FINANCIAL HIGHLIGHTS

	2005	2004	2003
INTEREST INCOME (IN THOUSANDS)			
Interest & Fees on Loans	$ 77,252	$ 57,144	$ 49,163
PER SHARE DATA			
Net Income	$ 0.77	$ 0.55	$ 0.39
Book Value	8.49	7.89	7.44
Cash Dividend	0.142	0.138	0.134
YEAR-END STATISTICS (IN THOUSANDS)			
Total Deposits	$ 1,495,655	$ 1,279,641	$ 1,224,552
Total Loans - Net	1,280,058	1,096,503	950,278
Shareholders' Equity	159,230	148,045	139,564
Total Operating Income	102,265	81,731	68,975
Total Operating Expense	87,753	71,378	62,137
Net Income	14,512	10,353	6,838
DAILY AVERAGES (IN THOUSANDS)			
Noninterest - Bearing Deposits	$ 303,687	$ 280,127	$ 241,387
Interest - Bearing Deposits	1,103,809	956,521	830,015
Total Deposits	1,407,496	1,236,648	1,071,402
Loans - Net	1,190,387	1,014,879	845,297
Investments	275,925	272,953	302,707

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, 2005 and 2004, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years ended December 31, 2005, 2004 and 2003. 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, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

Bansley and Kiener, L.L.P.

Certified Public Accountants

January 26, 2006

Auditor Contact Information
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Certified Public Accountants
8745 W. Higgins Rd.
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CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2005 AND 2004

(in thousands, except per share data)

ASSETS	2005	2004
Cash and due from banks	$ 42,500	$ 35,780
Interest bearing deposits in other banks	34,020	32,940
Federal funds sold	51,395	15,953
Total cash and cash equivalents	127,915	84,673
Investment securities	146,168	158,226
Loans–net	1,280,058	1,096,503
Bank premises and equipment–net	63,228	59,033
Foreclosed real estate	884	323
Federal Home Loan Bank stock–at cost	45,694	43,737
Goodwill	23,987	23,987
Other assets	58,871	54,946
Total assets	$1,746,805	$1,521,428

LIABILITIES AND SHAREHOLDERS' EQUITY	2005	2004
Deposits		
Noninterest-bearing	$ 330,369	$ 291,499
Interest bearing	1,165,286	988,142
Total deposits	1,495,655	1,279,641
Securities sold under agreements to repurchase and short-term borrowings	23,253	15,794
Advances from Federal Home Loan Bank	50,845	58,561
Note payable	-	4,000
Capital trust pass-thru securities	8,000	8,000
Accrued expenses and other liabilities	9,822	7,387
Total liabilities	1,587,575	1,373,383
Shareholders' equity		
Common stock, $.238 par value; 25,200,000 shares authorized; 18,757,921 shares issued	4,464	4,464
Capital surplus	39,208	39,208
Retained earnings	116,682	104,834
Accumulated other comprehensive loss	(1,124)	(461)
Total shareholders' equity	159,230	148,045
Total liabilities and shareholders' equity	$1,746,805	$1,521,428

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

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(in thousands, except per share data)

	2005	2004	2003
INTEREST INCOME			
Interest and fees on loans	$77,252	$57,144	$49,163
Interest and dividends on investment securities			
Taxable	7,130	8,434	7,006
Exempt from federal income tax	247	274	161
Interest on interest bearing deposits in other banks	1,355	836	578
Interest on federal funds sold	1,708	264	598
Total interest income	87,692	66,952	57,506
INTEREST EXPENSE			
Interest on deposits	23,849	14,019	14,984
Interest on securities sold under agreements to repurchase and short-term borrowings	2,130	1,303	1,533
Interest on note payable	18	238	213
Interest on subordinated debt	567	424	302
Total interest expense	26,564	15,984	17,032
Net interest income	61,128	50,968	40,474
Provision for credit losses	2,800	2,900	2,750
Net interest income after provision for credit losses	58,328	48,068	37,724
OTHER INCOME			
Investment security gains	65	94	-
Other	14,508	14,685	11,469
Total other income	14,573	14,779	11,469
OTHER EXPENSES			
Salaries	21,349	19,463	15,641
Employee benefits	5,588	5,256	4,336
Net occupancy expense	11,722	10,605	8,167
Amortization	359	877	327
Other	10,943	10,778	10,053
Total other expenses	49,961	46,979	38,524
Income before income taxes	22,940	15,868	10,669
Provision for income taxes	8,428	5,515	3,831
Net income	$14,512	$10,353	$ 6,838
Earnings per share	$ .77	$ .55	$ .39

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

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(in thousands, except per share data)

	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
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
COMPREHENSIVE INCOME					
Net income	-	-	14,512	-	14,512
Other comprehensive income, net of tax: Change in unrealized gain (loss) on securities available-for-sale, net of deferred income tax of $(319)	-	-	-	(620)	(620)
Less: Reclassification adjustment, net of deferred income tax of $(22)	-	-	-	(43)	(43)
TOTAL COMPREHENSIVE INCOME					13,849
Repurchase of common stock	(13)	(452)	-	-	(465)
Sale of common stock	13	452	-	-	465
Cash dividends declared ($.142 per share)	-	-	(2,664)	-	(2,664)
BALANCE, DECEMBER 31, 2005	$4,464	$39,208	$116,682	$(1,124)	$159,230

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

(in thousands)

	2005	2004	2003
Cash flows from operating activities			
Net income	$ 14,512	$ 10,353	$ 6,838
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,530	3,368	3,682
Provision for credit losses	2,800	2,900	2,750
Provision for deferred income taxes	(846)	(912)	2,119
Investment security gains	(65)	(94)	-
Stock dividends received	(2,077)	(4,049)	(3,496)
(Gain) loss on sale of foreclosed real estate	(67)	(36)	8
(Increase) in other assets	(2,738)	(3,750)	(13,759)
Increase (decrease) in accrued expenses and other liabilities	2,435	1,997	(6,495)
Net cash provided by (used in) operating activities	18,484	9,777	(8,353)
Cash flows from investing activities			
Proceeds from sale of investment securities	382	811	-
Proceeds from maturities of investment securities	36,906	126,160	342,080
Purchase of investment securities	(26,612)	(110,832)	(210,725)
Proceeds from sale of Federal Home Loan Bank stock	120	30,060	-
Purchase of Federal Home Loan Bank stock	-	-	(41,382)
Net increase in loans	(187,239)	(150,143)	(51,667)
Bank acquisition, net of cash balances	-	-	(26,513)
Purchases of bank premises and equipment	(8,571)	(9,219)	(10,484)
Proceeds from sales of foreclosed real estate	390	1,439	671
Net cash provided by (used in) investing activities	(184,624)	(111,724)	1,980
Cash flows from financing activities			
Proceeds from sale of common stock	465	246	29,410
Repurchase of common stock	(465)	(208)	(67)
Net increase in deposits	216,014	55,089	73,436
Net increase (decrease) in securities sold under agreements to repurchase and short-term borrowings	7,459	(104)	(49,965)
(Repayment of) increase in advances from Federal Home Loan Bank	(7,427)	5,491	8,070
Proceeds from note payable	-	-	10,000
Payments on note payable	(4,000)	(6,000)	-
Dividends paid	(2,664)	(2,589)	(2,384)
Net cash provided by financing activities	209,382	51,925	68,500
Net increase (decrease) in cash and cash equivalents	43,242	(50,022)	62,127
Cash and cash equivalents–beginning of year	84,673	134,695	72,568
Cash and cash equivalents–end of year	$ 127,915	$ 84,673	$134,695
Supplemental cash flow information:			
Interest paid on deposits and other borrowings	$ 25,496	$ 16,194	$ 16,539
Income taxes paid	$ 9,259	$ 3,911	$ 3,715
Supplemental schedule on non-cash investing activities:			
Change in unrealized gain (loss) on investment securities	$ (1,004)	$ 1,029	$ (1,671)
Transfer to foreclosed real estate	$ 884	$ 1,018	$ 707

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 and Trust Company (the Bank). The Bank generates commercial, mortgage and consumer loans and receives deposits from customers located primarily in the Chicago metropolitan, northwest Indiana 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 the Bank 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 Bank 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, northwest Indiana and surrounding areas. The ability of the Bank'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.

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 charged 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 Bank 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 Bank 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.

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.

Note 1 – Summary of Significant Accounting Policies (Continued)

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, purchase accounting adjustments, basis in stock dividends, 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, cash advanced under ATM funding agreements (see Note 3), 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, 2005 and 2004 amounted to $16,476 and $12,056, respectively.

The Bank, under agreement with a third party, provides cash funding for automated teller machines owned and operated by that third party. Cash funds of the banking subsidiary at third party locations totaled approximately $28,355 and $24,467 at December 31, 2005 and 2004, respectively. The Bank receives a fee for this service based upon cash in use, as defined in the agreement.

Note 4 – Investment Securities

Investment securities at December 31, 2005 and 2004 consist of securities held-to-maturity of $35,864 and $36,680 and securities available-for-sale of $110,304 and $121,546, respectively. The amortized cost of securities and their approximate fair values are as follows:

	DECEMBER 31, 2005				DECEMBER 31, 2004			
	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. Agency obligations	$ 25,000	$ -	$ (550)	$ 24,450	$ 24,988	$ -	$ (112)	$ 24,876
Participation certificates	2,664	-	(63)	2,601	3,187	14	-	3,201
Obligations of states and political subdivisions	5,472	14	(70)	5,416	5,786	15	(34)	5,767
Other bonds and securities	2,728	-	(33)	2,695	2,719	-	(24)	2,695
Total held-to-maturity	35,864	14	(716)	35,162	36,680	29	(170)	36,539
Available-for-sale								
U.S. Agency obligations	56,622	15	(300)	56,337	50,634	16	(460)	50,190
Participation certificates	48,423	93	(1,268)	47,248	59,839	451	(436)	59,854
Obligations of states and political subdivisions	920	-	(15)	905	2,346	1	(7)	2,340
Other bonds and securities	6,042	41	(269)	5,814	9,426	50	(314)	9,162
Total available-for-sale	112,007	149	(1,852)	110,304	122,245	518	(1,217)	121,546
Total Investment securities	$147,871	$163	$(2,568)	$145,466	$158,925	$ 547	$(1,387)	$158,085

The carrying value and fair value of investment securities at December 31, 2005, by contractual maturity, are shown as follows. 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	$ 1,852	$ 1,816	$ 44,515	$ 44,223
After one year through five years	27,272	26,680	15,983	15,972
After five years through fifteen years	3,994	3,953	41,455	40,247
After fifteen years	2,746	2,713	4,012	4,048
Total	35,864	35,162	105,965	104,490
Other bonds and securities	-	-	6,042	5,814
Total	$35,864	$35,162	$112,007	$110,304

Proceeds from sale of equity securities was $382 in 2005 and $811 in 2004. Gains of $65 in 2005 and $94 in 2004 were realized on these sales. There were no sales of investment securities in 2003.

Investment securities with a carrying value of $115,924 and $110,328 at December 31, 2005 and 2004, 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, 2005 and 2004, 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, 2005:						
U.S. Agency obligations	$ 19,872	$ (101)	$52,112	$ (749)	$ 71,984	$ (850)
Participation certificates	29,889	(247)	29,595	(1,084)	42,484	(1,331)
Obligations of states and political subdivisions	-	-	5,211	(85)	5,211	(85)
Other bonds and securities	-	-	7,904	(302)	7,904	(302)
Total	$ 32,761	$ (348)	$ 94,822	$(2,220)	$127,583	$(2,568)
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)

(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, 2005, the sixty-one debt securities with unrealized losses have depreciated 2% from the Bank'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:

	2005	2004
Commercial and industrial	$ 748,398	$ 645,610
Real estate mortgage	427,958	348,723
Consumer – installment	123,799	120,033
Total	1,300,155	1,114,366
Unearned income	(1,675)	(1,135)
Allowance for credit losses	(18,422)	(16,728)
Loans – net	$1,280,058	$1,096,503

As of December 31, 2005 and 2004, loans to real estate contractors and developers were $304,720 and $228,402, 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, and is expected to be repaid from cash flow or proceeds from the sale of selected assets of the borrowers.

At December 31, 2005 and 2004, certain officers, directors, and companies in which they have beneficial ownership were indebted to the Bank in the aggregate amount of $52,966 and $53,581, respectively. During 2005 new loans made to such related parties amounted to $16,408 and payments amounted to $17,023.

(in thousands)

Note 5 – Loans (Continued)

Changes in the allowance for credit losses were as follows:

	2005	2004	2003
Balance, beginning of year	$16,728	$14,832	$11,489
Provision for credit losses charged to income	2,800	2,900	2,750
Recoveries of amounts previously charged off	54	57	478
Loans charged off	(1,160)	(1,061)	(2,516)
Merger adjustment	-	-	2,631
Balance, end of year	$18,422	$16,728	$14,832

At December 31, 2005 and 2004, the total recorded investment in non-accrual loans amounted to $6,666 and $10,836, respectively.

Information about impaired loans as of and for the years ended December 31, 2005 and 2004 is as follows:

	2005	2004
Loans receivable for which there is a related allowance for credit losses	$ 9,780	$13,300
Loans receivable for which there is no related allowance for credit losses	-	-
Total impaired loans	$ 9,780	$13,300
Related allowance for credit losses	$ 2,391	$ 3,160
Average balance (based on month-end balances)	$10,917	$13,891
Interest income recognized	$ 69	$ 85

Note 6 – Bank Premises and Equipment

Major classifications of these assets are summarized as follows:

	2005	2004
Land	$ 15,248	$ 14,573
Bank premises	57,957	52,481
Furniture and equipment	31,712	29,647
Total cost	104,917	96,701
Accumulated depreciation	(41,689)	(37,668)
Net bank premises and equipment	$ 63,228	$ 59,033

(in thousands)

Note 7 – Intangibles

Goodwill

Prior to 2002, 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, 2005 and 2004, goodwill in the amount of $23,987 was 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 acquired life insurance with a cash surrender value of $6,766. During the year ended December 31, 2004, the Bank obtained additional insurance, paying premiums of $5,000. No additional life insurance was purchased during 2005. At December 31, 2005 and 2004 the cash surrender value of these policies was $35,228 and $33,871, respectively, which is included in other assets.

Note 9 – Deposits

Deposits at December 31, 2005 and 2004, by major category, are as follows:

	2005	2004
Demand deposits:		
Non-interest-bearing	$ 330,369	$ 291,499
Interest-bearing	322,447	222,558
Total demand deposits	652,816	514,057
Savings deposits	303,968	404,310
Time deposits	498,301	333,008
Brokered deposits	40,570	28,266
Total deposits	$1,495,655	$1,279,641

The aggregate amount of short-term jumbo certificates of deposit with a minimum denomination of $100 was $190,237 and $129,000 at December 31, 2005 and 2004, respectively.

At December 31, 2005, scheduled maturities of certificates of deposit are as follows:

YEAR	TOTAL
2006	$380,865
2007	89,168
2008 and thereafter	28,268
Total	$498,301

Deposits of related parties totaled $90,241 and $56,131 at December 31, 2005 and 2004, 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, 2005 and 2004, the Bank had indebtedness to the Federal Home Loan Bank for $50,845 and $58,561, respectively, consisting of the following:

DUE DATE	INTEREST RATE	2005	2004
April 25, 2005	4.66%	$ -	$ 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	10,000
June 30, 2006	3.75%	1,050	-
June 30, 2006	4.06%	1,515	-
December 10, 2006	3.15%	7,692	7,692
June 29, 2007	3.85%	10,000	-
August 30, 2007	4.26%	5,875	-
August 30, 2007	4.16%	833	-
December 1, 2008	5.05%	8,000	8,000
February 28, 2011	4.86%	5,000	5,000
Total		49,965	57,392
Purchase price accounting adjustment		880	1,169
Total advances		$50,845	$58,561

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 the Company had indebtedness to an outside bank in the amount of $4,000. The note incurred interest at a floating rate (4.26% at December 31, 2004) and was due on June 30, 2008. The note was secured by common stock of the Bank subsidiary. The loan was paid in full during the current year.

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% (8.15% at December 31, 2005 and 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 certain circumstances.

(in thousands)

Note 14–Other Income

Other income consists of the following:

	2005	2004	2003
Investment security gains	$ 65	$ 94	$ -
Deposit account income	6,390	5,806	4,132
Debit card/ATM fees	1,478	1,420	1,047
Trust fees	1,314	1,208	1,053
Secondary mortgage income	592	770	1,936
Loan fees and commissions	617	544	379
Cash management	1,583	1,304	858
Boulevard income	528	607	346
Bank Owned Life Insurance income	1,370	1,446	681
Miscellaneous fees	636	1,580	1,037
Total other income	$14,573	$14,779	$11,469

Note 15–Employee Benefit Plans

Profit Sharing

The Company's bank subsidiary maintains a defined contribution (401(k)) plan. Under terms of the plan, employees meeting age and service requirements may elect to have their compensation reduced and have that amount contributed to the Plan as a salary deferral contribution. The Bank, at its discretion, may make a matching contribution to the Plan equal to a uniform percentage of the salary deferral contributions. Apart from any matching contribution, the Bank may also make a separate discretionary contribution to the Plan. The final liability for matching contributions, if any, is determined after year-end requiring the Bank to estimate its discretionary contribution expense at year end. Contribution expense recorded by the Bank amounted to approximately $1,158, $1,290 and $892 for 2005, 2004 and 2003, respectively.

Non-Qualified Plan

The Bank maintains a non-qualified deferred compensation plan for a select group of management and employees as determined by the Board of Directors. Annual awards, if any, are based on pre-established performance criteria which are communicated to eligible employees. Benfits under the Plan vest after a five year period. The liability under the Plan was $284 and $121 as of December 31, 2005 and 2004, respectively.

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 2020. 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
2006	$ 2,451
2007	2,468
2008	2,522
2009	1,566
2010 and thereafter	4,194
	$13,201

(in thousands)

Note 17– Income Taxes

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

	2005	2004	2003
Current	$9,274	$6,427	$1,712
Deferred	(846)	(912)	2,119
Total	$8,428	$5,515	$3,831

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 $298, $346 and $258 for 2005, 2004 and 2003, 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:

	2005	2004
Total deferred tax assets, no valuation allowance	$8,713	$7,036
Total deferred tax liabilities	$8,116	$7,627

Note 18 – Contingent Liabilities and Commitments

The Company 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:

	2005	2004
Commitments to extend credit under:		
Unused commercial and other lines of credit	$360,292	$244,056
Unused equity lines of credit	87,346	70,892
Standby letters of credit	65,362	53,861

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 2005 or 2004.

The Bank 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 $1,280,058 and $1,096,503 at December 31, 2005 and 2004 were estimated to have a fair value of $1,258,034 and $1,095,208, 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 $1,495,655 and $1,279,641 at December 31, 2005 and 2004 were estimated to have a fair value of $1,495,267 and $1,280,981, 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 $50,845 and $58,561 at December 31, 2005 and 2004 were estimated to have a fair value of $50,551 and $57,310, 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, 2005, that the Bank meets all the capital adequacy requirements to which it is subject.

As of December 31, 2005, 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, 2005						
Total Capital (to risk-based assets)	$151,015	10.9%	$111,157	≥8.0%	$138,946	≥10.0%
Tier I Capital (to risk-based assets)	$133,634	9.6%	$ 55,579	≥4.0%	$ 83,368	≥ 6.0%
Tier I Capital (to average assets)	$133,634	7.9%	$ 68,070	≥4.0%	$ 85,087	≥5.0%
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%

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, 2005 AND 2004

	2005	2004
Assets		
Cash	$ 600	$ 935
Investment in subsidiaries	167,167	158,838
Other assets	328	464
Total assets	$168,095	$160,237
Liabilities and Shareholders' Equity		
Other liabilities	$ 8,865	$ 12,192
Shareholders' equity	159,230	148,045
Total liabilities and shareholders' equity	$168,095	$160,237

CONDENSED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

	2005	2004	2003
Income			
Dividends from subsidiaries	$ 6,075	$ 8,525	$ 19,650
Other income	32	9	40
Total	6,107	8,534	19,690
Expenses	899	1,005	794
Income before income taxes and equity in undistributed earnings of subsidiaries	5,208	7,529	18,896
Income tax benefit	285	329	247
Income before equity in undistributed earnings of subsidiaries	5,493	7,858	19,143
Equity in undistributed earnings of subsidiaries	9,019	2,495	(12,305)
Net income	$14,512	$10,353	$ 6,838

(in thousands)

Note 22–Condensed Financial Statements (Continued)

CONDENSED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005, 2004 AND 2003

	2005	2004	2003
Cash flows from operating activities			
Net income	$14,512	$ 10,353	$ 6,838
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Equity in undistributed net income of subsidiaries	(9,019)	(2,495)	12,305
Amortization	28	28	28
(Increase) decrease in other assets	136	170	(28,362)
Increase (decrease) in other liabilities	672	369	(469)
Net cash provided by (used in) operating activities	6,329	8,425	(9,660)
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	(4,000)	(6,000)	-
Cash dividends	(2,664)	(2,589)	(2,384)
Repurchase of common stock	(465)	(208)	(67)
Proceeds from sale of common stock	465	246	29,410
Net cash provided by (used in) financing activities	(6,664)	(8,551)	36,959
Net increase (decrease) in cash	(335)	(126)	786
Cash–beginning of year	935	1,061	275
Cash–end of year	$ 600	$ 935	$ 1,061

BANK OFFICERS

STANDARD BANCSHARES, INC.

Chairman of the Board	Timothy J. Gallagher
President, Chief Executive Officer and Vice Chairman of the Board	Lawrence P. Kelley
Board Secretary	John M. Blackburn
Assistant Vice President/Assistant Secretary	Diane Scorzo

STANDARD BANK AND TRUST CO.

Chairman of the Board	Timothy J. Gallagher
President, Chief Executive Officer and Vice Chairman of the Board	Lawrence P. Kelley
Executive Vice Presidents	Richard L. Arasmith, John M. Blackburn, Thomas L. Dockweiler, Patrick J. Hunt, Robert G. Kelly
Southern Region President	Kelly L. Beaty
Senior Vice Presidents	Bonnie E. Balko, H. Patrick Berg, Thomas G. Clifford, Timothy M. Finerty, John C. Flemming, Francis J. Paciga, Stefanie K. Rupert, Thomas J. Zic
Group Vice President	David W. Kurow
Division Vice Presidents	David D. Bell, Paul J. Beneturski, Joseph R. Bullington, Michael J. Helsdingen, Jerry F. Maher, Christopher T. Terzich
Vice Presidents	Lisa G. Brumbaugh, Nancy J. Clemens, Joann Duhon, Kevin P. Dunn, David F. Fleming, John F. Geary, Carl R. Helmuth, Craig A. Kindrick, Linda M. Koranda, Anna Lurquin, Carl Nolting, Sr., Ann M. O'Flaherty, Jeffrey T. Rzasa, Gregory A. Siss, Patricia M. Spears, Jennifer L. Willis, Charla A. Wright, Dann Zimmer

SPECIAL INFORMATION FOR OUR SHAREHOLDERS

Standard Bancshares, Inc., and its wholly owned subsidiary, Standard Bank and Trust Co., are pledged to a policy of equal employment opportunity in accordance with the provisions of Executive Order 11246, as amended, and the Fair Employment Practice Act of the State of Illinois. Our objective is to provide equal employment opportunity by prohibiting discrimination due to race, color, religion, sex, national origin, age, disability, or covered veteran status.

NOTES