MAIN STREET TRUST INC
Form 10-Q
May 06, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2003

Commission File Number: 0-30031

MAIN STREET TRUST, INC.
(Exact name of Registrant as specified in its charter)

Illinois	37-1338484
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

100 West University, Champaign, Illinois 61820
(Address of principal executive offices) (Zip Code)

(217) 351-6500
(Registrant's telephone number, including area code)

Indicate by "X" whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by "X" whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act). Yes [X] No [ ]

Indicate the number of shares outstanding of the registrant's common stock, as of May 2, 2003

Main Street Trust, Inc. Common Stock 10,500,949

Table of Contents

	PAGE
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	3
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	10
Item 3. Quantitative and Qualitative Disclosures About Market Risk	23
Item 4. Controls and Procedures	23
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	24
Item 2. Changes in Securities and Use of Proceeds	24
Item 3. Defaults Upon Senior Securities	24
Item 4. Submission of Matters to a Vote of Security Holders	24
Item 5. Other Information	24
Item 6. Exhibits and Reports on Form 8-K	24
SIGNATURES	25

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
March 31, 2003 and December 31, 2002
(Unaudited, in thousands, except share data)

	March 31, 2003	De
ASSETS		
Cash and due from banks	$ 58,443	$
Federal funds sold and interest bearing deposits	30,971	
Cash and cash equivalents	89,414	
Investments in debt and equity securities:		
Available-for-sale, at fair value	259,880	
Held-to-maturity, at cost (fair value of $87,657 and $70,489 at March 31, 2003 and December 31, 2002, respectively)	86,190	
Non-marketable equity securities	7,177	
Total investments in debt and equity securities	353,247	

Loans, net of allowance for loan losses of $9,622 and $9,259 at March 31, 2003 and December 31, 2002, respectively	634,422	
Mortgage loans held for sale	4,086	
Premises and equipment	17,940	
Accrued interest receivable	7,245	
Other assets	11,656	
Total assets	$ 1,118,010	$
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	$ 155,607	$
Interest bearing	692,369	
Total deposits	847,976	
Federal funds purchased, repurchase agreements and notes payable	94,248	
Federal Home Loan Bank advances and other borrowings	27,765	
Accrued interest payable	1,939	
Other liabilities	8,950	
Total liabilities	980,878	
Shareholders' equity:		
Preferred stock, no par value; 2,000,000 shares authorized	--	
Common stock, $0.01 par value; 15,000,000 shares authorized; 11,219,319 shares issued at March 31, 2003 and December 31, 2002	112	
Paid in capital	55,340	
Retained earnings	95,403	
Accumulated other comprehensive income	3,062	
	153,917	
Less: treasury stock, at cost, 718,720 and 755,047 shares at March 31, 2003 and December 31, 2002, respectively	(16,785)	
Total shareholders' equity	137,132	
Total liabilities and shareholders' equity	$ 1,118,010	$

See accompanying notes to unaudited consolidated financial statements.

3

MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Income
For the Three Months Ended March 31, 2003 and 2002
(Unaudited, in thousands, except share data)

	2003	2002
Interest income:		
Loans and fees on loans	$ 11,054	$ 12,187
Investments in debt and equity securities		

Taxable	2,823	3,325
Tax-exempt	587	600
Federal funds sold and interest bearing deposits	102	95
Total interest income	14,566	16,207
Interest expense:		
Deposits	3,873	5,007
Federal funds purchased, repurchase agreements and notes payable	267	326
Federal Home Loan Bank advances and other borrowings	380	494
Total interest expense	4,520	5,827
Net interest income	10,046	10,380
Provision for loan losses	330	330
Net interest income after provision for loan losses	9,716	10,050
Non-interest income:		
Remittance processing	1,766	1,949
Trust and brokerage fees	1,462	1,453
Service charges on deposit accounts	580	554
Securities transactions, net	(43)	70
Gain on sales of mortgage loans, net	544	219
Other	527	508
Total non-interest income	4,836	4,753
Non-interest expense:		
Salaries and employee benefits	4,649	4,755
Occupancy	623	552
Equipment	649	688
Data processing	529	563
Office supplies	303	341
Service charges from correspondent banks	229	236
Other	1,082	1,062
Total non-interest expense	8,064	8,197
Income before income taxes	6,488	6,606
Income taxes	2,190	2,196
Net income	$ 4,298	$ 4,410
Per share data:		
Basic earnings per share	$ 0.41	$ 0.40
Weighted average shares of common stock outstanding	10,479,172	11,097,242
Diluted earnings per share	$ 0.41	$ 0.40
Weighted average shares of common stock and dilutive potential common shares outstanding	10,582,223	11,147,974

See accompanying notes to unaudited consolidated financial statements.

MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2003 and 2002
(Unaudited, in thousands)

	2003
Net income	$ 4,298
Other comprehensive income (loss), before tax:	
Unrealized gains (losses) on securities:	
Unrealized holding gains (losses) arising during period, net of tax of ($493) and ($693), for March 31, 2003 and 2002, respectively	(740)
Less: reclassification adjustment for gains (losses) included in net income, net of tax of $17 and ($24), for March 31, 2003 and 2002, respectively	26
Other comprehensive income (loss)	(714)
Comprehensive income	$ 3,584

See accompanying notes to unaudited consolidated financial statements.

5

MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Three Months Ending March 31, 2003 and 2002
(Unaudited, in thousands)

	2003	2002
Cash flows from operating activities:		
Net income	$ 4,298	$ 4,410
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	646	660
Amortization of bond discounts and premiums, net	462	283
Provision for loan losses	330	330
Securities transactions, net	43	(70)
Gain on sales of mortgage loans, net	(544)	(219)
Federal Home Loan Bank stock dividend	(71)	(41)
Loss on disposal of premises and equipment	2	--
Proceeds from sales of mortgage loans originated for sale	50,059	26,810
Mortgage loans originated for sale	(50,629)	(20,613)
Other, net	(434)	332
Net cash provided by operating activities	4,162	11,882
Cash flows from investing activities:		
Net decrease in loans	29,380	2,142
Proceeds from maturities and calls of investments in debt securities:		
Held-to-maturity	3,541	863

Available-for-sale	55,615	20,615
Proceeds from sales of investments:		
Available-for-sale	11,085	28,889
Purchases of investments in debt and equity securities:		
Held-to-maturity	(24,468)	(500)
Available-for-sale	(94,005)	(45,664)
Other equity securities	(330)	--
Principal paydowns from mortgage-backed securities:		
Held-to-maturity	3,154	4,795
Available-for-sale	6,632	1,974
Return of principal on other equity securities	115	--
Purchases of premises and equipment	(240)	(391)
Proceeds from sales of premises and equipment	1	--
Net cash (used in) provided by investing activities	(9,520)	12,723
Cash flows from financing activities:		
Net decrease in deposits	(20,610)	(46,433)
Net increase (decrease) in federal funds purchased, repurchase agreements, and notes payable	13,597	(3,730)
Advances from Federal Home Loan Bank and other borrowings	--	5,000
Payments on Federal Home Loan Bank and other borrowings	(41)	(5,040)
Cash dividends paid	(1,570)	(1,452)
Issuance of new shares of common stock, net	--	886
Treasury stock transactions, net	650	2,177
Net cash used in financing activities	(7,974)	(48,592)
Net decrease in cash and cash equivalents	(13,332)	(23,987)
Cash and cash equivalents at beginning of year	102,746	95,379
Cash and cash equivalents at end of period	$ 89,414	$ 71,392
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 4,833	$ 6,542
Income taxes	400	220
Real estate acquired through or in lieu of foreclosure	10	--
Dividends declared not paid	1,575	1,454

See accompanying notes to unaudited consolidated financial statements.

MAIN STREET TRUST, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements for Main Street Trust, Inc. have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for fair presentation of financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of

America. These financial statements should be read in conjunction with the audited consolidated financial statements and related notes as of and for the year ended December 31, 2002, and schedules included in Main Street Trust, Inc.'s Form 10-K filed on March 21, 2003.

In the opinion of management, the consolidated financial statements of Main Street Trust, Inc. and its subsidiaries, as of March 31, 2003 and for the three-month periods ended March 31, 2003 and 2002, include all adjustments necessary for a fair presentation of the results of those periods. All such adjustments are of a normal recurring nature.

Results of operations for the three-month period ended March 31, 2003 are not necessarily indicative of the results which may be expected for the year ended December 31, 2003.

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and due from banks and federal funds sold and interest bearing deposits. Generally, federal funds are sold for one-day periods.

Certain amounts in the 2002 consolidated financial statements have been reclassified to conform with the 2003 presentation. Such reclassifications have no effect on previously reported net income or shareholders' equity.

Note 2. Company Information/Business Combination

Main Street Trust, Inc. (the "Company"), an Illinois corporation, is a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "BHCA"). The Company was incorporated on August 12, 1999, and is the parent company of BankIllinois, The First National Bank of Decatur and FirsTech, Inc.

On March 23, 2000, the Company acquired all of the outstanding stock of BankIllinois, The First National Bank of Decatur, First Trust Bank of Shelbyville and FirsTech, Inc. following the merger of BankIllinois Financial Corporation and First Decatur Bancshares, Inc. into the Company. The merger, which was accounted for as a pooling of interests, was completed on March 23, 2000. The Company subsequently merged the Company's former banking subsidiary, First Trust Bank of Shelbyville, into BankIllinois effective June 19, 2002.

On June 14, 2001, the Company was certified by the Board of Governors of the Federal Reserve System as a financial holding company. This designation allows the Company to engage in a wider range of nonbanking activities, including greater authority to engage in securities and insurance activities. However, the Company has no current plans to do so.

The Company completed a tender offer on June 7, 2002 with 711,832 shares, representing approximately 6.3% of the total shares outstanding, repurchased at a cost, including expenses, of $16.556 million.

Note 3. Income per Share

Net income per common share has been computed as follows:

	Three Months Ended	
	March 31,	
	2003	2002

Net Income	$ 4,298,000	$ 4,410,000
Shares:		
Weighted average common shares outstanding	10,479,172	11,097,242
Dilutive effect of outstanding options, as determined by the application of the treasury stock method	103,051	50,732
Weighted average common shares oustanding, as adjusted	10,582,223	11,147,974
Basic earnings per share	$ 0.41	$ 0.40
Diluted earnings per share	$ 0.41	$ 0.40

Note 4. Stock Option Plans

The Company has four stock-based compensation plans which have been in existence for all periods presented. As permitted under accounting principles generally accepted in the United States of America, grants of options under the plans are accounted for under the recognition and measurement principles of APB Opinion No. 25 Accounting for Stock Issued to Employees, and related interpretations. Because options granted under the plans had an exercise price equal to market value of the underlying common stock on the grant date, no stock-based employee compensation cost is included in determining net income. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	March 31,	
	2003	2002
Net income on common stock:		
As reported	$4,298	$4,410
Deduct total stock-based compensation expense determined under the fair value method for all awards, net of related tax effects	(45)	(170)
Pro forma	$4,253	$4,240
Basic earnings per share:		
As reported	$ 0.41	$ 0.40
Pro forma	0.41	0.38
Diluted earnings per share:		
As reported	$ 0.41	$ 0.40
Pro forma	0.40	0.38

The fair value of the stock options granted has been estimated using the Black-Scholes option - pricing model with the following weighted average assumptions. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options, which have no vesting restrictions. In addition, such models require the use of subjective assumptions, including expected stock price volatility. In management's opinion, such valuation models may not necessarily provide the best single measure of option value.

	March 31,	
	2003	2002
Number of options granted	129,000	158,000

Risk-free interest rate	3.64%	5.20%
Expected life, in years	8.00	8.00
Expected volatility	13.35%	10.34%
Expected dividend yield	2.42%	2.80%

8

Note 5. Commitments and Financial Instruments

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the consolidated balance sheets. The contractual amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. Management does not anticipate any significant losses as a result of these transactions.

The following table summarizes these financial instruments and commitments (in thousands) at March 31, 2003 and 2002:

	March 31,	
	2003	2002
Financial instruments whose contract amounts represent credit risk:		
Commitments	$202,678	$168,540
Standby letters of credit	8,640	3,191

The majority of commitments are agreements to extend credit to a customer as long as there is no violation of any condition established in the contract. Commitments, principally variable interest rates, generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. For commitments to extend credit, the Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon extension of credit, is based on management's credit evaluation. Collateral held varies, but may include accounts receivable; inventory; property, plant and equipment; and income-producing commercial properties. Also included in commitments is $1.420 million to purchase other equity securities.

Standby letters of credit are conditional commitments issued by the Banks to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements and, generally, have terms of one year or less. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Banks may hold collateral, which include accounts receivables, inventory, property and equipment, and income producing properties, supporting those commitments, if deemed necessary. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Banks would be required to fund the commitment. The maximum potential

amount of future payments the Banks could be required to make is represented by the contractual amount shown in the summary above. If the commitment is funded, the banks would be entitled to seek recovery from the customer. At March 31, 2003 and 2002, no amounts have been recorded as liabilities for the Banks' potential obligations under these guarantees.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Financial Condition

Assets and Liabilities

Total assets decreased $4.718 million, or 0.4%, to $1.118 billion at March 31, 2003 compared to $1.123 billion at December 31, 2002. Decreases in cash and due from banks, federal funds sold and interest bearing deposits, loans, premises and equipment, and accrued interest receivable were partially offset by increases in all categories of investment securities, mortgage loans held for sale and other assets.

Cash and due from banks decreased $1.301 million, or 2.2%, to $58.443 million at March 31, 2003 compared to $59.744 million at December 31, 2002, primarily due to a smaller dollar amount of deposit items in process of collection at March 31, 2003 compared to December 31, 2002.

Federal funds sold and interest bearing deposits decreased $12.031 million, or 28.0%, to $30.971 million at March 31, 2003 compared to $43.002 million at December 31, 2002. Federal funds sold and interest bearing deposits fluctuate with loan demand, deposit volume and investment opportunities.

Total investments in debt and equity securities increased $37.037 million, or 11.7%, to $353.247 million at March 31, 2003 compared to $316.210 million at December 31, 2002. There were increases in all categories of investment securities as investments in securities available-for-sale increased $19.264 million, or 8.0%, investments in securities held-to-maturity increased $17.627 million, or 25.7%, and non-marketable equity securities increased $0.146 million, or 2.1%, at March 31, 2003 compared to December 31, 2002. Investments fluctuate with loan demand, deposit volume and investment opportunities..

Mortgage loans held for sale increased $1.114 million, or 37.5%, to $4.086 million at March 31, 2003 compared to $2.972 million at December 31, 2002.

Loans, net of allowance for loan losses, decreased $29.720 million, or 4.5%, to $634.422 million at March 31, 2003 from $664.142 million at December 31, 2002. There were decreases in all loan categories. Commercial, financial and agricultural loans decreased $10.024 million, or 4.3%, primarily as a result of the slowdown of the economy. Real estate loans decreased $10.635 million, or 3.1%. The decrease in real estate loans included a decrease of $10.540 million in residential real estate caused by long-term fixed rate loans being refinanced and subsequently sold on the secondary market and a decrease of $0.095 million in commercial real estate. Installment and consumer loans decreased $8.698 million, or 9.1%, due to alternative funding sources available to consumers, such as special financing offered by the auto manufacturers' captive financing companies.

Premises and equipment decreased $0.409 million, or 2.2%, from $18.349 million at December 31, 2002 to $17.940 million at March 31, 2003. The decrease included depreciation expense of $0.646 million offset somewhat by purchases of $0.240 million.

Total liabilities decreased $7.380 million, or 0.7%, to $980.878 million at March 31, 2003 from $988.258 million at December 31, 2002. Decreases in total deposits, Federal Home Loan Bank advances and other borrowings, accrued interest payable and other liabilities were somewhat offset by an increase in federal funds purchased, repurchase agreements and notes payable.

Total deposits decreased $20.610 million, or 2.4%, to $847.976 million at March 31, 2003 from $868.586 at December 31, 2002. Decreases in deposits included $12.314 million, or 1.7%, in interest bearing deposits and $8.296 million, or 5.1%, in non-interest bearing deposits. Despite the decrease from year-end, total deposits were $10.300 million, or 1.2%, higher than the March 31, 2002 balance of $837.676 million.

Federal funds purchased, repurchase agreements and notes payable increased $13.597 million, or 16.9%, to $94.248 million at March 31, 2003 compared to $80.651 million at December 31, 2002. Included in this change were increases of $9.897 million in repurchase agreements and $3.700 million in federal funds purchased.

Federal Home Loan Bank advances and other borrowings decreased $0.041 million, or 0.1%, to $27.765 million at March 31, 2003 compared to $27.806 million at December 31, 2002.

10

Investment Securities

The carrying value of investments in debt and equity securities was as follows for March 31, 2003 and December 31, 2002:

Carrying Value of Securities
(in thousands)

	March 31, 2003	December 31, 2002
Available-for-sale:		
U.S. Treasury	$ 2,546	$ 3,066
Federal agencies	212,896	185,469
Mortgage-backed securities	24,117	30,884
State and municipal	15,677	16,168
Corporate and other obligations	1,004	1,008
Marketable equity securities	3,640	4,021
Total available-for-sale	$259,880	$240,616
Held-to-maturity:		
Federal agencies	$ 4,865	$ 1,750
Mortgage-backed securities	37,730	23,595
State and municipal	43,595	43,218
Total held-to-maturity	$ 86,190	$ 68,563
Non-marketable equity securities:		
FHLB and FRB stock1	$ 4,034	$ 3,963
Other equity investments	3,143	3,068
Total	$ 7,177	$ 7,031
Total investment securities	$353,247	$316,210

1 FHLB and FRB are commonly used acronyms for Federal Home Loan Bank and Federal Reserve Bank, respectively.

The following table shows the maturities and weighted-average yields of investment securities at March 31, 2003. All securities are shown at their contractual maturity.

Maturities and Weighted Average Yields of Debt (dollars in thousands)

March 31, 2003

	1 year or less Amount	Rate	1 to 5 years Amount	Rate	5 to 10 years Amount	Rate	
Securities available-for-sale:							
U.S. Treasury	$ 2,546	3.58%	$ --	--	$ --	--	$
Federal agencies	$ 37,487	4.04%	$172,180	3.85%	$ 3,229	4.10%	$
Mortgage-backed securities1	$ 4,406	2.76%	$ 19,126	5.61%	$ 503	7.16%	$
State and municipal	$ 761	4.74%	$ 8,712	4.55%	$ 4,907	5.01%	$
Corporate and other obligations	$ 1,004	4.26%	$ --	--	$ --	--	$
Marketable equity securities2	$ --	--	$ --	--	$ --	--	$
Total	$ 46,204		$200,018		$ 8,639		$
		3.91%		4.05%		4.80%	
Securities held-to-maturity:							
Federal agencies	$ --	--	$ 565	2.63%	$ 4,300	4.58%	$
Mortgage-backed securities1	$ 18,590	2.17%	$ 17,012	3.36%	$ 88	5.38%	$
State and municipal	$ 10,840	3.62%	$ 29,705	3.98%	$ 3,050	4.84%	$
Total	$ 29,430		$ 47,282		$ 7,438		$
		2.70%		3.74%		4.70%	
Non-marketable equity securities2:							
FHLB and FRB stock	$ --	--	$ --	--	$ --	--	$
Other equity investments	$ --	--	$ --	--	$ --	--	$
Total	$ --	--	$ --	--	$ --	--	$

Loans

The following tables present the amounts and percentages of loans at March 31, 2003 and December 31, 2002 according to the categories of commercial, financial and agricultural; real estate; and installment and consumer loans.

	Amount of Loans Outstanding (dollars in thousands)			
	March 31, 2003		December 31, 2002	
	Amount	Percentage	Amount	Percentage
Commercial, financial and agricultural	$224,021	34.78%	$234,045	34.75%
Real estate	333,192	51.73%	343,827	51.06%
Installment and consumer1	86,831	13.49%	95,529	14.19%
Total loans	$644,044	100.00%	$673,401	100.00%

1 Net of unearned discount

The balance of loans outstanding as of March 31, 2003 by maturity is shown in the following table:

	Maturity of Loans Outstanding (dollars in thousands)			
	March 31, 2003			
	1 year or less	1 to 5 years	Over 5 years	Total
Commercial, financial and agricultural	$116,650	$ 85,966	$ 21,405	$ 224,021
Real estate	54,969	138,709	139,514	333,192
Installment and consumer1	30,491	48,908	7,432	86,831
Total	$202,110	$273,583	$168,351	$644,044
Percentage of total loans outstanding	31.38%	42.48%	26.14%	100.00%

Capital

Total shareholders' equity increased $2.662 million from December 31, 2002 to March 31, 2003. Treasury stock transactions were $0.650 million, primarily due to stock option exercises. The change in shareholders' equity is summarized as follows:

Shareholders' Equity (in thousands)	
Shareholders' equity, December 31, 2002	$ 134,470
Net income	4,298
Treasury stock transactions, net	650
Stock appreciation rights	3
Cash dividends declared	(1,575)
Other comprehensive income	(714)
Shareholders' equity, March 31, 2003	$ 137,132

On March 18, 2003, the Board of Directors of the Company declared a quarterly cash dividend of $0.15 per share of the Company's common stock. The dividend of $1.575 million was paid on April 25, 2003 to holders of record on April 7, 2003.

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

Quantitative measures established by regulation to ensure capital adequacy require the Company and its subsidiary banks to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of March 31, 2003, that the Company and its subsidiary banks exceeded all capital adequacy requirements to which they are subject.

As of March 31, 2003, the most recent notifications from primary regulatory agencies categorized all the Company's subsidiary banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, banks must maintain minimum total capital to risk-weighted assets, Tier I capital to risk-weighted assets, and Tier I capital to average assets ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed any of the Company's subsidiary banks' categories.

The Company's and the Banks' actual capital amounts and ratios are presented in the following table (in thousands):

	Actual		For capital adequacy purposes:		To be well capitalized under prompt corrective action provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2003:						
Total capital (to risk-weighted assets)						
Consolidated	$142,010	18.9%	$60,207	8.0%	N/A	
BankIllinois	$ 74,222	15.9%	$37,272	8.0%	$46,591	10.0%
First National Bank of Decatur	$ 48,088	17.5%	$21,935	8.0%	$27,419	10.0%
Tier I capital (to risk-weighted assets)						
Consolidated	$132,600	17.6%	$30,103	4.0%	N/A	
BankIllinois	$ 68,327	14.7%	$18,636	4.0%	$27,954	6.0%
First National Bank of Decatur	$ 44,656	16.3%	$10,967	4.0%	$16,451	6.0%
Tier I capital (to average assets)						
Consolidated	$132,600	12.0%	$44,165	4.0%	N/A	
BankIllinois	$ 68,327	10.2%	$26,848	4.0%	$33,561	5.0%
First National Bank of Decatur	$ 44,656	10.4%	$17,129	4.0%	$21,411	5.0%

Interest Rate Sensitivity

The concept of interest rate sensitivity attempts to gauge exposure of the Company's net interest income to adverse changes in market driven interest rates by measuring the amount of interest-sensitive assets and interest-sensitive liabilities maturing or subject to repricing within a specified time period. Liquidity represents the ability of the Company to meet the day-to-day demands of deposit customers balanced by its investments of these deposits. The Company must also be prepared to fulfill the needs of credit customers for loans with various types of maturities and other financing arrangements. The Company monitors its interest rate sensitivity and liquidity through the use of static gap reports which measure the difference between assets and liabilities maturing or repricing within specified time periods as well as financial forecasting/budgeting/reporting software packages.

The following table presents the Company's interest rate sensitivity at various intervals at March 31, 2003:

	Rate Sensitivity of Earning Assets and Intere (dollars in thousands)			
	1-30 Days	31-90 Days	91-180 Days	181-365 Days
Interest earning assets:				
Federal funds sold and interest bearing deposits	$ 30,971	$ --	$ --	$ --
Debt and equity securities 1	31,994	29,406	16,350	37,315
Loans 2	203,074	21,525	36,212	54,550
Total earning assets	$ 266,039	$ 50,931	$ 52,562	$ 91,865
Interest bearing liabilities:				
Savings and interest bearing demand deposits	$ 42,471	$ 1,454	$ 2,181	$ 4,362
Money market savings deposits	143,918	--	--	--
Time deposits	28,746	38,443	55,656	101,629
Federal funds purchased, repurchase agreements, and notes payable	91,283	525	2,250	190
FHLB advances and other borrowings	5,000	10,000	--	115
Total interest bearing liabilities	$ 311,418	$ 50,422	$ 60,087	$ 106,296
Net asset (liability) funding gap	(45,379)	509	(7,525)	(14,431)
Repricing gap	0.85	1.01	0.87	0.86
Cumulative repricing gap	0.85	0.88	0.88	0.87

Included in the 1-30 day category of savings and interest-bearing demand

deposits are non-core deposits plus a percentage, based upon industry-accepted assumptions and Company analysis, of the core deposits. "Core deposits" are the lowest average balance of the prior twelve months for each product type included in this category. "Non-core deposits" are the difference between the current balance and core deposits. The time frames include a percentage, based upon industry-accepted assumptions and Company analysis, of the core deposits, as follows:

	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 Year
Savings and interest-bearing demand deposits	0.45%	0.85%	1.25%	2.45%	95.00%

At March 31, 2003, the Company was liability-sensitive due to the levels of savings and interest bearing demand deposits, short-term time deposits, and short-term borrowings. As such, the effect of a decrease in the interest rate for all interest earning assets and interest bearing liabilities of 100 basis points would increase annualized net interest income by approximately $454,000 in the 1-30 days category and $449,000 in the 1-90 days category assuming no management intervention. An increase in interest rates would have the opposite effect for the same time periods. The Company's Asset and Liability Management Policy states that the cumulative ratio of rate-sensitive assets ("RSA") to rate-sensitive liabilities ("RSL") for the 12-month period should fall within the range of 0.75-1.25. As of March 31, 2003, the Company's RSA/RSL was 0.87, which was within the established guidelines.

In addition to managing interest rate sensitivity and liquidity through the use of gap reports, the Company has provided for emergency liquidity situations with informal agreements with correspondent banks which permit the Company to borrow federal funds on an unsecured basis. Additionally, the Company can borrow approximately $48.421 million from the Federal Home Loan Bank on a secured basis.

The Company uses financial forecasting/budgeting/reporting software packages to perform interest rate sensitivity analysis for all product categories. The Company's primary focus of its analysis is on the effect of interest rate increases and decreases on net interest income. Management believes that this analysis reflects the potential effects on current earnings of interest rate changes. Call criteria and prepayment assumptions are taken into consideration for investments in debt and equity securities. All of the Company's financial instruments are analyzed by a software database which includes each of the different product categories which are tied to key rates such as prime, Treasury Bills, or the federal funds rate. The relationships of each of the different products to the key rate that the product is tied to is proportional. The software reprices the products based on current offering rates. The software performs interest rate sensitivity analysis by performing rate shocks of plus or minus 200 basis points in 100 basis point increments.

The following table shows projected results at March 31, 2003 and December 31, 2002 of the impact on net interest income from an immediate change in interest rates. The results are shown as a percentage change in net interest income over the next twelve months.

	Basis Point Change			
	+200	+100	-100	-200

March 31, 2003	8.0%	4.0%	(4.1%)	(8.3%)
December 31, 2002	7.6%	3.8%	(3.9%)	(7.8%)

The foregoing computations are based on numerous assumptions, including relative levels of market interest rates, prepayments and deposit mix. The computed estimates should not be relied upon as a projection of actual results. Despite the limitations on preciseness inherent in these computations, management believes that the information provided is reasonably indicative of the effect of changes in interest rate levels on the net earning capacity of the Company's current mix of interest earning assets and interest bearing liabilities. Management continues to use the results of these computations, along with the results of its computer model projections, in order to enhance earnings potential while positioning the Company to minimize the effect of a prolonged shift in interest rates that would adversely affect future results of operations.

At the present time, the most significant market risk affecting the Company is interest rate risk. Other market risks such as foreign currency exchange risk and commodity price risk do not occur in the normal business of the Company. The Company also is not currently using trading activities or derivative instruments to control interest rate risk.

Liquidity and Cash Flows

The Company was able to meet liquidity needs during the first three months of 2003. A review of the consolidated statements of cash flows included in the accompanying financial statements shows that the Company's cash and cash equivalents decreased $13.332 million from December 31, 2002 to March 31, 2003. This decrease came from cash used in investing and financing activities offset somewhat by cash provided by operating activities.

There were differences in the sources and uses of cash during the first three months of 2003 compared to the first three months of 2002. Cash was used in investing activities during 2003 compared to cash provided by investing activities during 2002. During the first three months of 2003, net cash used in investing activities involving the Company's investment portfolio was $38.661 million compared to cash provided during the first three months of 2002 of $10.972 million. During the first three months of 2003, the Company's investment portfolio grew versus the first three months of 2002 when the Company's investment portfolio was reduced. The size of the Company's investment portfolio varies in response to volume of loans and deposits as well as investment opportunities. Somewhat offsetting this difference was more cash provided by loans during the first three months of 2003 compared to the same period of 2002 due to a larger decrease in net loans. Less cash was used in financing activities during the first three months of 2003 compared to the first three months of 2002. This was mainly due to changes in deposit and federal funds purchased, repurchase agreements, and notes payable volumes. There was a larger decrease in deposits during the first three months of 2002 compared to the same period of 2003. The decrease in 2002 included the maturity of a large short-term time deposit. Also, during the first three months of 2003, cash was provided by an increase in federal funds purchased, repurchase agreements, and notes payable compared to cash used by a decrease during the same period of 2002. Less cash was provided by operating activities during the first three months of 2003 compared to the same period of 2002, primarily from net loans originated for sale. Proceeds from sales were higher than originated loans during the first three months of 2002, whereas during the first three months of 2003, proceeds and originations were fairly equal.

Critical Accounting Policies

The preparation of financial statements in conformity with accounting standards generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the related disclosures of contingent assets and liabilities. Actual results could differ from those estimates under different assumptions and conditions. The Company believes that it has one critical accounting policy, allowance for loan losses, that is subject to estimates and judgements used in the preparation of its consolidated financial statements.

Provision and Allowance for Loan Losses

The provision for loan losses is based on management's evaluation of the loan portfolio in light of national and local economic conditions, changes in the composition and volume of the loan portfolio, changes in the volume of past due and nonaccrual loans, and other relevant factors. The allowance for loan losses, which is reported as a deduction from loans, is available for loan charge-offs. The allowance is increased by the provision charged to expense and is reduced by loan charge-offs net of loan recoveries. The allowance is allocated between the commercial, residential real estate and consumer loan portfolios according to the historical losses experienced in each of these portfolios as well as the current level of watch list loans and nonperforming loans for each portfolio. Loans for which borrower cash flow and the estimated liquidation value of collateral are inadequate to repay the total outstanding balance are evaluated separately and assigned a specific allocation. The unallocated portion of the allowance is determined by economic conditions and other factors mentioned above. The balance of the allowance for loan losses was $9.622 million at March 31, 2003 compared to $9.259 million at December 31, 2002, as net recoveries were $33,000 and provisions totaled $330,000 during the first three months of 2003. The allowance for loan losses as a percentage of gross loans, including loans held-for-sale, was 1.48% at March 31, 2003, compared to 1.37% at December 31, 2002. Gross loans, including loans held-for-sale, decreased 4.2% to $648.130 million at March 31, 2003 from $676.373 million at December 31, 2002.

The allowance for loan losses as a percentage of nonperforming loans was 459.3% at March 31, 2003 compared to 416.9% at December 31, 2002. Nonperforming loans decreased from $2.221 million at December 31, 2002 to $2.095 million at March 31, 2003. The $126,000 decrease in nonperforming loans during the first three months resulted from a $349,000 decrease in loans past due 90 days or more, offset somewhat by a $223,000 increase in nonaccrual loans. The increase in nonaccruals consisted primarily of consumer loans as a result of a more aggressive approach toward placing 90-day consumer loan delinquencies on nonaccrual status. Management believes that nonperforming and potential problem loans are appropriately identified and monitored based on the extensive loan analysis performed by the credit administration department, the internal loan committees and the board of directors. Historically, there have not been a significant amount of loans charged off which had not been previously identified as problem loans by the credit administration department or the loan committees.

The following table summarizes changes in the allowance for loan losses by loan categories for each period and additions to the allowance for loan losses which have been charged to operations.

Allowance for Loan Losses
(dollars in thousands)

March 31,

	2003	2002
Allowance for loan losses at beginning of year	$ 9,259	$ 9,259
Charge-offs during period:		
Commercial, financial and agricultural	$ --	$ (16)
Real estate	(9)	--
Installment and consumer	(115)	(278)
Total	$ (124)	$ (294)
Recoveries of loans previously charged off:		
Commercial, financial and agricultural	$ 95	$ 88
Residential real estate	11	24
Installment and consumer	51	50
Total	$ 157	$ 162
Net (charge-offs) recoveries	$ 33	$ (132)
Provision for loan losses	330	330
Allowance for loan losses at end of quarter	$ 9,622	$ 9,457
Ratio of net (charge-offs) recoveries to average net loans	0.01%	(0.02)%

The following table shows the allocation of the allowance for loan losses allocated to each category.

Allocation of the Allowance for Loan Losses
(in thousands)

	March 31, 2003	December 31, 2002
Allocated:		
Commercial, financial and agricultural	$5,467	$5,732
Residential real estate	218	345
Installment and consumer	1,688	1,763
Total allocated allowance	$7,373	$7,840
Unallocated allowances	2,249	1,419
Total	9,622	9,259

The following table presents the aggregate amount of loans considered to be nonperforming for the periods indicated. Nonperforming loans include loans accounted for on a nonaccrual basis, accruing loans contractually past due 90 days or more as to interest or principal payments and loans which are troubled debt restructurings as defined in Statement of Financial Accounting Standards No. 15, "Accounting by Debtors and Creditors for Troubled Debt Restructurings."

Nonperforming Loans (dollars in thousands)

March 31, 2003	December 31, 2002

Nonaccrual loans1	$1,615	$1,392
Loans past due 90 days or more	$ 480	$ 829
Renegotiated loans	$ 20	$ 20

1 Includes $0.945 million at March 31, 2003 and $0.628 million at December 31, 2002 of real estate and consumer loans which management does not consider impaired as defined by the Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS 114).

17

Other Nonperforming Assets (dollars in thousands)

	March 31, 2003	December 31, 2002
Other real estate owned	$ 60	$ 58
Nonperforming other assets	$184	$ 94

Results of Operations

Results of Operations For the Three Months Ended March 31, 2003

Net income for the first three months of 2003 was $4.298 million, a $112,000, or 2.5%, decrease from $4.410 million for the same period in 2002. Basic and diluted earnings per share increased $0.01, or 2.5%, to $0.41 per share in the first quarter of 2003 from $0.40 per share in the first quarter of 2002 due, in part, to 5.1% fewer average diluted shares outstanding after completion of the June 2002 tender offer.

18

The following schedule "Consolidated Average Balance Sheet and Interest Rates" provides details of average balances, interest income or interest expense, and the average rates for the Company's major asset and liability categories.

Consolidated Average Balance Sheet and Interest Rates
(dollars in thousands)

	Three Months Ended March 31,				
	2003				
	Average Balance	Interest	Rate	Average Balance	I
Assets					
Taxable investment securities1	$ 275,639	$ 2,823	4.15%	$ 273,909	$
Tax-exempt investment securities1 (TE) .	56,876	903	6.44%	55,487	
Federal funds sold and interest bearing deposits2	32,105	102	1.29%	20,539	
Loans3,4 (TE)	658,378	11,058	6.81%	673,475	

Total interest earning assets and interest income (TE)	$1,022,998	$ 14,886	5.90%	$1,023,410	$
Cash and due from banks	$ 49,495			$ 48,993	
Premises and equipment	18,203			19,136	
Other assets	16,960			18,650	
Total assets	$1,107,656			$1,110,189	
Liabilities and Shareholders' Equity					
Interest bearing demand deposits	$ 82,942	$ 169	0.83%	$ 106,084	$
Savings	278,185	711	1.04%	251,182	
Time deposits	337,391	2,993	3.60%	338,388	
Federal funds purchased, repurchase agreements, and notes payable	85,878	267	1.26%	72,304	
FHLB advances and other borrowings	27,793	380	5.54%	35,268	
Total interest bearing liabilities and interest expense	$ 812,189	$ 4,520	2.26%	$ 803,226	$
Noninterest bearing demand deposits	$ 89,858			$ 105,026	
Noninterest bearing savings deposits ...	60,151			51,961	
Other liabilities	9,716			9,744	
Total liabilities	$ 971,914			$ 969,957	
Shareholders' equity	135,742			140,232	
Total liabilities and shareholders' equity	$1,107,656			$1,110,189	
Interest spread (average rate earned minus average rate paid) (TE)			3.64%		
Net interest income (TE)		$ 10,366			$
Net yield on interest earnings assets (TE)			4.11%		

Net interest income, the most significant component of the Company's earnings, is the difference between interest received or accrued on the Company's earning assets - primarily loans and investments - and interest paid or accrued on deposits and borrowings. In order to compare the interest generated from different types of earning assets, the interest income on certain tax-exempt investment securities and loans is increased for analysis purposes to reflect the income tax savings provided by these tax-exempt assets. The adjustment to interest income for tax-exempt investment securities and loans was calculated based on the federal income tax statutory rate of 35% in 2003 and 34% in 2002. The following table presents, on a tax equivalent (TE) basis, an analysis of changes in net interest income resulting from changes in average volumes of earning assets and interest bearing liabilities and average rates earned and paid. The change in interest due to the combined rate/volume variance has been

allocated to rate and volume changes in proportion to the absolute dollar amounts of change in each.

Analysis of Volume and Rate Changes
(in thousands)

	Three Months Ended March 31, 2003		
	Increase (Decrease) from Previous Year	Due to Volume	Due to Rate
Interest Income			
Taxable investment securities	$ (502)	$ 144	$ (646)
Tax-exempt investment securities (TE)	(6)	99	(105)
Federal funds sold and interest earning deposits	7	160	(153)
Loans (TE)	(1,133)	(268)	(865)
Total interest income (TE)	$(1,634)	$ 135	$(1,769)
Interest Expense			
Interest bearing demand and savings deposits ...	$ (391)	$ 95	$ (486)
Time deposits	(743)	(11)	(732)
Federal funds purchased, repurchase agreements and notes payable	(59)	287	(346)
FHLB advances and other borrowings	(114)	(102)	(12)
Total interest expense	$(1,307)	$ 269	$(1,576)
Net Interest Income (TE)	$ (327)	$ (134)	$ (193)

Net interest income on a tax equivalent basis was $327,000, or 3.1%, lower for the first three months of 2003 compared to 2002. Total tax-equivalent interest income was $1.634 million, or 9.9%, lower in 2003 compared to 2002, and interest expense decreased $1.307 million, or 22.4%. The decrease in tax-equivalent interest income was mainly due to lower rates, offset slightly by an increase in average balances. The decrease in interest expense was due to lower rates offset somewhat by an increase in average balances.

The decrease in total tax-equivalent interest income was due to a decrease in interest income from loans and taxable investment securities. The decrease in interest income from loans was due to lower rates and lower average balances. The decrease in interest income from taxable investment securities was due to lower rates offset somewhat by an increase in average balances.

The decrease in total interest expense was due to decreases in interest expense from all categories of interest bearing liabilities. Interest expense on time deposits decreased primarily due to lower rates and interest expense on FHLB advances and other borrowings decreased primarily due to lower average balances. Interest expense on interest bearing demand and savings deposits and federal funds purchased, repurchase agreements and notes payable decreased primarily due to lower rates, offset somewhat by an increase in average balances.

The provision for loan losses recorded was $330,000 during the first three months of both 2003 and 2002. The provision during both periods was based on management's analysis of the loan portfolio, as discussed in the provision for loan losses section above.

Total non-interest income increased $83,000, or 1.7%, during the first three months of 2003 compared to the first three months of 2002. Included in this increase was an increase of $325,000, or 148.4%, in gains on sales of mortgage loans held-for-sale during the first three months of 2003 compared to the same period in 2002. This increase reflected a $23.249 million, or 86.7%, increase in funded mortgage loans held-for-sale during the first quarter of 2003 compared to the first quarter of 2002. This increase was reflective of lower mortgage interest rates during the first three months of 2003 compared to the same period in 2002. Service charges on deposit accounts increased $26,000, or 4.7%, during the first three months of 2003 compared to the same period in 2002. Other non-interest income increased $19,000, or 3.7%, and trust and brokerage fees increased $9,000, or 0.6%, in the first quarter of 2003 compared to the first quarter of 2002. Somewhat offsetting these increases was a decrease of $183,000, or 9.4%, in remittance processing income in the first three months of 2003 compared to the same period in 2002. This was due to a significant reduction of volume at the Company's remittance processing subsidiary, FirsTech, associated with the donations processed for a charitable organization as well as a gradual volume reduction in electronic payments processed for a large telecommunications company since 2002 as a result of their conversion to an internal processing platform. Income from securities transactions decreased $113,000, or 161.4%, in the first quarter of 2003 compared to the first quarter of 2002. This decrease included recognition of loss on non-marketable equity securities, offset somewhat by a gain on the sale of one available-for-sale government agency security.

Total non-interest expense decreased $133,000, or 1.6%, during the first three months of 2003 compared to the same period in 2002. Of this decrease, salaries and employee benefits decreased $106,000, or 2.2%, during the first quarter of 2003 compared to the first quarter of 2002. Equipment expense decreased $39,000, or 5.7%, during the first three months of 2003 compared to the same period in 2002. Data processing expense decreased $34,000, or 6.0%, in the first quarter of 2003 compared to the first quarter of 2002. Salaries and benefits, equipment and data processing expense decreased largely due to efficiencies gained from restructuring and the merger of BankIllinois and First Trust Bank of Shelbyville in June 2002. Office supplies decreased $38,000, or 11.1%, in the first quarter of 2003 compared to the first quarter of 2002. This decrease was due, in part, to a $27,000 decrease at Firstech as a result of reduced volume with one large client, and favorable discounts from renegotiated supply contracts. Service charges from correspondent banks decreased $7,000, or 3.0%, in the first three months of 2003 compared to the same period in 2002. Somewhat offsetting these decreases was an increase in occupancy expense of $71,000, or 12.9%, during the first quarter of 2003 compared to the first quarter of 2002. This was primarily due to increases in snow and ice removal related expenses and utilities due to the harsher winter in the first quarter of 2003 compared to the same period in 2002. Other non-interest expense increased $20,000, or 1.9%, during the first three months of 2003 compared to the same period in 2002.

Income tax expense decreased $6,000, or 0.3%, during the first three months of 2003 compared to the first three months of 2002. The effective tax rate increased to 33.8% during the first quarter of 2003 from 33.2% during the first quarter of 2002.

Business Segment Information

The Company currently operates in two industry segments. The primary business involves providing banking services to central Illinois. The Banks offer a full range of financial services to business and individual customers. These services include demand, savings, time and individual retirement accounts; commercial, consumer (including automobile loans and personal lines of credit), agricultural, and real estate lending; safe deposit and night depository services; farm management; full service trust departments that offer a wide range of services such as investment management, acting as trustee, serving as guardian, executor or agent and miscellaneous consulting; discount brokerage services and purchases of installment obligations from retailers, primarily without recourse. The other industry segment involves retail payment processing. FirsTech provides the following services to electric, water and gas utilities, telecommunication companies, cable television firms and charitable organizations: retail lockbox processing of payments delivered by mail on behalf of the biller; processing of payments delivered by customers to pay agents such as grocery stores, convenience stores and currency exchanges; and concentration of payments delivered by the Automated Clearing House network, money management software such as Quicken and through networks such as Visa e-Pay and MasterCard RPS.

Company information is provided for informational purposes only, since it is not considered a separate segment for reporting purposes. Effective January 1, 2003, certain administrative, audit, compliance, accounting, finance, property management, human resources, courier, information systems and other support services previously included in the budgets of the Banks were moved to the Company. During this process, approximately 80 full time equivalent employees were moved from the Banks to the Company. The net expenses of these functions are now allocated to the subsidiaries by charging a monthly management fee.

	Banking Services	Remittance Services	Company	Eliminations	Total
March 31, 2003					
Total interest income	$ 14,416	$ 18	$ 155	$ (23)	$ 14,566
Total interest expense	4,543	--	--	(23)	4,520
Provision for loan losses ...	330	--	--	--	330
Total non-interest income ...	3,226	1,787	1,101	(1,278)	4,836
Total non-interest expense ..	6,641	1,251	1,450	(1,278)	8,064
Income before income tax	6,128	554	(194)	--	6,488
Income tax expense	2,038	222	(70)	--	2,190
Net income	4,090	332	(124)	--	4,298
Total assets	1,103,743	7,101	140,933	(133,767)	1,118,010
Depreciation and amortization	449	100	97	--	646
March 31, 2002					
Total interest income	$ 16,194	$ 24	$ 43 24	$ (54)	$ 16,207
Total interest expense	5,881	--	--	(54)	5,827
Provision for loan losses ...	330	--	--	--	330
Total non-interest income ...	2,909	1,980	27	(163)	4,753
Total non-interest expense ..	6,865	1,331	164	(163)	8,197
Income before income tax	6,027	673	(94)	--	6,606
Income tax expense	1,965	269	(38)	--	2,196
Net income	4,062	404	(56)	--	4,410
Total assets	1,095,135	7,790	142,862	(139,520)	1,106,267
Depreciation and amortization	526	126	8	--	660

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

This document (including information incorporated by reference) contains, and future oral and written statements of the Company and its management may contain, forward-looking statements, within the meaning of such term in the Private Securities Litigation Reform Act of 1995, with respect to the financial condition, results of operations, plans, objectives, future performance and business of the Company. Forward-looking statements, which may be based upon beliefs, expectations and assumptions of the Company's management and on information currently available to management, are generally identifiable by the use of words such as "believe", "expect", "anticipate", "plan", "intend", "estimate", "may", "will", "would", "could", "should", or other similar expressions. Additionally, all statements in this document, including forward-looking statements, speak only as of the date they are made, and the Company undertakes no obligation to update any statement in light of new information or future events.

The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Factors which could have a material adverse effect on the operations and future prospects of the Company and its subsidiaries include, but are not limited to, the following:

- The strength of the United States economy in general and the strength of the local economies in which the Company conducts its operations which may be less favorable then expected and may result in, among other things, a deterioration in the credit quality and value of the Company's assets.

- The economic impact of past and any future terrorist attacks, acts of war or threats thereof, and the response of the United States to any such threats and attacks.

- The effects of, and changes in, federal, state and local laws, regulations and policies affecting banking, securities, insurance and monetary and financial matters.

- The effects of changes in interest rates (including the effects of changes in the rate of prepayments of the Company's assets) and the policies of the Board of Governors of the Federal Reserve System.

22

- The ability of the Company to compete with other financial institutions as effectively as the Company currently intends due to increases in competitive pressures in the financial services sector.

- The inability of the Company to obtain new customers and to retain existing customers.

- The timely development and acceptance of products and services, including products and services offered through alternative delivery channels such as the Internet.

- Technological changes implemented by the Company and by other parties, including third party vendors, which may be more difficult or more expensive than anticipated or which may have unforeseen consequences to the Company and its customers.

- The ability of the Company to develop and maintain secure and reliable electronic systems.

- The ability of the Company to retain key executives and employees and the

difficulty that the Company may experience in replacing key executives and employees in an effective manner.

- Consumer spending and saving habits which may change in a manner that affects the Company's business adversely.

- Business combinations and the integration of acquired businesses which may be more difficult or expensive than expected.

- The costs, effects and outcomes of existing or future litigation.

- Changes in accounting policies and practices, as may be adopted by state and federal regulatory agencies and the Financial Accounting Standards Board.

- The ability of the Company to manage the risks associated with the foregoing as well as anticipated.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Additional information concerning the Company and its business, including other factors that could materially affect the Company's financial results, is included in the Company's filings with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

See the "Interest Rate Sensitivity" section above.

Item 4. Controls and Procedures

Based upon an evaluation within the 90 days prior to the filing date of this report, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's internal controls subsequent to the date of the evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings to which the Company or its subsidiaries is a party other than ordinary routine litigation incidental to their respective businesses.

Item 2. Changes in Securities and Use of Proceeds

None

Item 3. Defaults Upon Senior Securities

None

Item 4. Submission of Matters to a Vote of Security Holders

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

None

b. Reports

On April 25, 2003, Main Street Trust, Inc. file a report on Form 8-K pursant to Item 12 regarding the issuance of a letter to the shareholders and a press release announcing its earnings for the quarter ended March 31, 2003.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MAIN STREET TRUST, INC.

Date: May 6, 2003

By: /s/ David B. White

David B. White
Executive Vice President
and Chief Financial Officer

By: /s/ Van A. Dukeman

Van A. Dukeman
President and Chief Executive
Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Van A. Dukeman, Chief Executive Officer of the Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Main Street Trust, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such

statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

    a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within the 90 days prior to the filing date of this quarterly report (the "Evaluation Date");

    c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function);

    a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

    b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 6, 2003

/s/ Van A. Dukeman

Van A. Dukeman
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David B. White, Chief Financial Officer of the Company, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Main Street Trust, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in the Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

   a. designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within the 90 days prior to the filing date of this quarterly report (the "Evaluation Date");

   c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function);

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 6, 2003

/s/ David B. White

David B. White
Chief Financial Officer