Article FOURTH and Section D of Article EIGHTH, which grant the Board the authority to construe and apply the provisions of those Articles, subsection C.4 of Article FOURTH, to the extent that provision obligates any person to provide to the Board the information such subsection authorizes the Board to demand, and the provision of Section C.7 of Article EIGHTH empowering the Board to determine the Fair Market Value of property offered or paid for the Company's stock by an Interested Stockholder, to the extent, if any, that a court applying Delaware law were to impose equitable limitations upon the authority of the directors of the Company under such provisions.

(b) Article NINTH of the Certificate of Incorporation, which purports to permit the Board to consider the effect of any

offer to acquire the Company on constituencies other than stockholders in evaluating any such offer.

Very truly yours,

/s/ Morris, Nichols, Arsht & Tunnell

Exhibit 8.0 Opinion of Muldoon, Murphy & Faucette re: Federal Tax
Matters

December 29, 1997

Board of Directors
EFC Bancorp, Inc.
1695 Larkin Avenue
Elgin, Illinois 60123

Board of Directors
Elgin Financial Center, S.B.
1695 Larkin Avenue
Elgin, Illinois 60123

Re: Certain Federal Tax Consequences of the Conversion of Elgin Financial Center, S.B. from an Illinois state-chartered Mutual Savings Bank to an Illinois state-chartered Stock Savings Bank and the Issuance of Common Stock of Elgin Financial Center, S.B. to EFC Bancorp, Inc., pursuant to a Plan of Conversion, and the Sale of EFC Bancorp, Inc. Stock (the "Conversion")

Ladies and Gentlemen:

You have requested an opinion on certain federal income tax consequences of the proposed conversion of Elgin Financial Center, S.B. (the "Bank") from an Illinois state-chartered mutual savings bank to an Illinois state-chartered stock savings bank and the issuance of the Bank's capital stock to EFC Bancorp, Inc., a Delaware corporation (the "Company" or the "Holding Company"), pursuant to the plan of conversion adopted by the Board of Directors on August 12, 1997 (the "Plan of Conversion").

The proposed transaction is described in the Prospectus and the Plan of Conversion, and the tax consequences of the proposed transaction will be as set forth in the section of this letter entitled "FEDERAL TAX OPINION."

We have made such inquiries and have examined such documents and records as we have deemed appropriate for the purpose of this opinion. In rendering this opinion, we have received certain standard representations of the Company and the Bank concerning the Company and the Bank as well as the transaction ("Representations"). These Representations are required to be furnished prior to the execution of this letter and again prior to the closing of the Conversion. We will rely upon the accuracy of the Representations of the Company and the Bank and the statements of facts contained in the examined documents, particularly the Plan of Conversion. We have also assumed the authenticity of all signatures, the legal capacity of all natural persons and the conformity to the originals of all documents submitted to us as copies. Each capitalized term used herein, unless otherwise defined, has the meaning set forth in the Plan of Conversion. We have assumed that the Conversion will be consummated strictly in accordance with the terms of the Plan of Conversion.

The Plan of Conversion and the Prospectus contain a detailed description of the Conversion. These documents as well as the Representations to be provided by the Company and the Bank are incorporated in this letter as part of the statement of the facts.

As a mutual savings bank, the Bank has never been authorized to issue stock. Instead, the proprietary interest in the reserves and undivided profits of the Bank belong to the deposit account holders of the Bank, hereinafter sometimes referred to as "depositors." A depositor of the Bank has a right to share, pro rata, with respect to the withdrawal value of his respective deposit account in any liquidation proceeds distributed in the event the Bank is ever liquidated. In addition, a depositor of the Bank is entitled to interest on his account balance as fixed and paid by the Bank.

In order to provide organizational and economic strength to the Bank, the Board of Directors has adopted the Plan of Conversion whereby the Bank will convert itself into an Illinois state-chartered stock savings bank (the "Converted Bank"), the stock of which will be held entirely by the Holding Company. In the event that the Holding Company is utilized, upon Conversion, the Bank will issue its capital stock to the Holding Company and the Holding Company will issue and sell the Conversion Stock in accordance with the Plan of Conversion. The aggregate sales price of the Common Stock issued in the Conversion will be based on an independent appraiser's valuation of the estimated pro forma market value of the Common Stock of the Converted Bank. The Conversion and sale of the Common Stock will be subject to approval by the Illinois Commissioner of Banks and Real Estate and the Federal Deposit

Insurance Corporation (the "FDIC") and the approval of the Voting Members.

Establishment of Liquidation Account. The Bank shall establish at the time of Conversion a liquidation account in an amount equal to its net worth as set forth in the latest statement of financial condition contained in the Proxy Statement. The liquidation account

Board of Directors

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will be maintained by the Bank for the benefit of the Eligible Account Holders who continue to maintain their savings accounts at the Bank. Each Eligible Account Holder shall, with respect to his savings account, hold a related inchoate interest in a portion of the liquidation account balance, in relation to his savings account balance on the Eligibility Record Date or to such balance as it may be subsequently reduced.

In the unlikely event of a complete liquidation of the Bank (and only in such event), following all liquidation payments to creditors (including those to account holders to the extent of their savings accounts) each Eligible Account Holder shall be entitled to receive a liquidating distribution from the liquidation account, in the amount of the then adjusted subaccount balance for his savings account then held, before any liquidation distribution may be made to any holders of the Bank's capital stock. No merger, consolidation, purchase of bulk assets with assumption of savings accounts and other liabilities, or similar transaction with an FDIC institution, in which the Bank is not the surviving institution, shall be deemed to be a complete liquidation for this purpose. In such transactions, the liquidation account shall be assumed by the surviving institution.

Establishment of Foundation. As part of the Conversion, the Company and the Bank intend to establish a charitable foundation that will qualify as an exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Foundation") and to donate to the Foundation from authorized, but unissued, shares of Common Stock of the Holding Company in an amount up to 8.0% of the number of shares of Common Stock sold in the Conversion. The Foundation is intended to further the Converted Bank's long term commitment to its community. The Plan of Conversion provides that the Foundation is intended to complement the Bank's existing community reinvestment activities so as to allow the local community to share in the growth and profitability of the Holding Company and the Converted Bank over the long term. In the event that the Foundation does not receive the prerequisite approval, the Bank may determine to complete the Conversion without the Foundation.

The Foundation will be dedicated to the promotion of charitable purposes including community development, grants or donations to support housing assistance, not-for-profit community groups and other types of organizations or civic minded projects. The Foundation will annually distribute total grants to assist charitable organizations or to fund projects within its local community of not less than 5% of the average fair value of Foundation assets each year. In order to serve the purposes for which it was formed and to maintain its Section 501(c)(3) qualification, under the Plan of Conversion, the Foundation may sell, on an annual basis, a limited portion of the Common Stock contributed to it by the Holding Company.

* * *

Board of Directors
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You have provided the following representations concerning this transaction:

- (a) The fair market value of the withdrawable deposit accounts plus interests in the liquidation account of the Converted Bank to be constructively received under the Plan of Conversion will, in each instance, be equal to the fair market value of the withdrawable deposit accounts (plus the related interest in the residual equity of the Bank) deemed to be surrendered in exchange therefor.
- (b) If an individual's total deposits in the Bank equal or exceed \$100 as of the Eligibility Record Date, then no amount of that individual's total deposits will be excluded from participating in the liquidation account. The fair market value of the deposit accounts of the Bank which have a balance of less than \$100 on the Eligibility Record Date will be less than 1% of the total fair market value of all deposit accounts of the Bank.
- (c) Immediately following the Conversion, the Eligible Account Holders of the Bank will own all of the outstanding interests in the liquidation account and will own such interest solely by reason of their ownership of deposits in the Bank immediately before the Conversion.
- (d) After the Conversion, the Converted Bank will continue the business of the Bank in the same manner as prior to the Conversion. The Converted Bank has no plan or intention and the Holding Company has no plan or intention to cause the Converted Bank to sell its assets

other than in the ordinary course of business.

- (e) The Holding Company has no plan or intention to sell, liquidate or otherwise dispose of the stock of the Converted Bank other than in the ordinary course of business.
- (f) The Holding Company and the Converted Bank have no current plan or intention to redeem or otherwise acquire any of the Common Stock issued in the Conversion transaction.
- (g) Immediately after the Conversion, the assets and liabilities of the Converted Bank will be identical to the assets and liabilities of the Bank immediately prior to the Conversion, plus the net proceeds from the sale of the Converted Bank's common stock to the Holding Company and any liability associated with indebtedness incurred by the Employee Plans in the acquisition of Common Stock by the Employee Plans.

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- (h) The Bank, Converted Bank and the Holding Company are corporations within the meaning of section 7701(a)(3) of the Internal Revenue Code of 1986, as amended (the "Code").
- (i) None of the shares of the Common Stock to be purchased by the depositor-employees of the Bank in the Conversion will be issued or acquired at a discount. However, shares may be given to certain Directors and employees as compensation by means of the Employee Plans. Compensation to be paid to such Directors and depositor-employees will be commensurate with amounts paid to third parties bargaining at arm's length for similar services.
- (j) The fair market value of the assets of the Bank, which will be transferred to the Converted Bank in the Conversion, will equal or exceed the sum of the liabilities of the Bank which will be assumed by the Converted Bank and any liabilities to which the transferred assets are subject.
- (k) The Bank is not under the jurisdiction of a bankruptcy or similar court in any Title 11 or similar case within the meaning of section 368(a)(3)(A) of the Code.
- (l) Upon the completion of the Conversion, the Holding Company will own

and hold 100% of the issued and outstanding capital stock of the Converted Bank and no other shares of capital stock of the Converted Bank will be issued and/or outstanding. At the time of the Conversion, the Converted Bank does not have any plan or intention to issue additional shares of its stock following the transaction. Further, no shares of preferred stock of the Converted Bank will be issued and/or outstanding.

- (m) Upon the completion of the Conversion, there will be no rights, warrants, contracts, agreements, commitments or understandings with respect to the capital stock of the Converted Bank, nor will there be any securities outstanding which are convertible into the capital stock of the Converted Bank.
- (n) No cash or property will be given to Eligible Account Holders, Supplemental Eligible Account Holders, or others in lieu of (a) nontransferable subscription rights, or (b) an interest in the liquidation account of the Converted Bank.
- (o) The Bank utilizes a reserve for bad debts in accordance with section 593 of the Code and, following the Conversion, for federal income tax purposes, to the extent allowed under the Code, the Converted Bank shall continue to utilize the

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experience method to calculate its reserve for bad debts in accordance with section 593.

- (p) The Bank currently satisfies the 60% "qualified assets" test of section 7701(a)(19) of the Code. Management expects the Converted Bank to be able to continue to satisfy the test in the future. The Converted Bank will also satisfy the "qualified thrift lender" tests set out in sections 301 and 303 of the Financial Institutions Reform, Recovery and Enforcement Act of 1989.
- (q) Depositors will pay the expenses of the Conversion solely applicable to them, if any. The Holding Company and the Bank will each pay expenses of the transaction attributable to them and will not pay any expenses solely attributable to the depositors or to the Holding Company shareholders.
- (r) The exercise price of the subscription rights received by the

Bank's Eligible Account Holders, Supplemental Eligible Account Holders, and other holders of subscription rights to purchase Holding Company Common Stock will be equal to the fair market value of the stock of the Holding Company at the time of the completion of the Conversion as determined by an independent appraisal.

- (s) The proprietary interests of the Eligible Account Holders and the Supplemental Eligible Account Holders in the Bank arise solely by virtue of the fact that they are account holders in the Bank.
- (t) There is no plan or intention for the Converted Bank to be liquidated or merged with another corporation following this proposed transaction.
- (u) The liabilities of the Bank assumed by the Converted Bank plus the liabilities, if any, to which the transferred assets are subject were incurred by the Bank in the ordinary course of its business and are associated with the assets transferred.
- (v) The Bank currently has no net operating losses for federal tax purposes, and has no such losses available for carryover to future tax years. The Bank has neither generated nor carried forward a net operating loss for federal tax purposes in the past ten tax years.

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LIMITATIONS ON OPINION

Our opinions expressed herein are based solely upon current provisions of the Internal Revenue Code of 1986, as amended, including applicable regulations thereunder and current judicial and administrative authority. Any future amendments to the Code or applicable regulations, or new judicial decisions or administrative interpretations, any of which could be retroactive in effect, could cause us to modify our opinion. No opinion is expressed herein with regard to the federal, state, or city tax consequences of the Conversion under any section of the Code, or with respect to any aspect of the transaction, except if and to the extent specifically addressed.

FEDERAL TAX OPINION

Based solely upon the foregoing representations and information and assuming the transaction occurs in accordance with the Plan of Conversion

(and taking into consideration the limitations noted throughout this opinion), it is our opinion that under current federal income tax law:

- (1) Pursuant to the Conversion, the changes at the corporate level other than changes in the form of organization will be insubstantial. Based upon that fact and the fact that the equity interest of a depositor in a mutual savings bank is more nominal than real, unlike that of a shareholder of a corporation, the Conversion of the Bank from a mutual savings bank to a stock savings bank is a tax-free reorganization since it is a mere change in identity, form or place of organization within the meaning of section 368(a)(1)(F) of the Code (see Rev. Rul. 80-105, 1980-1 C.B. 78). Neither the Bank nor the Converted Bank shall recognize gain or loss as a result of the Conversion. The Bank and the Converted Bank shall each be "a party to a reorganization" within the meaning of section 368(b) of the Code.
- (2) No gain or loss shall be recognized by the Converted Bank or the Holding Company on the receipt by the Converted Bank of money from the Holding Company in exchange for shares of the Converted Bank's capital stock or by the Holding Company upon the receipt of money from the sale of its Common Stock (Section 1032(a) of the Code).
- (3) The basis of the assets of the Bank in the hands of the Converted Bank shall be the same as the basis of such assets in the hands of the Bank immediately prior to the Conversion (Section 362(b) of the Code).

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- (4) The holding period of the assets of the Bank in the hands of the Converted Bank shall include the period during which the Bank held the assets (Section 1223(2) of the Code).
- (5) No gain or loss shall be recognized by the Eligible Account Holders and the Supplemental Eligible Account Holders of the Bank on the issuance to them of withdrawable deposit accounts in the Converted Bank plus interests in the liquidation account of the Converted Bank (in the case of Eligible Account Holders) in exchange for their deposit accounts in the Bank or to the other depositors on the issuance to them of withdrawable deposit accounts (Section 354(a) of the Code).

- (6) Provided that the amount to be paid for such stock pursuant to the subscription rights is equal to the fair market value of the stock, no gain or loss will be recognized by Eligible Account Holders and Supplemental Eligible Account Holders upon the distribution to them of the nontransferable subscription rights to purchase shares of stock in the Holding Company (Section 356(a)). Gain realized, if any, by the Eligible Account Holders and Supplemental Eligible Account Holders on the distribution to them of nontransferable subscription rights to purchase shares of Common Stock will be recognized but only in an amount not in excess of the fair market value of such subscription rights (Section 356(a)). Eligible Account Holders and Supplemental Eligible Account Holders will not realize any taxable income as a result of the exercise by them of the nontransferable subscription rights (Rev. Rul. 56-572, 1956-2 C.B. 182).
- (7) The basis of the deposit accounts in the Converted Bank to be received by the Eligible Account Holders, Supplemental Eligible Account Holders and other depositors of the Bank will be the same as the basis of their deposit accounts in the Bank surrendered in exchange therefor (Section 358(a)(1) of the Code). The basis of the interests in the liquidation account of the Converted Bank to be received by the Eligible Account Holders shall be zero (Rev. Rul. 71-233, 1971-1 C.B. 113). The basis of the Holding Company Common Stock to its stockholders will be the purchase price thereof plus the basis, if any, of nontransferable subscription rights (Section 1012 of the Code). Accordingly, assuming the nontransferable subscription rights have no value, the basis of the Common Stock to the Eligible Account Holders and Supplemental Eligible Account Holders will be the amount paid therefor. The holding period of the Common Stock purchased pursuant to the exercise of subscription rights shall commence on the date on which the right to acquire such stock was exercised (Section 1223(6) of the Code).

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Our opinion under paragraph (6) above is predicated on the representation that no person shall receive any payment, whether in money or property, in lieu of the issuance of subscription rights. Our opinion under paragraphs (6) and (7) above assumes that the subscription rights to purchase shares of Common Stock received by Eligible Account Holders and Supplemental Eligible Account Holders have a fair market value of zero. We understand

that you have received a letter from FinPro, Inc. that the subscription rights do not have any value. We express no view regarding the valuation of the subscription rights.

If the subscription rights are subsequently found to have a fair market value, income may be recognized by various recipients of the subscription rights (in certain cases, whether or not the rights are exercised) and Holding Company and/or the Converted Bank may be taxable on the distribution of the subscription rights.

* * *

Since this letter is rendered in advance of the closing of this transaction, we have assumed that the transaction will be consummated in accordance with the Plan of Conversion as well as all the information and representations referred to herein. Any change in the transaction could cause us to modify our opinion.

We consent to the inclusion of this opinion as an exhibit to the Form S-1 Registration Statement of Holding Company and the Notice of Application for Conversion to be filed with the FDIC (the "Notice") and the Application for Conversion to be filed with the Illinois Office of Banks and Real Estate (the "Application") and the references to and summary of this opinion in such Form S-1 Registration Statement, Notice and Application.

Sincerely,

/s/ Muldoon, Murphy & Faucette

MULDOON, MURPHY & FAUCETTE

[Letterhead]

January 2, 1998

Board of Directors
Elgin Financial Center, S.B.
1695 Larkin Avenue
Elgin, Illinois 60123

Board of Directors
EFC Bancorp, Inc.
1695 Larkin Avenue
Elgin, Illinois 60123

Re: State of Illinois Tax Consequences of the Conversion of Elgin Financial Center, S.B. from an Illinois Chartered Mutual Savings Bank to an Illinois Chartered Stock Savings Bank and Sale of Common Stock of EFC Bancorp, Inc.

You have requested an opinion of the potential State of Illinois income tax consequences of the proposed conversion of Elgin Financial Center, S.B. from an Illinois chartered mutual savings bank ("Elgin Savings") to an Illinois chartered stock savings bank ("Elgin Savings Stock") and the acquisition of Elgin Savings Stock's capital stock by EFC Bancorp, Inc. ("EFC"), a newly formed holding company in the state of Delaware, pursuant to the plan ("Plan") of conversion ("Conversion").

You have submitted for our consideration the prospectus (Prospectus) for the Conversion of Elgin Savings from the mutual to stock form of organization. Based upon our review of the Prospectus and our understanding of the Facts (as detailed in Section I) and your Representations (as detailed in Section II), we have rendered our opinion (in Section III) regarding the potential State of Illinois income tax effect of the proposed Conversion.

Our opinion is restricted solely to the State of Illinois income tax consequences discussed herein regarding the Conversion of Elgin Savings

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from the mutual to the stock form of organization, the issuance of Elgin Savings Stock's outstanding shares to EFC, and the granting of non-transferable rights to subscribe to EFC's stock to eligible account holders, tax qualified employee benefit plans, including an employer's stock ownership plan ("ESOP"), supplemental eligible account holders and other voting members and certain other recipients. We express no opinion regarding matters not expressly addressed herein and no inference should be made regarding any matter not expressly addressed.

This opinion is exclusively for the use of EFC, Elgin Savings Stock and Elgin Savings in their submission to the Office of Thrift Supervision or other appropriate governmental body or agency for approval of the proposed Conversion and related transactions described herein and is not to be used for any other purpose without our written consent. We do consent to the inclusion of this opinion as an Exhibit to the Form S-1 Registration Statement of EFC and the references to this opinion in such Registration Statement.

Our conclusions reflect our professional judgment based on the facts and representations delineated herein as well as existing tax authorities that are subject to change. Any changes in facts, representations, or in existing tax authority could, of course, affect our conclusions. Further, our opinion represents merely our view of the transactions. No assurance can be given that either the Treasury, the Internal Revenue Service, or the Illinois Department of Revenue will agree with our opinion. The views of the Internal Revenue Service and the Illinois Department of Revenue may differ from those expressed herein.

SECTION I
STATEMENT OF FACTS

Elgin Savings, with administrative offices in Elgin, Illinois, is a state chartered mutual savings bank. As a mutual savings bank, Elgin Savings has

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never been authorized to issue stock. Instead, the proprietary interest in the reserves and undivided profits of Elgin Savings belong to the deposit account holders of Elgin Savings, hereinafter sometimes referred to as "depositors". A depositor of Elgin Savings has a right to share, pro rata, with respect to the withdrawal value of his respective deposit account in any liquidation proceeds distributed in the event Elgin Savings is ever

liquidated. In addition, a depositor of Elgin Savings is entitled to interest on his account balance as fixed and paid by Elgin Savings.

In order to provide organizational and economic strength to Elgin Savings, the Board of Directors adopted a plan of conversion ("Plan of Conversion") whereby Elgin Savings will convert itself into an Illinois chartered stock savings bank (Elgin Savings Stock), the stock of which will be held entirely by EFC, a newly organized Delaware corporation. EFC will acquire the stock of Elgin Savings Stock by purchase, using proceeds received from the sale of its own stock under the Plan of Conversion. In connection with the Conversion, EFC will issue shares of its \$.01 par value common stock ("Common Stock") in the Subscription and Community Offering. The price of the Common Stock will be based on FinPro's, an independent appraiser, valuation of the estimated proforma market value of the Common Stock as determined by the estimated total proforma market value of Elgin Savings Stock and EFC after conversion. The Conversion will be subject to the approval of the Office of Thrift Supervision, Department of Treasury ("OTS").

In accordance with the Plan of Conversion, non-transferable rights to subscribe for the purchase of Common Stock have been granted under the Plan of Conversion to the following persons in a subscription offering ("Subscription Offering"), (1) holders of qualifying deposit accounts of \$100 or more as of the close of business on July 31, 1996 ("Eligible Account Holders"), (2) EFC's tax qualified stock employee benefit plans including the Employee Stock Ownership Plan ("Employee Plans"), (3) Supplemental Eligible Account Holders, a term which is defined to mean any person who is a holder of a qualified deposit account of \$100 or more at Elgin Savings as of September 30, 1997, and (4) members of Elgin Savings, consisting of

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depositors and borrowers of Elgin Savings as of the voting record date other than Eligible Account Holders or Supplemental Eligible Account Holders ("Other Voting Members"). All subscriptions received will be subject to the availability of Common Stock after satisfaction of all subscriptions of all persons having prior rights in the Subscription Offering and to the maximum and minimum purchase limitations set forth in the Plan of Conversion. Currently, and subject to the prior rights of holders of subscription rights, any shares of Common Stock not subscribed for in the Subscription Offering will be offered in a community offering ("Community Offering") to certain members of the general public, with preference given to natural persons residing in the Kane, Cook, and McHenry counties in Illinois, in which Elgin Savings maintains an office. It is anticipated that all shares not subscribed for in the Subscription and Community Offerings will be offered by EFC to the general public in a syndicated community offering ("Syndicated

Community Offering").

Except for the ESOP, no Eligible Account Holder or Supplemental Eligible Account Holder may purchase in the Subscription Offering more than \$200,000 of Common Stock; no person, together with associates and persons acting in concert with such person, may purchase in the Community Offering and the Syndicated Community Offering more than \$200,000 of Common Stock.

EFC intends to establish a charitable foundation ("Foundation") incorporated under Delaware law as a non-stock corporation, in connection with the Conversion. The Plan provides that Elgin Savings Stock and EFC will create the Foundation and EFC will contribute to the Foundation a number of shares of its Common Stock equal to 8% of the number of shares of Common Stock sold in the Conversion. The Foundation will pay EFC an amount equal to the aggregate par value of the stock donated. The Foundation will be dedicated to charitable purposes within Elgin Savings Stock's local community.

The Conversion will not affect Elgin Savings' deposit accounts, individual account balances or existing FDIC insurance coverage, nor will it affect Elgin Savings' loan accounts, loan balances or the obligations of the borrowers to

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Elgin Savings. Upon Conversion, voting rights with respect to Elgin Savings' corporate matters shall vest exclusively in EFC, which will be the sole shareholder of Elgin Savings Stock's stock.

Elgin Savings Stock will continue, after completion of the Conversion, to provide existing services to depositors and borrowers pursuant to existing policies and will maintain existing offices, management and employees. Elgin Savings Stock will continue to be insured by the FDIC up to applicable limits and will continue to be regulated by the FDIC. The affairs of Elgin Savings Stock will be directed by the existing Board of Directors of Elgin Savings, who will become directors of Elgin Savings Stock. Elgin Savings' depositors will pay expenses of the Conversion solely attributable to them, if any, Elgin Savings and EFC will each pay their own expenses of the Conversion and will not pay any expenses solely attributable to the shareholders of EFC.

The proposed Conversion of Elgin Savings does not include a receivership, foreclosure or similar proceeding before a federal or state agency involving a financial institution.

After the Conversion, each depositor of Elgin Savings Stock shall have a claim upon complete liquidation of Elgin Savings Stock to receive their pro rata share of any assets of Elgin Savings Stock remaining after payment of

claims of all creditors. The claim of a depositor shall be limited to his (her) pro rata share of the remaining assets in the ratio of the value of the depositor's account balance plus accrued interest to the total value of all depositors' accounts plus accrued interest at the time of liquidation.

A liquidation account for the benefit of Eligible Account Holders and Supplemental Eligible Account Holders shall be established upon Conversion in an amount equal to the surplus and reserves ("Net Worth") of Elgin Savings as of the latest balance sheet contained in the final Prospectus used in connection with the Conversion. After Conversion, each Eligible Account Holder and Supplemental Eligible Account Holder shall be entitled, upon a complete liquidation of Elgin Savings Stock, to such Holder's pro rata

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interest in the liquidation account. The establishment of the liquidation account will not operate to restrict the use of application of any of the Net Worth accounts of Elgin Savings Stock, except that Elgin Savings Stock will not declare or pay cash dividends or repurchase any of its stock if the result thereof would be to reduce its Net Worth below the amount required for the liquidation account. Each Eligible Account Holder and Supplemental Eligible Account Holder will have a pro rata interest in the total liquidation account for the amount each of Holder's deposit accounts on July 31, 1996 and September 30, 1997, respectively, the eligibility record dates, bore to the balance of all Deposit Accounts in Elgin Savings on such dates.

If however, at the close of business on the last day of any period for which Elgin Savings Stock or EFC has prepared audited financial statements subsequent to the effective date of the Conversion ("Annual Closing Date"), the amount in any Deposit Account is less than the amount in such Deposit Account on any other Annual Closing Date, then an Eligible Account Holder's or Supplemental Eligible Account Holder's interest in the liquidation account relating to such Deposit Account would be reduced from time to time by the proportion of any such reduction, and such interest will cease to exist if such Deposit Account is withdrawn or closed. In addition, no interest in the liquidation account would ever be increased despite any subsequent increase in the related Deposit Account. Any assets remaining after the above liquidation rights of Eligible Account Holders and Supplemental Eligible Account Holders are satisfied would be distributed to EFC as the sole stockholder of Elgin Savings Stock.

The assets and liabilities, including deposits, of Elgin Savings shall become the assets and liabilities of Elgin Savings Stock. All account balances at the termination of operations under Elgin Savings' charter will be

transferred by operation of law intact to Elgin Savings Stock.

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SECTION II
REPRESENTATIONS

You have also provided the following representations concerning this transaction:

- (1) Elgin Savings' Eligible Account Holders, Supplemental Eligible Account Holders, and Other Voting Members, and Elgin Savings' Employees will pay the expenses of the Conversion solely applicable to them, if any. EFC and Elgin Savings will each pay expenses of the transaction attributable to them and will not pay any expenses solely attributable to the depositors or to EFC's shareholders.
- (2) The proposed transactions do not involve the payment to EFC, Elgin Savings, or Elgin Savings Stock of financial assistance from Federal agencies within the meaning of Notice 89-102, 1989-40, C.B.1.
- (3) The fair market value of the withdrawable deposit accounts plus interest in the liquidation account of Elgin Savings Stock to be constructively received under the Plan of Conversion will, in each instance, be equal to the fair market value of the withdrawable deposit accounts in Elgin Savings surrendered in exchange therefor.
- (4) No amount of an individual's total qualifying deposits in Elgin Savings as of the eligibility record dates will be excluded from participating in the liquidation account.
- (5) No Eligible Account Holder or Supplemental Eligible Account Holder as of the eligibility record dates will be excluded from participating in the liquidation account.

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- (6) None of the shares of Common Stock to be purchased by the depositor-employees of Elgin Savings will be issued or acquired at a discount. However, shares will be given to certain employees as compensation by means of Elgin Savings Stock's stock award plans. Compensation to be paid to such depositor-employees will be commensurate with amounts paid to third parties bargaining at arm's length for similar services.
- (7) No cash or property will be given to Eligible Account Holders, or Supplemental Eligible Account Holders, or others in lieu of (a) non-transferable subscription rights, or (b) an interest in the liquidation account of Elgin Savings Stock.
- (8) The exercise price of the subscription rights received by Elgin Savings' Eligible Account Holders or Supplemental Eligible Account Holders to purchase EFC Common Stock will be equal to the fair market value of the stock of EFC at the time of the completion of the proposed transactions determined by an independent appraisal and they will have no purchase price advantage.
- (9) The Eligible Account Holders' or Supplemental Eligible Account Holders' proprietary interest in Elgin Savings arise solely by virtue of the fact that they are account holders in Elgin Savings. None of the compensation to be received by Eligible Account Holders-Employees or Supplemental Eligible Account Holder-Employees of Elgin Savings will be separate consideration for any of their deposits in Elgin Savings.
- (10) To the best of knowledge of management of Elgin Savings, there is not now, nor will there be at the time of reorganization, any plan or intention on the part of the depositors in Elgin Savings to withdraw their deposits from Elgin Savings Stock following the Conversion.

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- (11) All distributions to deposit holders in their capacity as deposit holders (except for normal interest payments made by Elgin Savings) will, in the aggregate, constitute less than one percent of the fair market value of the net assets of Elgin Savings.

- (12) Elgin Savings has received an opinion from FinPro ("FinPro Opinion") which concludes that the subscription rights to be received by Eligible Account Holders, Supplemental Eligible Account Holders, and other eligible subscribers do not have any value, since they are acquired by the recipients without cost, are non-transferable and of short duration, and afford the recipients a right only to purchase conversion stock at a price equal to its estimated fair market value, which will be the same price as the public offering price for unsubscribed shares of Conversion stock.
- (13) EFC has no plan or intention to sell, liquidate or otherwise dispose of the stock of Elgin Savings Stock or sell the assets of Elgin Savings Stock other than in the ordinary course of business.
- (14) EFC and Elgin Savings Stock have no current plan or intention to redeem or otherwise acquire any of the shares of Common Stock issued in the Conversion transaction.
- (15) Elgin Savings, Elgin Savings Stock, and EFC are corporations within the meaning of Section 7701(a)(3) of the Internal Revenue Code of 1986, as amended (the "Code") and are not investment companies within the meaning of Code Section 368(a)(2)(F)(iii) and (iv).
- (16) Upon the completion of the Conversion, EFC will own and hold 100% of the issued and outstanding capital stock of Elgin Savings Stock and no other shares of capital stock of Elgin Savings Stock will be issued and/or outstanding. At the time of the Conversion, Elgin Savings Stock does not have any plan or intention to issue additional shares of its stock following the transaction. Further, no

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shares of preferred stock of Elgin Savings Stock, if any, will be issued and/or outstanding.

- (17) There is no plan or intention for Elgin Savings Stock to be liquidated or merged with another corporation following this proposed transaction.
- (18) If all of the net proceeds from the sale of conversion stock had been contributed by EFC to Elgin Savings Stock in exchange for common stock of Elgin Savings Stock in the transaction, as

opposed to EFC retaining a portion of such net proceeds (the "retained proceeds,") and Elgin Savings Stock immediately thereafter made a distribution of the retained proceeds to EFC, Elgin Savings Stock would have sufficient current and accumulated earnings and profits for tax purposes such that the distribution would not result in the recapture of any portion of the tax bad debt reserves of Elgin Savings Stock under Code Section 593(e).

- (19) After the Conversion, Elgin Savings Stock will continue the business of Elgin Savings in the same manner as prior to the Conversion. Following the Conversion, Elgin Savings Stock has no plan or intention and EFC has no plan or intention to cause Elgin Savings Stock to sell its assets other than in the ordinary course of business.
- (20) Elgin Savings Stock has no plan or intention to issue additional shares of stock following the proposed transaction, other than shares that may be issued to employees and/or directors pursuant to certain stock option or stock award plans or that may be issued to employee benefit plans.
- (21) Immediately after the Conversion, the assets and liabilities of Elgin Savings Stock will be identical to the assets and liabilities of Elgin Savings immediately prior to the Conversion, plus substantially all

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the net proceeds from the sale of Elgin Savings Stock's common stock to EFC.

- (22) The fair market value of the assets of Elgin Savings, which will be transferred to Elgin Savings Stock in the Conversion, will be equal to or exceed the sum of the liabilities of Elgin Savings which will be assumed by Elgin Savings Stock and any liabilities to which the transferred assets are subject. Elgin Savings will have a positive regulatory net worth at the time of the transaction.
- (23) The applicable authority, as defined in Code Section 368(a)(3)(D), has not made the certification of insolvency described in Code Section 368(a)(3)(D), nor will such certification be made prior to or otherwise in connection with the proposed transaction. Elgin Savings is not under the jurisdiction of a Bankruptcy or similar court.

- (24) Upon the completion of the Conversion, there will be no rights, warrants, contracts, agreements, or commitments or understanding with respect to the capital stock of Elgin Savings Stock, nor will there be any securities outstanding which are convertible into the capital stock of Elgin Savings Stock.
- (25) The liabilities of Elgin Savings assumed by Elgin Savings Stock plus the liabilities, if any, to which the transferred assets are subject were incurred by Elgin Savings in the ordinary course of its business and are associated with the assets transferred.
- (26) Elgin Savings will not have any Federal net operating loss carryovers but will have a small capital loss carryover at the time of the Conversion.
- (27) The tax basis of Elgin Savings Stock's assets (excluding cash, goodwill and any marketable security whose fair market value is at least 95% of its adjusted basis) immediately before the acquisition

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of its stock by EFC does not exceed the fair market value of Elgin Savings Stock's assets by more than 15%. Further, the difference between the fair market value of Elgin Savings Stock's assets, within the meaning of Code Section 382(h), and its tax basis in such assets immediately before the acquisition of its shares by EFC is not greater than the lesser of (a) \$10,000,000 or (b) 15% of the fair market value of its assets.

- (28) Assets used to pay expenses of the Conversion and all distributions (except for regular, normal interest payments and other payments in the normal course of business made by Elgin Savings immediately preceding the transaction) will in the aggregate constitute less than 1% of the net assets of Elgin Savings and any such expenses and distributions will be paid by Elgin Savings Stock from the proceeds of the sale of the Conversion stock.

SECTION III OPINION

The State of Illinois has adopted federal law as currently amended as the

starting point for computing Illinois taxable income [35 ILCS 5/203(b)]. Income tax terms are defined in relation to the Internal Revenue code [35 ILCS 5/102]. Taxpayers are required to use the same taxable year and accounting methods as are used in computing federal taxable income [35 ILCS 5/401(a) and 5/402(a)].

For State of Illinois tax purposes, the Internal Revenue Code and related regulations, rulings and case law are controlling unless specifically provided in the Illinois statutes. There are no specific provisions in the Illinois statutes governing the proposed transactions. Thus, our opinion below addresses our view as to the Federal income tax consequences of the proposed transactions which, as indicated above, should also be the Illinois income tax consequences.

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Based solely upon the facts and representations listed above and provided that the facts and representations are correct, we render the following opinion with respect to the Federal and State of Illinois income tax consequences of the proposed transaction. Our opinion is only applicable to the tax effects of those Internal Revenue Code Sections specifically discussed below. No opinion is expressed nor can any inferences be drawn as to the applicability of any other Code Section.

1. The proposed Conversion of Elgin Savings from an Illinois chartered mutual savings bank ("Elgin Savings") to an Illinois chartered stock savings bank ("Elgin Savings Stock") will constitute a tax-free reorganization within the meaning of Code Section 368(a)(1)(F), and no gain or loss will be recognized to Elgin Savings or Elgin Savings Stock as a result of such Conversion.
2. No gain or loss will be recognized to Elgin Savings Stock upon the receipt of money from EFC in exchange for common stock of Elgin Savings Stock [Code Section 1032(a)].
3. No gain or loss will be recognized by EFC upon the receipt of money for stock issued in the Conversion. [Code Section 1032(a)].
4. The assets of Elgin Savings Stock following the proposed Conversion will have the same basis as in the hands of Elgin Savings immediately before the Conversion [Code Section 362(b)].

5. The holding period of Elgin Savings Stock's assets following the proposed Conversion will include the period such assets were held by Elgin Savings immediately before the Conversion [Code Section 1223(2)].
6. No gain or loss will be recognized by Eligible Account Holders or Supplemental Eligible Account Holders of Elgin Savings upon the issuance to them of accounts in Elgin Savings Stock in the same dollar amount as their accounts in Elgin Savings, plus interests in the

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liquidation account of Elgin Savings Stock, because the fair market value of the withdrawable accounts coupled with the liquidation account interest in Elgin Savings Stock at the time of the Conversion is deemed to be equal to the basis of the accounts in Elgin Savings (Code Section 1001; see Paulsen v. Commissioner, 469 U.S. 131, 139 (1985), quoting Society for Savings v. Bowers, 349 U.S. 143 (1955); but see Revenue Rulings 69-3, 1969-1 CB 103 and 69-646, 1969-2 CB54, the interest received rises to the level of "stock" and, thus, Code Section 354 applies).

7. Provided that the amount to be paid for such stock pursuant to the subscription rights is equal to the fair market value of the stock, no gain or loss will be recognized by Eligible Account Holders, Supplemental Eligible Account Holders, Other Voting Members, directors, officers, and employees of Elgin Savings, upon the distribution to them of stock in EFC [Code Section 356(a)]. Gain realized, if any, by the Eligible Account Holders, Supplemental Eligible Account Holders, and other recipients on the distribution to them of the nontransferable subscription rights to purchase shares of Common Stock will be recognized but only in an amount not in excess of the fair market value of such subscription rights [Code Section 356(a)]. Eligible Account Holders, Supplemental Eligible Account Holders, and other recipients will not realize any taxable income as a result of the exercise by them of the non-transferable subscription rights (Rev. Rul. 56-572, 1956-2 C.B. 182). This opinion is predicated on the representation that no person shall receive any payment in lieu of the issuance of subscription rights and upon the FinPro Opinion that the subscription rights do not have any value. However, notwithstanding the FinPro Opinion, if the subscription

rights are subsequently found to have a fair market value, income may be recognized by the various recipients of the subscription rights (in certain cases whether or not the rights are exercised) and EFC and Elgin Savings Stock may be taxable on the distribution of subscription rights (Code Section 311).

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8. Pursuant to Code Section 1012, the basis of the savings accounts in Elgin Savings Stock to be constructively received by the account holders of Elgin Savings will be equal to the cost of such property. The cost will be the fair market value of their savings account in Elgin Savings Stock constructively received in exchange for their savings account in Elgin Savings. For this purpose, the fair market value of the deposit accounts in Elgin Savings Stock after the proposed Conversion will be equal to the basis the Eligible Account Holders and Supplemental Eligible Account Holders have in their deposits in Elgin Savings immediately before the proposed Conversion. The basis for each account holder's interest in the liquidation account of Elgin Savings Stock will be equal to the cost of such property. The cost will be the same as the fair market value of the proprietary interest received in Elgin Savings Stock, in exchange for their proprietary interest in Elgin Savings. The account holders' interest in the liquidation account in Elgin Savings Stock will be deemed to have a basis and fair market value equal to zero. [See *Paulsen v. Commissioner*, 469 U.S. at 139 (1985) and Rev. Rul. 71-233, 1971-1 C.B. 113].
9. The basis of EFC's stock to its stockholders will be the purchase price paid for such stock plus the basis, if any, of non-transferable subscription rights (Code Section 1012). Accordingly, assuming the subscription rights have no value, the basis of the Common Stock to the Eligible Account Holders and Supplemental Eligible Account Holders will be the amount paid for such stock. Our opinion is predicated upon the FinPro Opinion that the subscription rights do not have any value. The holding period of the Common Stock purchased pursuant to the exercise of subscription rights shall commence on the date on which the right to acquire such stock was exercised [Code Section 1223 (6)].
10. For purposes of Code Section 381, Elgin Savings Stock will be treated as if there had been no reorganization. Accordingly, the taxable year of Elgin Savings will not end on the effective date

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Conversion and the tax attributes of Elgin Savings will be taken into account by Elgin Savings Stock as if there had been no reorganization [Treasury Regulation Section 1.381(b)-(1)(a)(2)]. The part of the taxable year of Elgin Savings before the Conversion through Elgin Savings' normal year end will constitute a single taxable year of Elgin Savings Stock (Revenue Ruling 57-276, 1957-1 C.B. 126).

11. Pursuant to the provisions of Code Section 381(c)(2) and Treasury Regulation Section 1.381(c)(2)-1, Elgin Savings Stock will succeed and take into account the earnings and profits of Elgin Savings as of the date of the Conversion. The Conversion will not diminish the accumulated earnings and profits of Elgin Savings Stock available for the subsequent distribution of dividends within the meaning of Code Section 316 and Treasury Regulations Section 1.312-11(b) and (c) as well as the application of Code Section 593(e).
12. Pursuant to the provisions of Code Section 381(c)(3) and Treasury Regulation Section 1.381(c)(3)-1, and subject to the restrictions therein, Elgin Savings Stock will succeed to and take into account capital loss carryovers, if any, of Elgin Savings in its first taxable year ending after the date of the Conversion subject to the limitations of Code Section 382, if applicable.
13. Pursuant to the provisions of Code Section 381(c)(4) and Treasury Regulation Section 1.381(c)(4)-1(a)(1)(ii), Elgin Savings Stock will succeed to and take into account, immediately after the Conversion, those accounts of Elgin Savings that represent "Base Year" tax bad debt reserves as defined in the Small Business Job Protection Act of 1996. Such Base Year tax bad debt reserves will not be required to be restored to the gross income of Elgin Savings or Elgin Savings Stock for the taxable year of the Conversion, and the Base Year tax bad debt reserves will have the same character in the hands of Elgin Savings Stock as they would have in the hands of Elgin Savings if no transfer occurred.

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Board of Directors

14. The creation of the liquidation account on the records of Elgin Savings Stock will have no effect on Elgin Savings Stock's or Elgin Savings' taxable income, deductions, or distributions to shareholders under Code Section 593(e).
15. Pursuant to the provisions of Code Section 381(c)(1) and Treasury Regulation Section 1.381(c)(1)-1, and subject to restrictions therein, Elgin Savings Stock will succeed to and take into account net operating loss carryovers, if any, of Elgin Savings in its first taxable year ending after the date of the Conversion, subject to the limitations of Code Section 382, if applicable.
16. EFC's acquisition of the stock of Elgin Savings Stock will result in an ownership change of Elgin Savings Stock within the meaning of Code Section 382(b)(2). Accordingly, if Elgin Savings Stock had any net operating loss carryovers or net built-in losses, their use in the future years would be limited to the product of the pre-ownership fair market value of Elgin Savings Stock and the long-term Federal tax-exempt rate on the effective date of the ownership change or, if higher, the rate in effect for either of the two calendar months immediately preceding the ownership change [Code Sections 382(a)(1) and 382(f)(1)].
17. The limitations on the deduction of built-in deductions pursuant to Treasury Regulations Section 1.1502-15(a) and built-in losses pursuant to Code Section 382(h)(3)(B)(i) with respect to Elgin Savings Stock's assets upon the acquisition of its shares by EFC will not apply.

SUMMARY

Based on the foregoing, it is our view that there should be no material adverse State of Illinois income tax consequences to EFC, Elgin Savings (mutual or stock), Eligible Account Holders or Supplemental Eligible Account Holders and other recipients of

Conversion stock, as a result of the proposed transactions. However, as indicated earlier, our opinion is based upon the facts and representations detailed herein as well as current Federal and State of Illinois income tax law, related cases, rulings, etc. Any changes in the proposed transactions or in Federal and State of Illinois income tax law prior to consummation of the proposed transactions or which are retroactive in effect, could cause us to modify our opinion.

We consent to the inclusion of this opinion as an exhibit to the Form S-1 Registration Statement of EFC and the references to and summary of this opinion in such Registration Statement.

Very truly yours,

KPMG Peat Marwick LLP

/s/ Vincent L. Lanuza

Vincent L. Lanuza
Partner

VLL:sc

FORM OF
ELGIN FINANCIAL CENTER, S.B.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
(Effective As of _____, 199__)

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PREAMBLE

The Elgin Financial Center, S.B. Supplemental Executive Retirement Plan (the "Plan") is effective as of _____, 199___. The purpose of the Plan is to permit certain employees of the Elgin Financial Center, S.B. (the "Employer") to receive supplemental retirement income from the Employer when such amounts cannot be paid from the tax-qualified Elgin Financial Center, S.B. 401(k) Employee Benefit Plan ("401(k) Plan") and the Elgin Financial Center, S.B. Employee Stock Ownership Plan ("ESOP") due to the reductions and other limitations imposed by Sections 401(a)(17), 401(k)(3), 401(m), 402(g) and 415 of the Internal Revenue Code of 1986, as amended.

The Plan is intended to be an unfunded, non-qualified deferred compensation plan. Neither the Employer, the Committee, nor the individual members of the Committee shall segregate or otherwise identify specific assets to be applied to the purposes of the Plan, nor shall any of them be deemed to be a trustee of any amounts to be paid under the Plan. Any liability of the Employer to any person with respect to benefits payable under the Plan shall be based solely upon such contractual obligations, if any, as shall be created by the Plan, and shall give rise only to a claim against the general assets of the Employer. No such liability shall be deemed to be secured by any pledge or any other encumbrance on any specific property of the Employer.

ARTICLE 1

DEFINITIONS

The following words and phrases shall have the meanings hereafter ascribed to them. Those words and phrases which have limited application are defined in the respective Articles in which such terms appear.

- 1.1 "Bank" means Elgin Financial Center, S.B., Elgin, Illinois or any successor to the Bank by merger, consolidation or otherwise by operation of law.
- 1.2 "Board" means the Board of Directors of the Bank, as duly constituted from time to time.
- 1.3 "Code" means the Internal Revenue Code of 1986, as amended from time to time.
- 1.4 "Committee" means the Plan's administrative committee, as appointed by the Board to administer the Plan, as described in Article 10.
- 1.5 "Compensation" means the base compensation receivable by an Employee from the Employer for the calendar year, prior to any reduction pursuant to any compensation reduction agreement. Compensation excludes contributions made by the Employer to any tax-qualified pension or savings Plan, or insurance, welfare or other employee benefit plan, as well as amounts accrued or paid pursuant to this Plan or any other non-qualified deferred compensation plan or arrangement.
- 1.6 "Deferral Credit Account" means the bookkeeping account maintained in the name of the Employer, on behalf of each Participant, pursuant to Article 5.
- I.7 "Effective Date" means _____199__.
- 1.8 "Employee" means a person who is an employee of the Employer.
- I.9 "Employer" means the Bank and any subsidiary or affiliated corporation which, with the approval of the Board and subject to such conditions as the Board may impose, adopts the Plan, and any successor or successors of any of them.
- I.10 "Participant" means an Employee who has been designated by the Employer as eligible to participate in the Plan and who becomes a Participant, pursuant to the provisions of Article 2.
- 1.11 "Plan" means the Elgin Financial Center, S.B. Supplemental Executive Retirement Plan, as herein set forth, and as it may hereafter be amended from time to time.

- 1.12 "Plan Year" means the period _____, 199__ through _____, 199__ and each calendar year thereafter within which the Plan is in effect.
- 1.13 "Retirement Income Benefit" means the deferred compensation retirement income benefit provided to Participants and their beneficiaries in accordance with the applicable provisions of the Plan.
- 1.14 "Savings Benefit" means the deferred compensation savings benefit provided to Participants and their beneficiaries in accordance with the applicable provisions of the Plan.
- 1.15 "Supplemental Surviving Spouse Benefit" means the survivor death benefit payable to a Participant's surviving spouse, pursuant to the provisions of Article 7.
- 1.16 "401(k) Plan" means the Elgin Financial Center, S.B. 401(k) Employee Benefit Plan
- 1.17 "ESOP" means the Elgin Financial Center, S.B. Employee Stock Ownership Plan

Words importing males shall be construed to include females and the singular shall be construed to include the plural, and vice versa, wherever appropriate.

ARTICLE 2

ELIGIBILITY AND PARTICIPATION

- 2.1 Upon adoption of the Plan by the Board, all highly compensated Employees, within the meaning of Section 414(q) of the Code, with the officer title of President, who participate in the 401(k) Plan or ESOP are immediately eligible to participate in the Plan with respect to Compensation upon which Plan benefits are based, commencing on the Effective Date, provided the Participant's contributions to the 401(k) Plan and/or ESOP are reduced or restricted by reason of the application of the limitations imposed by one or more of the following: (i) Section 401(a)(17) of the Code, (ii) Section 401(k)(3) of the Code, (iii) Section 401(m) of the Code, (iv) Section 402(g) of the Code, or (v) Section 415 of the Code.

From time to time, the Bank may designate additional Employees who participate in the 401(k) Plan and/or ESOP as participants in the Plan,

from the class of Employees participating in the 401(k) Plan and/or ESOP who are members of a select group of management Employees or are highly compensated Employees. Newly eligible Employees shall participate as of the date specified by the Bank's Board of Directors.

- 2.2 The Bank may, from time to time, remove any Participant from participation in the Plan; provided, however, that such removal will not reduce the amount of Savings Benefit credited to the Participant under the Plan, as determine as of the date of such Participant's removal. A Participant so removed shall remain a Participant until all benefits are distributed in accordance with the provisions of the Plan.
- 2.3 The Committee may provide each eligible employee with appropriate forms in connection with participation in the Plan.
- 2.4 For purposes of Article 2, in the absence of a specific designation under the Plan, amounts shall be invested on behalf of each Participant, to the extent made available by the Employer pursuant to Article 8, in the same manner as directions filed under the 401(k) Plan.

ARTICLE 3

RETIREMENT DATE

- 3.1 A Participant's Retirement Date shall be his or her date of actual retirement, which may be his or her Normal, Early or Postponed Retirement Date, whichever is applicable pursuant to the following sections of this Article 3. Subject to Section 11.4, each Participant shall be one hundred percent (100%) vested in Plan benefits.

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- 3.2 A Participant's Normal Retirement Age shall be the 65th anniversary of his or her birth. Such Participant's Normal Retirement Date shall be the date coinciding with Normal Retirement Date under the 401(k) Plan.
- 3.3 A Participant may retire on an Early Retirement Date, which shall be the date coinciding with the initial distribution of an early retirement benefit under the 401(k) Plan.
- 3.4 If a Participant continues in the employment of the Employer beyond Normal Retirement Date, the date coinciding with postponed retirement under the 401(k) Plan shall be the Participant's Postponed Retirement Date.

ARTICLE 4

SUPPLEMENTAL SAVINGS BENEFITS AND DEFERRAL CREDIT ACCOUNTS

- 4.1 The Savings Benefit under the Plan shall equal any matching or other Employer provided benefit to the extent provided for under the 401(k) Plan, less any such amount actually contributed to the 401(k) Plan (to the extent permitted by the terms thereof, taking into account the limitations and restrictions imposed by the application of Code Sections 401(a)(17), 401(k)(3), 401(m), 402(g) and 415, or any successor provisions thereto), and gains and losses, if any, attributable to Employer contributions provided for under the Plan.
- 4.2 Employer credits under the Plan shall be booked by the Employer to a Deferral Credit Account, maintained in the name of the Employer, on behalf of each Participant.
- 4.3 Each Deferral Credit Account maintained by the Employer shall be credited on behalf of each Participant as soon as administratively practicable, but in no event later than March 15 of the Plan Year following the Plan Year in which 401(k) Plan contributions on behalf of the Participants were limited or restricted.

ARTICLE 5

PAYMENT OF BENEFITS

- 5.1 Subject to Section 11.4, Participants shall have a one hundred percent (100%) non-forfeitable right to benefits under the Plan.
- 5.2 The Savings Benefit payable to an eligible Participant upon receipt of a distribution under the 401(k) Plan shall be equal to the value of all amounts credited to the Participant's Deferral Credit Account, payable in a single lump sum, unless an optional mode of payment is elected pursuant to Section 6.2.

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ARTICLE 6

MODES OF BENEFIT PAYMENT

- 6.1 Except as otherwise provided in the following paragraph, any Savings Benefit payable under the Plan to a Participant, beneficiary, joint or contingent annuitant or eligible child, shall be payable in the modes provided by, and subject to the provisions of the 401(k) Plan.

The Committee, in its sole discretion and consistent with the best interests of the Employer, may distribute any Savings Benefit payable under the Plan to a Participant, beneficiary, joint or contingent annuitant, or eligible child, as a single lump sum benefit.

- 6.2 Except with respect to receipt of a lump-sum benefit under Section 6.1, any election for an optional mode of benefit payment made by a Participant under the 401(k) Plan, shall also be effective with respect to any Savings Benefit, as the case may be, payable under the Plan to a Participant, beneficiary, joint or contingent annuitant, or eligible child.
- 6.3 Except with respect to receipt of a lump sum benefit under Section 6.1, payment of any Savings Benefit under the Plan shall commence on the same date as payment of 401(k) Plan distribution payable to a Participant or beneficiary, and shall terminate on the date of last payment of 401(k) Plan distribution, as the case may be.

ARTICLE 7

DEATH BENEFITS

- 7.1 Upon the death of: (i) a Participant who has not terminated from employment prior to Retirement Date as defined in Section 3.1, or (ii) a Participant who retires on a Retirement Date as defined in Section 3.1 and dies prior to the complete distribution of the 401(k) Plan Savings Benefits, as the case may be, benefits shall be payable as set forth in Section 7.2.
- 7.2 With respect to Savings Benefits, all amounts credited to the Participant's Deferral Credit Account shall be payable in a single lump sum to the Participant's surviving spouse, if any, as a Supplemental Surviving Spouse Benefit, unless an optional mode has been elected pursuant to Article 6.

ARTICLE 8

UNFUNDED PLAN

- 8.1 The Plan shall be administered as an unfunded plan and is not intended to meet the qualification requirements of Sections 401(a) and 401(k) of the Code. No Participant or beneficiary shall be entitled to receive any payment or benefits under the Plan from the qualified trust maintained in connection with the 401(k) Plan.

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- 8.2 The Employer shall have the right to establish a reserve, establish a grantor trust or make any investment for the purposes of satisfying its obligation hereunder for payment of benefits, including, but not limited to investments in one or more registered investment companies under the Investment Company Act of 1940, as amended, to the extent permitted by applicable law; provided, however, that no Participant or beneficiary shall have any interest in such investment, trust, or reserve.

- 8.3 To the extent that any Participant or beneficiary acquires a right to receive benefits under the Plan, such rights shall be no greater than those rights which guarantee to the Participant or beneficiary, the strongest claim to such benefits without resulting in the Participant's or beneficiary's, constructive receipt of such benefits.
- 8.4 With respect to any Savings Benefit, a Participant may request that the Committee invest one hundred percent (100%) of the Participant's Deferral Credit Account in any of the then available investment funds, if any, pursuant to Section 8.2, or alternatively, in any combination of available investment funds (so long as the total of such investment request equals one hundred percent (100%)) and may modify such request of the Committee from time to time. Any such request by a Participant hereunder may be acted upon by the Committee in its sole discretion. A Participant's Deferral Credit Account may not be encumbered or assigned by a Participant or any beneficiary.
- 8.5 A Participant or beneficiary with a Savings Benefit under the Plan shall be an unsecured creditor of the Employer as to any benefit payable under the Plan.

ARTICLE 9

ADMINISTRATION

- 9.1 Except for the functions reserved to the Employer or its Board, the administration of the Plan shall be the responsibility of the Committee. The Committee shall consist of three (3) or more persons designated by the Bank. Members of the Committee shall serve for such terms as the Bank shall determine and until their successors are designated and qualified. Any member of the Committee may resign upon at least sixty (60) days written notice to the Bank, or may be removed from office by the Bank at any time, with or without notice. The Committee shall hold meetings upon notice at such times and places as it may determine. Notice shall not be required if waived in writing. Any action of the Committee shall be taken pursuant to a majority vote at a meeting, or pursuant to the written consent of a majority of its members without a meeting, and such action shall constitute the action of the Committee and shall be binding in the same manner as if all members of the Committee had joined therein. A majority of the members of the Committee shall constitute a quorum. No member of the Committee shall vote or be counted for quorum purposes on any matter relating solely to himself or herself or his or her rights under the Plan. The Committee shall record minutes

of any actions taken at its meetings or of any other official action of the

Committee. Any person dealing with the Committee shall be fully protected in relying upon any written notice, instruction, direction or other communication signed by the Secretary of the Committee or by any of the members of the Committee or by a representative of the Committee authorized by the Committee to sign the same in its behalf.

9.2 The Committee shall have the power and the duty to take all actions and to make all decisions necessary or proper to carry out the Plan. The determination of the Committee as to any question involving the Plan shall be final, conclusive and binding. Any discretionary actions to be taken under the Plan by the Committee shall be uniform in their nature and applicable to all persons similarly situated. Without limiting the generality of the foregoing, the Committee shall have the following powers and duties:

- (a) the duty to furnish to all Participants, upon request, copies of the Plan;
- (b) the power to require any person to furnish such information as it may request for the purpose of the proper administration of the Plan as a condition to receiving any benefits under the Plan;
- (c) the power to make and enforce such rules and regulations and prescribe the use of such forms as it shall deem necessary for the efficient administration of the Plan;
- (d) the power to interpret the Plan, and to resolve ambiguities, inconsistencies and omissions, which findings shall be binding, final and conclusive;
- (e) the power to decide on questions concerning the Plan in accordance with the provisions of the Plan;
- (f) the power to determine the amount of benefits which shall be payable to any person in accordance with the provisions of the Plan and to provide a full and fair review to any Participant whose claim for benefits has been denied in whole or in part;
- (g) the power to designate a person who may or may not be a member of the Committee as Plan "Administrator" for purposes of the Employee Retirement Income Security Act of 1974 (ERISA); if the Committee does not so designate an Administrator, the Committee shall be the Plan Administrator;
- (h) the power to allocate any such powers and duties to or among individual members of the Committee; and
- (i) the power to designate persons other than Committee members to carry out any duty or power which would otherwise be a responsibility of the Committee or Administrator, under the terms of the Plan.

- 9.3 To the extent permitted by law, the Committee and any person to whom it may delegate any duty or power in connection with administering the Plan, the Bank, any Employer, and the officers and directors thereof, shall be entitled to rely conclusively upon, and shall be fully protected in any action taken or suffered by them in good faith in the reliance upon, any actuary, counsel, accountant, other specialist, or other person selected by the Committee, or in reliance upon any tables, valuations, certificates, opinions or reports which shall be furnished by any of them. Further, to the extent permitted by law, no member of the Committee, nor the Bank, any Employer, nor the officers or directors thereof, shall be liable for any neglect, omission or wrongdoing of any other members of the Committee, agent, officer or employee of the Bank or any Employer. Any person claiming benefits under the Plan shall look solely to the Employer for redress.
- 9.4 All expenses incurred prior to the termination of the Plan that shall arise in connection with the administration of the Plan (including, but not limited to administrative expenses, proper charges and disbursements, compensation and other expenses and charges of any actuary, counsel, accountant, specialist, or other person who shall be employed by the Committee in connection with the administration of the Plan), shall be paid by the Employer.

ARTICLE 10

AMENDMENT OR TERMINATION

- 10.1 The Board shall have the power to suspend or terminate the Plan in whole or in part at any time, and from time to time to extend, modify, amend or revise the Plan in such respects as the Board, by resolution, may deem advisable; provided, however, that no such extension, modification, amendment, revision, or termination shall deprive a Participant or any beneficiary of any benefit accrued under the Plan.
- 10.2 In the event of a termination or partial termination of the Plan, the rights of all affected parties, if any, to benefits accrued to the date of such termination or partial termination, shall become nonforfeitable to the same extent that such rights would be nonforfeitable if such benefits were provided under the 401(k) Plan and said Plan was terminated on such date.
- 10.3 No amendment of the Plan shall reduce the vested and accrued benefits, if any, of a Participant under this Plan, except to the extent that such a reduction would be permitted if such benefits were provided under the 401(k) Plan.
- 10.4 In the event of the termination or partial termination of the Plan the Bank shall pay in one lump sum to affected Participants or their beneficiaries the Savings Benefits, if any, to which they are entitled, as if such

Participants termination of employment had occurred on the date the Plan is terminated or partially terminated.

ARTICLE 11

GENERAL PROVISIONS

- 11.1 The Plan shall not be deemed to constitute an employment contract between the Employer and any Employee or other person, whether or not in the employ of the Employer, nor shall anything herein contained be deemed to give any Employee or other person, whether or not in the employ of the Employer, any right to be retained in the employ of the Employer, or to interfere with the right of the Employer to discharge any Employee at any time and to treat such Employee without any regard to the effect which such treatment might have upon such Employee as a Participant of the Plan.
- 11.2 Except as may otherwise be required by law, no distribution or payment under the Plan to any Participant or beneficiary shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, whether voluntary or involuntary, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void; nor shall any such distribution or payment be in any way liable for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to such distribution or payment. If any Participant or beneficiary is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any such distribution or payment, voluntarily or involuntarily, the Committee, in its sole discretion, may cancel such distribution or payment or may hold or cause to be held or applied such distribution or payment, or any part thereof, to or for the benefit of such Participant or beneficiary. in such manner as the Committee shall direct.
- 11.3 If the Employer determines that any person entitled to payments under the Plan is incompetent by reason of physical or mental disability, it may cause all payments thereafter becoming due to such person to be made to any other person for his or her benefit, without responsibility to follow application of amounts so paid. Payments made pursuant to this provision shall completely discharge the Plan, the Employer and the Committee.
- 11.4 If the Employer determines that any Participant entitled to payments under the Plan is charged with embezzling or otherwise appropriating Employer funds for his or her benefit, resulting in the dismissal of such Participant, the Employer may cause all payments thereafter becoming due to such Participant as forfeited under the Plan.
- 11.5 The Employer shall be the sole source of benefits under the Plan, and each

Employee, Participant, beneficiary, or any other person who shall claim the right to any payment or benefit under the Plan shall be entitled to look solely to the Employer for payment of benefits.

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- 11.6 If the Employer is unable to make payment to any Participant, beneficiary, or any other person to whom a payment is due under the Plan, because it cannot ascertain the identity or whereabouts of such Participant, beneficiary, or other person after reasonable efforts have been made to identify or locate such person (including a notice of the payment so due mailed to the last known address of such Participant, beneficiary, or other person shown on the records of the Employer), such payment and all subsequent payments otherwise due to such Participant, beneficiary or other person shall be forfeited twenty-four (24) months after the date such payment first became due; provided, however, that such payment and any subsequent payments shall be reinstated, retroactively, no later than sixty (60) days after the date on which the Participant, beneficiary, or other person shall make application therefor. Neither the Bank nor the Committee nor any other person shall have any duty or obligation under the Plan to make any effort to locate or identify any person entitled to benefits under the Plan, other than to mail a notice to such person's last known mailing address.
- 11.7 If upon the payment of any benefits under the Plan, the Employer shall be required to withhold any amounts with respect to such payment by reason of any federal, state or local tax laws, rules or regulations, then the Employer shall be entitled to deduct and withhold such amounts from any such payments. In any event, such person shall make available to the Employer, promptly when requested by the Employer, sufficient funds or other property to meet the requirements of such withholding. Furthermore, at any time the Employer shall be obligated to withhold taxes, the Employer shall be entitled to take and authorize such steps as it may deem advisable in order to have the amounts required to be withheld made available to the Employer out of any funds or property due to become due to such person, whether under the Plan or otherwise.
- 11.8 The Committee, in its discretion, may increase or decrease the amount of any benefit payable hereunder if and to the extent that it determines, in good faith, that an increase is necessary in order to avoid the omission of a benefit intended to be payable under this Plan or that a decrease is necessary in order to avoid a duplication of the benefits intended to be payable under this Plan.
- 11.9 The provisions of the Plan shall be construed, administered and governed under applicable federal laws and the laws of the State of Illinois. In applying the laws of the State of Illinois, no effect shall be given to conflict of laws principles.

FORM OF
ELGIN FINANCIAL CENTER, S.B.
MANAGEMENT SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

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FORM OF
ELGIN FINANCIAL CENTER, S.B.
MANAGEMENT SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

Effective _____, _____

WHEREAS, effective _____, _____, the Elgin Financial Center, S.B.

(the "Bank") adopted the Elgin Financial Center, S.B. Employee Stock Ownership Plan (the "ESOP"), a tax-qualified employee stock ownership plan; and

WHEREAS, the ESOP is leveraged with a _____-year exempt loan used to acquire shares of Company Stock; and

WHEREAS, the final payment with respect to the ESOP loan is scheduled to be made by the ESOP trustee on _____; and

WHEREAS, the Bank expects that certain key management employees will retire from the employ of the Bank prior to final payment of the ESOP loan and the final allocation of Company Stock acquired with the proceeds of the ESOP loan; and

WHEREAS, the Board of Directors of the Bank (the "Board of Directors") desires to implement a plan to provide certain key management employees with benefits to replace the benefits to which they would have otherwise been entitled under the ESOP had they remained in the employ of the Bank until the complete repayment of the ESOP loan and the final allocation of Company Stock acquired with the proceeds of the ESOP loan;

NOW, THEREFORE, by resolution of the Board of Directors of the Bank, the Elgin Financial Center, S.B. Management Supplemental Executive Retirement Plan (the "SERP") has been established.

ARTICLE I

Purpose of the Plan

The purpose of the SERP is to provide certain key management employees of the Bank who retire prior to complete repayment of the ESOP loan and the final allocation of Company Stock acquired with the proceeds of the ESOP loan with benefits to make up lost benefits to which they would otherwise have been entitled under the terms of the ESOP had they continued their employment with the Bank until complete repayment of the ESOP loan.

ARTICLE II

Definitions

The following definitions shall apply for the purposes of this SERP unless a different meaning is clearly indicated by the context.

2.1 Bank means Elgin Financial Center, S.B., having its principal office at 1695 Larkin Avenue, Elgin, Illinois 60123 and its successors or assigns.

2.2 Board of Directors means the Board of Directors of the Bank, as duly constituted from time to time.

2.3 Change in Control of the Company or the Bank means an event of a

nature that: (i) would be required to be reported in response to Item 1(a) of the current report on Form 8-K, as in effect on the date hereof, pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (the "Exchange Act"); or (ii) results in a Change in Control of the Bank or the Company within the meaning of the Change in Bank Control Act and the Rules and Regulations promulgated by the Federal Deposit Insurance Corporation ("FDIC") at 12 C.F.R. Section 303.4(a) with respect to the Bank and the Board of Governors of the Federal Reserve System ("FRB") at 12 C.F.R. Section 225.41(b) with respect to the Company, as in effect on the date hereof; or (iii) results in a transaction requiring prior FRB approval under the Bank Holding Company Act of 1956 and the regulations promulgated thereunder by the FRB at 12 C.F.R. Section 225.11, as in effect on the date hereof except for the Company's acquisition of the Bank; or (iv) without limitation such a Change in Control shall be deemed to have occurred at such time as (A) any "person" (as the term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Bank or the Company representing 20% or more of the Bank's or the Company's outstanding securities except for any securities of the Bank purchased by the Company in connection with the conversion of the Bank to the stock form and any securities purchased by any tax-qualified employee benefit plan of the Bank; or (B) individuals who constitute the Board of Directors of the Company on the date hereof (the "Incumbent Board") cease for any reason to constitute at least a majority thereof, provided that any person becoming a director subsequent to the date hereof whose election was approved by a vote of at least three-quarters of the directors comprising the Incumbent Board, or whose nomination for election by the Company's stockholders was approved by the same Nominating Committee serving under an Incumbent Board, shall be, for purposes of this clause (B), considered as though he were a member of the Incumbent Board; or (C) a plan of reorganization, merger, consolidation, sale of all or substantially all the assets of the Bank or the Company or similar transaction occurs in which the Bank or Company is not the resulting entity; or (D) solicitations of shareholders of the Company, by someone other than the current management of the Company, seeking stockholder approval of a plan of reorganization, merger or consolidation of the Company or Bank or similar transaction with one or more corporations as a result of which the outstanding shares of the class of securities then subject to the plan or transaction are exchanged for or converted into cash or

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property or securities not issued by the Bank or the Company shall be distributed; or (E) a tender offer is made for 20% or more of the voting securities of the Bank or the Company.

2.4 Code means the Internal Revenue Code of 1986, as amended from time to time (including the corresponding provisions of any succeeding law).

2.5 Committee means the administrative committee appointed by the Board to administer the SERP pursuant to the terms of Article V hereof.

2.6 Company means EFC Bancorp, Inc., the holding company of the Bank.

2.7 Company Stock means the common stock of EFC Bancorp, Inc.

2.8 Eligible Employee means an Employee who is eligible for participation in the SERP pursuant to the provisions of Article III hereof.

2.9 Employee means any person, including an officer, who is employed by the Bank.

2.10 ERISA means the Employee Retirement Income Security Act of 1974, as amended from time to time (including the corresponding provisions of any succeeding law).

2.11 ESOP means Elgin Financial Center, S.B. Employee Stock Ownership Plan.

2.12 Nonqualified Plan means a plan of deferred compensation which does not meet the requirements of Section 401(a) of the Code.

2.13 Participant means any person who participates in the SERP in accordance with its terms.

2.14 SERP Benefit means the benefit payable to a Participant pursuant to the terms of the SERP.

2.15 SERP means Elgin Financial Center, S.B. Management Supplemental Executive Retirement Plan, as set forth herein, and as amended from time to time.

2.16 Termination for Cause means termination of employment because of the Employee's personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, or willful violation of any law, rule or regulation (other than traffic violations or similar offenses). The basis for any Employee's Termination for Cause shall be determined by the Board of Directors in its sole discretion.

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2.17 Termination of Service means an Employee's separation from the service of the Bank, whether by resignation, discharge, death, disability, retirement or otherwise.

ARTICLE III Participation

3.1 Eligibility for Participation.

Only Eligible Employees may be or become Participants. An Employee shall become an Eligible Employee for SERP Benefits if:

(a) He is a participant in the ESOP, and

(b) The Board of Directors, in its sole discretion, designates him as an Eligible Employee.

3.2 Commencement of Participation.

An Eligible Employee shall become a Participant in the SERP on the date determined by the Board. However, in no event will an Employee become a Participant prior to January 1, 199_.

3.3 Vesting.

A Participant shall vest in his SERP Benefit according to the following schedule:

Anniversary of SERP Participation	Vested Percentage
-----	-----
1	20%
2	40%
3	60%
4	80%
5	100%

Notwithstanding the preceding, a Participant shall vest immediately in his SERP Benefit upon the occurrence of a Change in Control of the Bank or the Company.

3.4 Termination of Participation.

A Participant's participation in the SERP shall cease on the earlier of

(a) the date of the Participant's Termination of Service, or

(b) the date on which the Participant ceases to be an Eligible Employee.

ARTICLE IV
Benefits to Participants

4.1 SERP Benefits.

(a) An individual who satisfies the eligibility requirements of Section 3.1 and becomes a Participant pursuant to Section 3.2 shall be entitled to an

unfunded, unsecured promise from the Bank to receive a SERP Benefit upon Termination of Service as a result of his attainment of "Normal Retirement Age" or satisfaction of the requirements for an "Early Retirement Benefit" (as those terms are defined in the ESOP) under the terms of ESOP.

(b) The SERP Benefit shall be determined by:

(i) projecting the total number of shares of Company Stock that would have been allocated to the Participant's account under the ESOP had the Participant continued in the employ of the Bank, measured from the date the Participant was first eligible to participate in the ESOP until the ESOP loan would have been repaid in full and the final allocation of shares of Company Stock acquired with the ESOP loan would have been made; and then

(ii) reducing the number of shares projected in (i), above, by the actual number of shares of Company Stock allocated to the Participant's account under the terms of the ESOP as of the last day of the final Plan Year in which the Participant was an "Active Participant" (as defined in the ESOP) in the ESOP; and then

(iii) multiplying the number of shares of Company Stock determined after application of (ii), above, by the average fair market value of the Company Stock for the five-year period immediately preceding the Participant's Termination of Service (or the number of years the Participant has participated in the SERP if such number is fewer than five).

The projection of shares required by (i), above, shall be performed by a public accountant based on assumptions which the Board of Directors has approved as reasonable at the time the calculation for the SERP Benefit is performed.

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4.2 Form of Benefits.

(a) SERP Benefits shall be payable in a lump sum payment as soon as practicable after the Participant's Termination of Service. However, the Committee reserves the right to make payments in a series of periodic payments.

(b) SERP Benefits, at the discretion of the Committee, shall be paid in cash, Company Stock or some combination thereof.

ARTICLE V Administration

5.1 The Committee.

Except for the functions reserved to the Bank or the Board of Directors,

the administration of the SERP shall be the responsibility of the Committee. The Committee shall consist of three (3) or more persons designated by the Board of Directors. Members of the Committee shall serve for such terms as the Board of Directors shall determine and until their successors are designated and qualified. Any member of the Committee may resign upon at least sixty (60) days written notice to the Board, or may be removed from office by the Board of Directors for failure or inability to carry out his responsibilities in an effective manner.

5.2 Duties of the Committee.

The Committee shall have the power and the duty to take all actions and to make all decisions necessary or proper to carry out the purpose of the SERP. The determination of the Committee as to any question involving the general administration and interpretation of the SERP shall be final, conclusive and binding. Any discretionary actions to be taken under the SERP by the Committee shall be uniform in their nature and applicable to all persons similarly situated. Without limiting the generality of the foregoing, the Committee shall have the following powers and duties:

(a) the duty to furnish to all Participants, upon request, copies of the SERP and to require any person to furnish such information as it may request for the purpose of the proper administration of the SERP as a condition to receiving any benefits under the SERP;

(b) the duty to make and enforce such rules and regulations and prescribe the use of such forms as it shall deem necessary for the efficient administration of the SERP;

(c) the duty to interpret the SERP, and to resolve ambiguities, inconsistencies and omissions, which findings shall be binding, final and conclusive;

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(d) the duty to decide on questions concerning the SERP in accordance with the provisions of the SERP;

(e) the duty to determine the amount of benefits which shall be payable to any person in accordance with the provisions of the SERP and to provide a full and fair review to any Participant whose claim for benefits has been denied in whole or in part;

(f) the power to designate a person who may or may not be a member of the Committee as SERP "Administrator." If the Committee does not so designate an Administrator, the Bank shall be the SERP Administrator;

(g) the power to allocate any such powers and duties to or among individual members of the Committee; and

(h) the power to designate persons other than Committee members to carry out any duty or power which would otherwise be a responsibility of the Committee or Administrator, under the terms of the SERP.

5.3 Liability of the Committee.

To the extent permitted by law, the Committee and any person to whom it may delegate any duty or power in connection with administering the SERP, the Bank, any Employer, and the officers and directors thereof, shall be entitled to rely conclusively upon, and shall be fully protected in any action taken or suffered by them in good faith in the reliance upon, any actuary, counsel, accountant, other specialist, or other person selected by the Committee, or in reliance upon any tables, valuations, certificates, opinions or reports which shall be furnished by any of them. Further, to the extent permitted by law, no member of the Committee, nor the Bank, any Employer, nor the officers or directors thereof, shall be liable for any neglect, omission or wrongdoing of any other members of the Committee, agent, officer or employee of the Bank or any Employer. Any person claiming benefits under the SERP shall look solely to the Bank for redress.

5.4 Expenses.

All expenses incurred prior to the termination of the SERP that shall arise in connection with the administration of the SERP (including, but not limited to administrative expenses, proper charges and disbursements, compensation and other expenses and charges of any actuary, counsel, accountant, specialist, or other person who shall be retained or employed by the Committee in connection with the administration of the SERP), shall be paid by the Bank.

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ARTICLE VI Amendment and Termination

6.1 Amendment and Termination.

The Board of Directors shall have the power to suspend or terminate the SERP in whole or in part at any time, and from time to time to extend, modify, amend or revise the SERP in such respects as the Board of Directors, by resolution, may deem advisable; provided, however, that no such extension, modification, amendment, revision, or termination shall deprive a Participant or any beneficiary of any benefit payable under the SERP at the time of such extension, modification, amendment, revision, or termination.

ARTICLE VII Miscellaneous Provisions

7.1 No Right to Continual Employment.

The SERP shall not be deemed to constitute a contract of employment between the Bank and any Employee or other person, whether or not in the employ of the Bank, nor shall anything herein contained be deemed to give any Employee or other person, whether or not in the employ of the Bank, any right to be retained in the employ of the Bank, or to interfere with the right of the Bank to discharge any Employee at any time and to treat such Employee without any regard to the effect which such treatment might have upon such Employee as a Participant of the SERP.

7.2 Non-Alienation of Benefits.

Except as may otherwise be required by law, no distribution or payment under the SERP to any Participant or beneficiary shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, whether voluntary or involuntary, and any attempt to so anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void; nor shall any such distribution or payment be in any way liable for or subject to the debts, contracts, liabilities, engagements or torts of any person entitled to such distribution or payment. If any Participant or beneficiary is adjudicated bankrupt or purports to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge any such distribution or payment, voluntarily or involuntarily, the Committee, in its sole discretion, may cancel such distribution or payment or may hold or cause to be held or applied such distribution or payment, or any part thereof, to or for the benefit of such Participant or beneficiary, in such manner as the Committee shall direct.

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7.3 Payment if Participant is Incompetent.

If the Bank determines that any person entitled to payments under the SERP is incompetent by reason of physical or mental disability, it may cause all payments thereafter becoming due to such person to be made to any other person for the benefit of the incompetent person, without responsibility to follow application of amounts so paid. Payments made pursuant to this provision shall completely discharge the SERP, the Bank and the Committee.

7.4 Termination for Cause.

If any Participant entitled to payments under the SERP separates from service as a result of Termination for Cause, the Bank may cause all payments thereafter becoming due to such Participant to be forfeited under the SERP.

7.5 The Bank Sole Source of Benefits.

The Bank shall be the sole source of benefits under the SERP, and each Employee, Participant, beneficiary, or any other person who shall claim the right to any payment or benefit under the SERP shall be entitled to look solely to the Bank for payment of benefits.

7.6 Lost Participants.

If the Bank is unable to make payment to any Participant, beneficiary, or any other person to whom a payment is due under the SERP, because it cannot ascertain the identity or whereabouts of such Participant, beneficiary, or other person after reasonable efforts have been made to identify or locate such person (including a notice of the payment so due mailed to the last known address of such Participant, beneficiary, or other person shown on the records of the Bank), such payment and all subsequent payments otherwise due to such Participant, beneficiary or other person shall be forfeited twenty-four (24) months after the date such payment first became due; provided, however, that such payment and any subsequent payments shall be reinstated, retroactively, no later than sixty (60) days after the date on which the Participant, beneficiary, or other person is identified or located.

7.7 Withholding.

If upon the payment of any benefits under the SERP, the Bank shall be required to withhold any amounts with respect to such payment by reason of any federal, state or local tax laws, rules or regulations, then the Bank shall be entitled to deduct and withhold such amounts from any such payments. In any event, such person shall make available to the Bank, promptly when requested by the Bank, sufficient funds or other property to meet the requirements of such withholding. Furthermore, the Bank shall be entitled to take and authorize such steps as it may deem advisable in order to have the amounts required to be withheld made available to the Bank

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out of any funds or property due to become due to such person, whether under the SERP or otherwise.

7.8 Governing Law.

The provisions of the SERP shall be construed, administered and governed under applicable federal laws and the laws of the State of Illinois.

7.9 Operation as Unfunded Nonqualified Plan.

The SERP is intended to be an unfunded, Nonqualified Plan maintained "primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees" as that phrase is used for purposes of Sections 201, 301 and 401 of ERISA. The SERP is not intended to comply with the requirements of section 401(a) of the Code. The SERP shall be administered and construed so as to effectuate this intent.

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Elgin Financial Center, S.B. has adopted this Plan, to be executed by a designee of the Board and duly attested, on this the _____ day of _____, 199__.

ATTEST:

ELGIN FINANCIAL CENTER, S.B.

By _____

Exhibit 23.1 Consent of KPMG Peat Marwick LLP

[Letterhead]

The Board of Directors
Elgin Financial Center, SB:

We consent to the use of our reports included herein and to the reference to our Firm under the heading "Experts" and "Legal and Tax Opinions" in the prospectus/Form S-1 registration statement.

/s/ KPMG Peat Marwick LLP

Chicago, Illinois
January 2, 1998

Exhibit 23.4 Consent and Subscription Rights Letter of FinPro, Inc.

[Letterhead]

January 5, 1998

Board of Directors
Elgin Financial Center, S.B.
1695 Larkin Avenue
Elgin, Illinois 60123

Dear Board Members:

We hereby consent to the use of our firm's name, FinPro, Inc. ("FinPro") and the reference to our firm as experts in the Application for Conversion to be filed by Elgin Financial Center, S.B. and any amendments thereto and references to our opinion regarding subscription rights filed as an exhibit to the applications referred to hereafter. We also consent to the use of our firm's name in the Registration Statement Form S-1 to be filed by EFC Bancorp, Inc. with the Securities and Exchange Commission and all amendments thereto, and to the statements with respect to us and the references to our Valuation Appraisal Report and in the said Application for Conversion and any amendments thereto and in the Notice and Application for Conversion filed by Elgin Financial Center, S.B., Elgin, Illinois.

Very Truly Yours,
FinPro, Inc.

/s/ DONALD J. MUSSO
Donald J. Musso

Liberty Corner, New Jersey
January 5, 1998

[Letterhead]

January 5, 1998

Board of Directors
Elgin Financial Center, S.B.
1695 Larkin Avenue
Elgin, Illinois 60123

Dear Board Members:

All capitalized terms not otherwise defined in this letter have the meanings given such terms in the Plan of Conversion, as amended (the "Plan") adopted by the Board of Directors of Elgin Financial Center, S.B. (the "Bank"), whereby the Bank will convert from a state mutual savings bank to a state stock savings bank and issue all of the Bank's outstanding capital stock to EFC Bancorp, Inc. (the "Company"). Simultaneously, the Company will issue shares of common stock.

We understand that in accordance with the Plan, Subscription Rights to purchase shares of the Conversion Stock are to be issued to (i) Eligible Account Holders; and (ii) the ESOP; together collectively referred to as the "Recipients". Based solely on our observation that the Subscription Rights will be available to such Recipients without cost, will be legally non-transferable and of short duration, and will afford the Recipients the right only to purchase shares of Conversion Stock at the same price as will be paid by members of the general public in the Community Offering, but without undertaking any independent investigation of state or federal law or the position of the Internal Revenue Service with respect to this issue, we are of the opinion that:

- (1) the Subscription Rights will have no ascertainable market value; and
- (2) the price at which the Subscription Rights are exercisable will not be more or less than the pro forma market value of the shares upon issuance.

Changes in the local and national economy, the legislative and regulatory environment, the stock market, interest rates, and other external forces (such as natural disasters or significant world events) may occur from time to time, often with great unpredictability and may materially impact the value of thrift stocks as a whole or the Company's value alone. Accordingly, no assurance can be given that persons who subscribe to shares of Conversion Stock in the conversion will thereafter be able to buy or sell such shares at the same price paid in the Subscription Offering.

Very Truly Yours,
FinPro, Inc.

/s/ DONALD J. MUSSO
Donald J. Musso
President

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FROM THE FINANCIAL STATEMENTS OF ELGIN FINANCIAL CENTER, S.B. AT AND FOR THE YEAR ENDED DECEMBER 31, 1996 AND AT AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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GIFT INSTRUMENT
CHARITABLE GIFT TO ELGIN FINANCIAL FOUNDATION

EFC Bancorp, Inc., Elgin, Illinois (the "Company"), desires to make a gift of its common stock, par value \$.01 per share to Elgin Financial Foundation (the "Foundation"), a nonprofit corporation organized under the laws of the State of Delaware. The purpose of the donation is to establish a bond between EFC Bancorp, Inc. and the community in which it and its affiliates operate to enable the community to share in the potential growth and success of the Company and its affiliates over the long term. To that end, EFC Bancorp, Inc. now gives, transfers, and delivers to the Foundation _____ shares of its common stock, par value \$.01 per share, or total consideration of \$_____, subject to the following conditions:

1. The Foundation shall use the donation solely for charitable purposes, including community development, in the communities in which the Company and its affiliates operate in accordance with the provisions of the Foundation's Certificate of Incorporation; and

2. Consistent with the Company's intent to form a long-term bond between the Company and the community, the amount of Common Stock that may be sold by the Foundation in any one year shall not exceed 5% of the market value of the assets held by the Foundation, except that this restriction shall not prohibit the board of directors of the Foundation from selling a greater amount of Common Stock in any one year if the board of directors of the Foundation determines that the failure to sell a greater amount of the Common Stock held by the Foundation would: (a) result in a long-term reduction of the value of the Foundation's assets relative to their then current value that would jeopardize the Foundation's capacity to carry out its charitable purposes; or (b) otherwise jeopardize the Foundation's tax-exempt status.

Dated: _____, 1998

EFC Bancorp, Inc.

By: _____
Barrett O'Connor
President and
Chief Executive Officer