STANDARD BANCSHARES, INC.

STANDARD BANK AND TRUST CO.

Member FDIC

EQUAL HOUSING LENDER

STANDARD BANCSHARES, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL REPORT

DECEMBER 31, 2004 AND 2003

STANDARD BANCSHARES, INC.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Standard Bancshares, Inc.

We have audited the accompanying consolidated balance sheets of Standard Bancshares, Inc. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years ended December 31, 2004, 2003 and 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 Standard Bancshares, Inc. and subsidiaries at December 31, 2004 and 2003, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

Bansley and Kiener, L.L.P.

Certified Public Accountants

January 21, 2005

Auditor Contact Information
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CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2004 AND 2003

(in thousands, except per share data)

ASSETS	2004	2003
Cash and due from banks	$ 35,780	$ 44,118
Interest bearing deposits in other banks	32,940	82,390
Federal funds sold	15,953	8,187
Total cash and cash equivalents	84,673	134,695
Investment securities	158,226	173,243
Loans–net	1,096,503	950,278
Bank premises and equipment–net	59,033	53,673
Foreclosed real estate	323	707
Federal Home Loan Bank stock–at cost	43,737	69,748
Goodwill	23,987	23,915
Other assets	54,946	50,777
Total assets	$1,521,428	$1,457,036

LIABILITIES AND SHAREHOLDERS' EQUITY	2004	2003
Deposits		
Noninterest-bearing	$ 291,499	$ 269,430
Interest bearing	988,142	955,122
Total deposits	1,279,641	1,224,552
Securities sold under agreements to repurchase and short-term borrowings	15,794	15,898
Advances from Federal Home Loan Bank	58,561	53,070
Note payable	4,000	10,000
Capital trust pass-thru securities	8,000	8,000
Accrued expenses and other liabilities	7,387	5,952
Total liabilities	1,373,383	1,317,472
Shareholders' equity		
Common stock, $.238 par value; 25,200,000 shares authorized; 18,757,921 issued in 2004 and 18,752,921 issued in 2003	4,464	4,463
Capital surplus	39,208	39,171
Retained earnings	104,834	97,070
Accumulated other comprehensive loss	(461)	(1,140)
Total shareholders' equity	148,045	139,564
Total liabilities and shareholders' equity	$1,521,428	$1,457,036

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

(in thousands, except per share data)

	2004	2003	2002
INTEREST INCOME			
Interest and fees on loans	$57,144	$49,163	$42,787
Interest and dividends on investment securities			
Taxable	8,434	7,006	4,315
Exempt from federal income tax	274	161	205
Interest on interest bearing deposits in other banks	836	578	5
Interest on federal funds sold	264	598	483
Total interest income	66,952	57,506	47,795
INTEREST EXPENSE			
Interest on deposits	14,019	14,984	13,911
Interest on securities sold under agreements to repurchase and short-term borrowings	1,303	1,533	814
Interest on note payable	238	213	-
Interest on subordinated debt	424	302	-
Total interest expense	15,984	17,032	14,725
Net interest income	50,968	40,474	33,070
Provision (reduction) for credit losses	2,900	2,750	(50)
Net interest income after provision (reduction) for credit losses	48,068	37,724	33,120
OTHER INCOME			
Investment security gains	94	-	12
Other	14,685	11,469	6,527
Total other income	14,779	11,469	6,539
OTHER EXPENSES			
Salaries	19,463	15,641	11,001
Employee benefits	5,256	4,336	2,776
Net occupancy expense	10,605	8,167	5,607
Amortization	877	327	266
Other	10,778	10,053	5,584
Total other expenses	46,979	38,524	25,234
Income before taxes	15,868	10,669	14,425
Provision for income taxes	5,515	3,831	5,475
Net income	$10,353	$ 6,838	$ 8,950
Earnings per share	$ .55	$ .39	$ .60

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

(in thousands, except per share data)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE, DECEMBER 31, 2001	$3,547	$10,744	$ 85,603	$ 640	$100,534
COMPREHENSIVE INCOME					
Net income	-	-	8,950	-	8,950
Other comprehensive income, net of tax: Change in unrealized gain (loss) on securities available-for-sale, net of deferred income tax of $(349)	-	-	-	(677)	(677)
TOTAL COMPREHENSIVE INCOME					8,273
Repurchase of common stock	(3)	(84)	-	-	(87)
Sale of common stock	3	84	-	-	87
Cash dividends declared ($.13 per share)	-	-	(1,937)	-	(1,937)
BALANCE, DECEMBER 31, 2002	3,547	10,744	92,616	(37)	106,870
COMPREHENSIVE INCOME					
Net income	-	-	6,838	-	6,838
Other comprehensive income, net of tax: Change in unrealized gain (loss) on securities available-for-sale, net of deferred income tax of $(568)	-	-	-	(1,103)	(1,103)
TOTAL COMPREHENSIVE INCOME					5,735
Repurchase of common stock	(2)	(65)	-	-	(67)
Sale of common stock	918	28,492	-	-	29,410
Cash dividends declared ($.134 per share)	-	-	(2,384)	-	(2,384)
BALANCE, DECEMBER 31, 2003	4,463	39,171	97,070	(1,140)	139,564
COMPREHENSIVE INCOME					
Net income	-	-	10,353	-	10,353
Other comprehensive income, net of tax: Change in unrealized gain (loss) on securities available-for-sale, net of deferred income tax of $377	-	-	-	731	731
Less: Reclassification adjustment, net of deferred income tax of $(27)	-	-	-	(52)	(52)
TOTAL COMPREHENSIVE INCOME					11,032
Repurchase of common stock	(6)	(202)	-	-	(208)
Sale of common stock	7	239	-	-	246
Cash dividends declared ($.138 per share)	-	-	(2,589)	-	(2,589)
BALANCE, DECEMBER 31, 2004	$4,464	$39,208	$104,834	$(461)	$148,045

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

(in thousands)

	2004	2003	2002
Cash flows from operating activities			
Net income	$ 10,353	$ 6,838	$ 8,950
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	3,368	3,682	2,177
Provision (reduction) for credit losses	2,900	2,750	(50)
Provision for deferred income taxes	(912)	2,119	448
Investment security gains	(94)	-	(12)
(Gain) loss on sale of foreclosed real estate	(36)	8	9
(Increase) decrease in other assets	(3,750)	(13,759)	489
Increase (decrease) in accrued expenses and other liabilities	1,997	(6,495)	(1,058)
Net cash provided by (used in) operating activities	13,826	(4,857)	10,953
Cash flows from investing activities			
Proceeds from sale of investment securities	811	-	6,069
Proceeds from maturities of investment securities	126,160	342,080	99,149
Purchase of investment securities	(110,832)	(210,725)	(81,417)
Proceeds from sale of Federal Home Loan Bank stock	26,011	-	-
Purchase of Federal Home Loan Bank stock	-	(44,878)	(24,872)
Net increase in loans	(150,143)	(51,667)	(67,546)
Bank acquisition, net of cash balances	-	(26,513)	-
Purchases of bank premises and equipment	(9,219)	(10,484)	(6,793)
Proceeds from sales of foreclosed real estate	1,439	671	63
Net cash used in investing activities	(115,773)	(1,516)	(75,347)
Cash flows from financing activities			
Proceeds from sale of common stock	246	29,410	87
Repurchase of common stock	(208)	(67)	(87)
Net increase in deposits	55,089	73,436	27,855
Net decrease in securities sold under agreements to repurchase and short-term borrowings	(104)	(49,965)	(1,790)
Advances from Federal Home Loan Bank	5,491	8,070	35,000
Proceeds from note payable	-	10,000	-
Payments on note payable	(6,000)	-	-
Dividends paid	(2,589)	(2,384)	(1,937)
Net cash provided by financing activities	51,925	68,500	59,128
Net increase (decrease) in cash and cash equivalents	(50,022)	62,127	(5,266)
Cash and cash equivalents–beginning of year	134,695	72,568	77,834
Cash and cash equivalents–end of year	$ 84,673	$ 134,695	$ 72,568
Supplemental cash flow information:			
Interest paid on deposits and other borrowings	$ 16,194	$ 16,539	$ 15,289
Income taxes paid	$ 3,911	$ 3,715	$ 5,384
Supplemental schedule on non-cash investing activities:			
Change in unrealized gain (loss) on investment securities	$ 1,029	$ (1,671)	$ (1,026)
Transfer to foreclosed real estate	$ 1,018	$ 707	$ 234

The accompanying notes are an integral part of the consolidated financial statements.

Note 1 – Summary of Significant Accounting Policies

The accompanying financial statements are prepared in accordance with generally accepted accounting principles and conform to general practices within the banking industry. A summary of the significant accounting policies follows.

Nature of Operations

Standard Bancshares, Inc. (the "Company") is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary Standard Bank (the Bank). The Bank generates commercial, mortgage and consumer loans and receives deposits from customers located primarily in the Chicago Metropolitan and surrounding areas. The Bank operates under a state bank charter and provides full banking services. As a state bank, the Bank is subject to regulation by the Illinois Department of Financial and Professional Regulation and the Federal Deposit Insurance Corporation.

Principles of Consolidation

The consolidated financial statements include the accounts of Standard Bancshares, Inc. and its wholly owned subsidiaries, after elimination of all material intercompany transactions and balances.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for credit losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Investment Securities

Debt securities are classified as held-to-maturity when Standard Bancshares, Inc. has the positive intent and ability to hold the securities to maturity. Securities held-to-maturity are carried at amortized cost. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity.

Note 1 – Summary of Significant Accounting Policies (Continued)

Investment Securities (Continued)

Debt securities not classified as held-to-maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in other comprehensive income. Realized gains (losses) on securities available-for-sale are included in other income (expense) and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income. Gains and losses on sales of securities are determined on the specific-identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other than temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Loans

The Company grants mortgage, commercial and consumer loans to customers. A substantial portion of the loan portfolio is represented by loans to real estate contractors and developers throughout the Chicago Metropolitan and surrounding areas. The ability of the Company's debtors to honor their contracts is dependent on the real estate and general economic conditions in this area.

Loans are stated at unpaid principal balances, less unearned income and the allowance for credit losses.

Unearned discounts on installment loans are recognized as income over the term of the loans using a method that approximates the interest method.

Loan origination and commitment fees, as well as certain direct origination costs, are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method. Amortization of deferred loan fees is discontinued when a loan is placed on nonaccrual status.

The accrual of interest on mortgage and commercial loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Personal loans are typically charged off when management believes the collectibility of the principal balance is unlikely. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charge off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Credit Losses

The allowance for credit losses is established as losses are estimated to have occurred through a provision for credit losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

Note 1 – Summary of Significant Accounting Policies (Continued)

Allowance for Credit Losses (Continued)

The allowance for credit losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in the light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans that are classified as doubtful, substandard, or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of the expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restructuring agreement.

Bank Premises and Equipment

Land is carried at cost. Other premises and equipment are carried at cost net of accumulated depreciation. Depreciation is computed using the straight-line method based principally on the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Note 1 – Summary of Significant Accounting Policies (Continued)

Other Real Estate Owned

Real estate properties acquired through or in lieu of loan foreclosures are initially recorded at the fair value less estimated selling cost at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for credit losses. After foreclosure, valuations are periodically performed by management and property held for sale is carried at the lower of the new cost basis or fair value less cost to sell. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. The portion of interest costs relating to development of real estate is capitalized. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

Income Taxes

Income taxes are provided for the tax effects of the transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the basis of the allowance for credit losses and accumulated depreciation. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred tax assets and liabilities are reflected at income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. The Company files consolidated income tax returns with its subsidiaries.

Earnings Per Share

Earnings per share are calculated on the weighted average number of shares outstanding during each year.

Trust Assets and Fees

Assets held in a fiduciary or agency capacity are not included in the consolidated balance sheets, since such items are not assets of the Company. Income from trust fees is recorded when received. This income does not differ materially from trust fees computed on an accrual basis.

Cash Flows

The Company considers all cash and due from banks, interest-bearing deposits in other banks, and federal funds sold to be cash equivalents for the purposes of the statements of cash flows.

Reclassifications

Certain reclassifications have been made in the prior year financial statements to conform to the current year presentation.

Note 2 – Acquisitions

During April 2003, the Bank acquired a branch location from an unrelated financial institution. Assets acquired and deposit liabilities assumed have been recorded at their fair values of $127 and $20,233, respectively. The Bank received cash in the amount of $19,500 as part of the transaction. A premium paid of $606 to acquire the deposits is to be amortized over an estimated life of fifteen years and is included in other assets.

On April 14, 2003 the Company acquired all outstanding shares of East Side Bancorporation, parent company of BankChicago. The total cost of acquisition was $27,440, which exceeded the book value of net assets acquired by $14,068. A portion of the excess amounting to $3,789 was recorded as a core deposit intangible in other assets. An amount of ($789) was allocated to various assets and liabilities based on appraised values and will be adjusted over the remaining useful lives of the respective asset or liability. The remaining excess of $11,068 is recorded as goodwill. The approximate fair values of assets and liabilities of East Side Bancorporation on the date of acquisition were $257,000 and $241,000, respectively. During 2004 additional information regarding leases acquired resulted in an increase of $72 to goodwill.

(in thousands)

Note 2 – Acquisitions (Continued)

On June 19, 2003, the Company acquired all outstanding shares of Security Financial Bancorp, parent company of Security Federal Bank and Trust. The total cost of acquisition of $45,219 exceeded the book value of net assets acquired by $8,500. A portion of the excess amounting to $1,161 was recorded as a core deposit intangible in other assets. An amount of $632 was allocated to various assets and liabilities based on appraised values and will be adjusted over the remaining useful lives of the respective asset or liability. The remaining excess of $6,707 is recorded as goodwill. The approximate fair values of assets and liabilities of Security Financial Bancorp on the date of acquisition were $210,000 and $173,000, respectively.

BankChicago and Security Federal Bank and Trust were merged into Standard Bank and Trust Company on the day following the date of their respective acquisition.

East Side Bancorporation and Security Financial Bancorp were both dissolved during 2003 and their assets distributed to the Company.

Note 3 – Cash and Due from Banks

The Company's banking subsidiary is required by the Federal Reserve to maintain certain average cash reserve balances. The average reserve balance maintained at December 31, 2004 and 2003 amounted to $12,056 and $7,792, respectively.

Note 4 – Investment Securities

Investment securities at December 31, 2004 and 2003 consist of securities held-to-maturity of $36,680 and $78,851 and securities available-for-sale of $121,546 and $94,392, respectively. The amortized cost of securities and their approximate fair values are as follows:

	DECEMBER 31, 2004				DECEMBER 31, 2003			
	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Held-to-maturity								
U.S. Treasury securities	$ -	$ -	$ -	$ -	$ 9,998	$ -	$ (3)	$ 9,995
U.S. Agency obligations	24,988	-	(112)	24,876	60,728	13	(269)	60,472
Participation certificates	3,187	14	-	3,201	3,734	-	-	3,734
Obligations of states and political subdivisions	5,786	15	(34)	5,767	1,680	41	-	1,721
Other bonds and securities	2,719	-	(24)	2,695	2,711	-	-	2,711
Total held-to-maturity	36,680	29	(170)	36,539	78,851	54	(272)	78,633
Available-for-sale								
U.S. Agency obligations	50,634	16	(460)	50,190	57,518	102	(122)	57,498
Participation certificates	59,839	451	(436)	59,854	23,867	36	(441)	23,462
Obligations of states and political subdivisions	2,346	1	(7)	2,340	2,488	74	(55)	2,507
Other bonds and securities	9,426	50	(314)	9,162	12,246	891	(2,212)	10,925
Total available-for-sale	122,245	518	(1,217)	121,546	96,119	1,103	(2,830)	94,392
Total Investment securities	$158,925	$547	$(1,387)	$158,085	$174,970	$1,157	$(3,102)	$173,025

The carrying value and fair value of investment securities at December 31, 2004, by contractual maturity, are shown on the next page. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

(in thousands)

Note 4 – Investment Securities (Continued)

	SECURITIES HELD-TO-MATURITY		SECURITIES AVAILABLE-FOR-SALE	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Amounts maturing in:				
One year or less	$ 1,617	$ 1,598	$ 24,156	$ 23,961
After one year through five years	27,219	27,103	36,363	36,063
After five years through fifteen years	4,851	4,836	52,761	52,673
After fifteen years	2,993	3,002	2,579	2,717
Total	36,680	36,539	115,859	115,414
Other bonds and securities	-	-	6,386	6,132
Total	$36,680	$36,539	$122,245	$121,546

Proceeds from sale of securities was $811 in 2004 and $6,069 in 2002. Gains of $94 in 2004 and $12 in 2002 were realized on these sales. There were no sales of investment securities in 2003.

Investment securities with a carrying value of $110,328 and $123,965 at December 31, 2004 and 2003, respectively, were pledged to secure public deposits, securities sold under agreements to repurchase, short-term borrowings, and for other purposes required or permitted by law.

Information pertaining to securities with gross unrealized losses at December 31, 2004 and 2003, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	LESS THAN 12 MONTHS		12 MONTHS OR GREATER		TOTAL	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2004:						
U.S. Agency obligations	$ 65,307	$ (540)	$ 3,353	$ (32)	$ 68,660	$ (572)
Participation certificates	38,747	(334)	1,555	(102)	40,302	(436)
Obligations of states and political subdivisions	5,940	(38)	1,097	(3)	7,037	(41)
Other bonds and securities	4,677	(41)	5,057	(297)	9,734	(338)
Total	$114,671	$ (953)	$11,062	$(434)	$125,733	$(1,387)
December 31, 2003:						
U.S. Treasury securities	$ 9,995	$ (3)	$ -	$ -	$ 9,995	$ (3)
U.S. Agency obligations	40,051	(391)	-	-	40,051	(391)
Participation certificates	2,183	(441)	-	-	2,183	(441)
Obligations of states and political subdivisions	57	(55)	-	-	57	(55)
Other bonds and securities	1,975	(1,538)	350	(674)	2,325	(2,212)
Total	$ 54,261	$(2,428)	$ 350	$(674)	$ 54,611	$(3,102)

(in thousands)

Note 4 – Investment Securities (Continued)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2004, the thirty debt securities with unrealized losses have depreciated 1.5% from the Company's amortized cost basis. These securities are generally guaranteed by either the U.S. Government or U.S. Government agencies. These unrealized losses related principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

Note 5 – Loans

Major classifications of loans are as follows:

	2004	2003
Commercial and industrial	$ 645,610	$541,838
Real estate mortgage	348,723	321,257
Consumer – installment	120,033	103,024
Total	1,114,366	966,119
Unearned income	(1,135)	(1,009)
Allowance for credit losses	(16,728)	(14,832)
Loans – net	$1,096,503	$950,278

As of December 31, 2004 and 2003, loans to real estate contractors and developers were $228,402 and $175,914, respectively. These loans are primarily expected to be paid from proceeds from the sale of developed properties and are collateralized by such real estate. The remainder of the portfolio is diversified, is generally secured by real estate (except for consumer loans), and is expected to be repaid from cash flow or proceeds from the sale of selected assets of the borrowers.

At December 31, 2004 and 2003, certain officers, directors, and companies in which they have beneficial ownership were indebted to the subsidiary bank in the aggregate amount of $31,998 and $55,318, respectively. During 2004, new loans made to such related parties amounted to $10,369 and payments amounted to $33,689.

(in thousands)

Note 5 – Loans (Continued)

Changes in the allowance for credit losses were as follows:

	2004	2003	2002
Balance, beginning of year	$14,832	$11,489	$11,570
Provision (reduction) for credit losses charged to income	2,900	2,750	(50)
Recoveries of amounts previously charged off	57	478	22
Loans charged off	(1,061)	(2,516)	(53)
Merger adjustment	-	2,631	-
Balance, end of year	$16,728	$14,832	$11,489

At December 31, 2004 and 2003, the total recorded investment in non-accrual loans amounted to $10,872 and $12,204, respectively.

Information about impaired loans as of and for the years ended December 31, 2004 and 2003 is as follows:

	2004	2003
Loans receivable for which there is a related allowance for credit losses	$13,300	$12,085
Loans receivable for which there is no related allowance for credit losses	-	-
Total impaired loans	$13,300	$12,085
Related allowance for credit losses	$ 3,160	$ 2,698
Average balance (based on month-end balances)	$13,891	$14,238
Interest income recognized	$ 85	$ 97

Note 6 – Bank Premises and Equipment

Major classifications of these assets are summarized as follows:

	2004	2003
Land	$ 14,573	$ 12,505
Bank premises	$ 52,481	$ 48,537
Furniture and equipment	29,647	26,440
Total cost	96,701	87,482
Accumulated depreciation	(37,668)	(33,809)
Net bank premises and equipment	$ 59,033	$ 53,673

(in thousands)

Note 7 – Intangibles

Goodwill

Previously, goodwill was amortized on a straight line basis over its estimated useful life of 15 years. SFAS No. 142, Goodwill and Other Intangible Assets, changed the accounting from an amortization method to an impairment-only approach. If goodwill is less than the carrying amount, a write-down is recorded. For the years ended December 31, 2004 and 2003, goodwill in the amounts of $23,987 and $23,915, respectively, were determined not to be impaired.

Intangible

During 2003, premiums paid on acquisitions of deposits were $5,556. These items are amortized over an estimated deposit life of fifteen years and are included in other assets.

Note 8 – Bank Owned Life Insurance

As a result of its acquisitions (see Note 2), the Bank subsidiary acquired life insurance with a cash surrender value of $6,766. During the years ended December 31, 2004 and 2003 the Bank subsidiary obtained additional insurance paying premiums of $5,000 and $20,000, respectively. At December 31, 2004 and 2003 the cash surrender value of these policies was $33,871 and $27,471, respectively, which is included in other assets.

Note 9 – Deposits

Deposits at December 31, 2004 and 2003, by major category, are as follows:

	2004	2003
Demand deposits:		
Non-interest-bearing	$ 291,499	$ 269,430
Interest-bearing	222,558	206,454
Total demand deposits	514,057	475,884
Savings deposits	404,310	389,129
Time deposits	333,008	359,539
Brokered deposits	28,266	-
Total deposits	$1,279,641	$1,224,552

The aggregate amount of short-term jumbo certificates of deposit with a minimum denomination of $100 was $129,000 and $108,327 at December 31, 2004 and 2003, respectively.

At December 31, 2004, scheduled maturities of certificates of deposit are as follows:

YEAR	TOTAL
2005	$245,264
2006	52,647
2007 and thereafter	35,097
Total	$333,008

Deposits of related parties totaled $56,131 and $47,835 at December 31, 2004 and 2003, respectively.

(in thousands)

Note 10– Securities Sold Under Agreements to Repurchase and Short-term Borrowings

Federal funds purchased and securities sold under agreements to repurchase generally mature within one to four days from the transaction date.

Note 11– Advance from Federal Home Loan Bank

At December 31, 2004 and 2003, the Bank had indebtedness to the Federal Home Loan Bank for $58,561 and $53,070, respectively, consisting of the following:

DUE DATE	INTEREST RATE	2004	2003
January 8, 2004	5.05%	$ -	$15,000
March 1, 2004	2.47%	-	10,000
April 23, 2004	4.08%	-	6,700
April 25, 2005	4.66%	6,700	6,700
May 5, 2005	1.71%	10,000	-
June 25, 2005	2.14%	2,500	-
June 25, 2005	2.29%	2,500	-
June 28, 2005	2.36%	5,000	-
April 22, 2006	2.51%	10,000	-
December 10, 2006	3.15%	7,692	-
December 1, 2008	5.05%	8,000	8,000
February 28, 2011	4.86%	5,000	5,000
Total		57,392	51,400
Purchase price accounting adjustment		1,169	1,670
Total advances		$58,561	$53,070

All advances from the Federal Home Loan Bank are secured by a general lien on residential mortgages of the Bank.

Note 12– Note Payable

At December 31, 2004 and 2003, the Company had indebtedness to an outside bank in the amount of $4,000 and $10,000, respectively. The note bears interest at a floating rate (4.26% at December 31, 2004) and is due on June 30, 2008. The note is secured by common stock of the Bank subsidiary.

Note 13– Capital Trust Pass-Thru Securities

The Company acquired $8,000,000 in variable rate, six month London Interbank Offered Rate plus 3.7% (6.00% at December 31, 2004) Capital Trust Securities ("Capital Securities") through the acquisition of East Side Bancorporation (See Note 2). The Capital Securities pay cumulative cash distributions semi-annually. Proceeds from the sale of Capital Securities were invested by the Trust in Junior Subordinated Deferrable Interest Debentures ("Debentures") issued by the Company which represents all of the assets of the Trust. The Capital Securities are subject to mandatory redemption, in whole or in part, upon repayment of the Junior Subordinated Debentures at the stated maturity in the year 2032 or their earlier redemption, in each case at a redemption price set forth in the Trust Preferred Agreement, plus accrued and unpaid interest on such Debentures to the redemption date or special redemption date. Prior redemption is permitted under circumstances.

(in thousands)

Note 14–Other Income

Other income consists of the following:

	2004	2003	2002
Investment security gains	$ 94	$ -	$ 12
Deposit account income	5,806	4,132	2,223
Debit card/ATM fees	1,420	1,047	653
Trust fees	1,208	1,053	902
Secondary mortgage income	770	1,936	1,329
Loan fees and commissions	544	379	306
Cash management	1,304	858	720
Boulevard income	607	346	-
Bank Owned Life Insurance income	1,446	681	-
Miscellaneous fees	1,580	1,037	394
Total other income	$14,779	$11,469	$6,539

Note 15–Employee Benefit Plans

The Company's bank subsidiary has a noncontributory profit sharing plan which covers substantially all full-time employees who have completed certain age and service requirements. Annual contributions are made in accordance with a resolution passed by the Board of Directors up to a maximum of 15 percent of compensation of qualified participants as permitted by the terms of the plan.

Contributions to the profit sharing plan amounted to approximately $1,276, $955 and $719 for 2004, 2003 and 2002, respectively.

The Company's bank subsidiary maintains a defined contribution plan (401(k)). The contributions to this plan are equal to the amount of salary reductions elected by each participant for that year.

Note 16– Operating Leases

The Company leases property at various branch locations under terms that are considered to be an operating lease. The leases expire in various years through 2019. Also, in June 2004, the Company extended its agreement with a computer service company which expires in 2009. Annual future minimum payments for these operating lease agreements are as follows:

YEAR	TOTAL
2005	$2,081
2006	2,120
2007	2,138
2008	2,183
2009 and thereafter	3,305
	$11,827

(in thousands)

Note 17– Income Taxes

Income taxes, as presented in the consolidated statements of income, consist of the following components:

	2004	2003	2002
Current	$6,427	$1,712	$5,027
Deferred	(912)	2,119	448
Total	$5,515	$3,831	$5,475

The components of deferred income taxes relate principally to depreciation of bank premises and equipment, and provision for credit losses.

Interest income on certain loans and securities totaling approximately $346, $258 and $253 for 2004, 2003 and 2002, respectively, is exempt from Federal income taxes; accordingly, income taxes are less than that obtained by applying the statutory Federal corporate income tax rate to income before income taxes.

Amounts of deferred tax assets and liabilities are as follows:

	2004	2003
Total deferred tax assets, no valuation allowance	$7,036	$5,798
Total deferred tax liabilities	$7,627	$5,820

Note 18 – Contingent Liabilities and Commitments

The Company's bank subsidiary does not reflect in its financial statements various commitments and contingent liabilities which arise in the normal course of business and which involve elements of credit risk, interest rate risk and liquidity risk. These commitments and contingent liabilities are commitments to extend credit, commercial letters of credit and standby letters of credit. A summary of the Bank's commitments and contingent liabilities at December 31, is as follows:

	2004	2003
Commitments to extend credit under:		
Unused commercial and other lines of credit	$244,056	$233,552
Unused equity lines of credit	70,892	57,753
Standby letters of credit	53,861	38,836

Commitments to extend credit, commercial letters of credit and standby letters of credit all include exposure to some credit loss in the event of nonperformance of the customer. The Bank's credit policies and procedures for credit commitments and financial guarantees are the same as those for extension of credit that are recorded on the consolidated balance sheet. Because these instruments have fixed maturity dates, and because many of them expire without being drawn upon, they do not generally present any significant liquidity risk to the Bank. The Bank has not incurred any significant losses on its commitments in either 2004 or 2003.

The Company's bank subsidiary is party to litigation and claims arising in the normal course of business. Management, after consultation with legal counsel, believes that the liabilities, if any, arising from such litigation and claims will not be material to the Company's consolidated financial position.

Note 19 – Financial Instruments Fair Value Disclosure

Estimated fair values have been calculated based on certain assumptions and selected data from within the Company's various financial instrument classifications. For short-term maturing assets, i.e. cash, due from banks, federal funds sold and interest-bearing deposits with financial institutions, it has been assumed that their estimated fair values approximate their carrying values. Similarly, for loans and deposits with variable interest rates, it has been assumed that their estimated fair values also approximate their carrying values.

The net loan portfolio carried at $1,096,503 and $950,278 at December 31, 2004 and 2003 were estimated to have a fair value of $1,095,208 and $963,972, respectively. This fair value was estimated by discounting the future cash flows from loan repayments using current interest rates for comparable loans.

The deposit liabilities carried at $1,279,641 and $1,224,552 at December 31, 2004 and 2003 were estimated to have a fair value of $1,280,981 and $1,227,515, respectively. This fair value was estimated by the use of the present value discounted cash flow method using discount rates comparable to current market rates for similar liabilities.

The advances from Federal Home Loan Bank carried at $58,561 and $53,070 at December 31, 2004 and 2003 were estimated to have a fair value of $57,310 and $52,985, respectively. This fair value was estimated by the use of the present value discounted cash flow method using discount rates comparable to current market rates for similar liabilities.

Fair asset and/or liability value of off-balance sheet financial instruments, as described in Note 18, may be estimated by applying fees currently charged for comparable commitments. Based upon the quality of these commitments and their demand in the financial market, it has been assumed that there is no material difference in the estimated fair value.

Note 20 – Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, the Federal Deposit Insurance Corporation (FDIC). Failure to meet the minimum regulatory capital requirements can initiate certain mandatory, and possible additional discretionary actions by regulators, that if undertaken, could have a direct material affect on the Company and the consolidated financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of: total risk-based capital and Tier 1 capital to risk-weighted assets (as defined in the regulations), and Tier 1 capital to adjusted total assets (as defined). Management believes, as of December 31, 2004, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2004, the most recent notification from the FDIC, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank will have to maintain minimum total risk-based, Tier 1 risk-based, and Tier 1 leverage ratios as disclosed in the table below. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category.

(in thousands)

Note 20 – Regulatory Matters (Continued)

The Bank's actual and required capital amounts and ratios are as follows:

	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES		TO BE WELL CAPITALIZED UNDER PROMPT CORRECTIVE ACTION PROVISIONS	
	AMOUNT	RATIO	AMOUNT	RATIO	AMOUNT	RATIO
As of December 31, 2004						
Total Capital (to risk-based assets)	$140,402	10.9%	$102,812	≥8.0%	$128,515	≥10.0%
Tier I Capital (to risk-based assets)	$124,329	9.7%	$ 51,406	≥4.0%	$ 77,109	≥ 6.0%
Tier I Capital (to average assets)	$124,329	8.5%	$ 58,846	≥4.0%	$ 73,558	≥ 5.0%
As of December 31, 2003						
Total Capital (to risk-based assets)	$137,000	12.2%	$89,604	≥8.0%	$112,005	≥10.0%
Tier I Capital (to risk-based assets)	$122,638	11.0%	$44,802	≥4.0%	$ 67,203	≥ 6.0%
Tier I Capital (to average assets)	$122,638	8.5%	$57,587	≥4.0%	$ 71,984	≥ 5.0%

Note 21 – Restriction on Dividends

The Bank is subject to certain restrictions on the amount of dividends that it may pay without prior regulatory approval. The Bank normally restricts dividends to a lesser amount.

(in thousands)

Note 22 – Condensed Financial Statements

The Company was incorporated in Illinois on February 23, 1982. The Company accounts for its investment in subsidiaries under the equity method. Under this method, the investment is recorded at cost, adjusted for the subsidiaries' undistributed net income. Presented below are the condensed financial statements of Standard Bancshares, Inc. (Parent Company Only):

CONDENSED BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

	2004	2003
Assets		
Cash	$ 935	$ 1,061
Investment in subsidiaries	158,838	155,711
Other assets	464	662
Total assets	$160,237	$157,434
Liabilities and Shareholders' Equity		
Other liabilities	$ 12,192	$ 17,870
Shareholders' equity	148,045	139,564

CONDENSED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

	2004	2003	2002
Income			
Dividends from subsidiaries	$ 8,525	$19,650	$2,340
Other income	9	40	1
Total	8,534	19,690	2,341
Expenses	1,005	794	228
Income before income taxes and equity in undistributed earnings of subsidiaries	7,529	18,896	2,113
Income tax benefit	329	247	67
Income before equity in undistributed earnings of subsidiaries	7,858	19,143	2,180
Equity in undistributed earnings of subsidiaries	2,495	(12,305)	6,770
Net income	$10,353	$ 6,838	$8,950

(in thousands)

Note 22–Condensed Financial Statements (Continued)

CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2004, 2003 AND 2002

	2004	2003	2002
Cash flows from operating activities			
Net income	$10,353	$ 6,838	$8,950
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Equity in undistributed net income of subsidiaries	(2,495)	12,305	(6,770)
Amortization	28	28	27
(Increase) decrease in other assets	170	(28,362)	(123)
Increase (decrease) in other liabilities	369	(469)	(17)
Net cash provided by (used in) operating activities	8,425	(9,660)	2,067
Cash flows from investing activities			
Bank acquisitions, net of cash balances	-	(26,513)	-
Cash flows from financing activities			
Proceeds from note payable	-	10,000	-
Payment on note payable	(6,000)	-	-
Cash dividends	(2,589)	(2,384)	(1,937)
Repurchase of common stock	(208)	(67)	(87)
Proceeds from sale of common stock	246	29,410	87
Net cash provided by (used in) financing activities	(8,551)	36,959	(1,937)
Net increase (decrease) in cash	(126)	786	130
Cash–beginning of year	1,061	275	145
Cash–end of year	$ 935	$ 1,061	$ 275