MAIN STREET TRUST INC
Form 10-Q
May 07, 2004

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, 2004

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 4, 2004

Main Street Trust, Inc. Common Stock	9,476,003

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements.

MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
March 31, 2004 and December 31, 2003
(Unaudited, in thousands, except share data)

	March 31, 2004	December 31, 2003
ASSETS		
Cash and due from banks	$ 35,830	$ 45,899
Federal funds sold and interest bearing deposits	22,172	30,004
Cash and cash equivalents	58,002	75,903
Investments in debt and equity securities:		
Available-for-sale, at fair value	267,122	265,914
Held-to-maturity, at cost (fair value of $117,828 and $96,628 at March 31, 2004 and December 31, 2003, respectively)	116,651	97,056
Non-marketable equity securities	7,753	7,756
Total investments in debt and equity securities	391,526	370,726

	March 31, 2004	December 31, 2003
Loans, net of allowance for loan losses of $9,951 and $9,786 at March 31, 2004 and December 31, 2003, respectively	691,242	666,259
Mortgage loans held for sale	2,147	632
Premises and equipment	17,104	17,622
Accrued interest receivable	6,787	6,430
Other assets	15,794	16,602
Total assets	$1,182,602	$1,154,174
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	$ 160,214	$ 162,175
Interest bearing	750,007	736,297
Total deposits	910,221	898,472
Federal funds purchased, repurchase agreements and notes payable	116,152	102,998
Federal Home Loan Bank advances and other borrowings	29,939	29,980
Accrued interest payable	1,773	1,669
Other liabilities	9,746	9,605
Total liabilities	1,067,831	1,042,724
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	112	112
Paid in capital	55,199	55,271
Retained earnings	103,382	101,521
Accumulated other comprehensive income	2,545	1,941
	161,238	158,845
Less: treasury stock, at cost, 1,685,076 and 1,718,950 shares at March 31, 2004 and December 31, 2003, respectively	(46,467)	(47,395)
Total shareholders' equity	114,771	111,450
Total liabilities and shareholders' equity	$1,182,602	$1,154,174

See accompanying notes to unaudited consolidated financial statements.

MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Income
Forthe Three Months Ended March 31, 2004 and 2003
(Unaudited, in thousands, except share data)

	2004	2003

Interest income:		
Loans and fees on loans	$ 10,051	$ 11,054
Investments in debt and equity securities		
Taxable	2,714	2,823
Tax-exempt	503	587
Federal funds sold and interest bearing deposits	113	102
Total interest income	13,381	14,566
Interest expense:		
Deposits	3,202	3,873
Federal funds purchased, repurchase agreements and notes payable	281	267
Federal Home Loan Bank advances and other borrowings	399	380
Total interest expense	3,882	4,520
Net interest income	9,499	10,046
Provision for loan losses	330	330
Net interest income after provision for loan losses	9,169	9,716
Non-interest income:		
Remittance processing	1,892	1,766
Trust and brokerage fees	1,662	1,462
Service charges on deposit accounts	579	580
Securities transactions, net	8	(43)
Gain on sales of mortgage loans, net	203	544
Other	803	527
Total non-interest income	5,147	4,836
Non-interest expense:		
Salaries and employee benefits	4,708	4,649
Occupancy	645	623
Equipment	633	649
Data processing	532	529
Office supplies	305	303
Service charges from correspondent banks	225	229
Other	1,149	1,082
Total non-interest expense	8,197	8,064
Income before income taxes	6,119	6,488
Income taxes	2,176	2,190
Net income	$ 3,943	$ 4,298
Per share data:		
Basic earnings per share	$ 0.41	$ 0.41
Weighted average shares of common stock outstanding	9,509,487	10,479,172
Diluted earnings per share	$ 0.41	$ 0.41
Weighted average shares of common		

stock and dilutive potential common shares outstanding	9,630,341	10,582,223

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, 2004 and 2003
(Unaudited, in thousands)

	2004	2003
Net income	$ 3,943	$ 4,298
Other comprehensive income (loss), before tax:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during period, net of tax of $405 and ($493), for March 31, 2004 and 2003, respectively	609	(740)
Less: reclassification adjustment for gains (losses) included in net income, net of tax of ($3) and $17, for March 31, 2004 and 2003, respectively	(5)	26
Other comprehensive income (loss)	604	(714)
Comprehensive income	$ 4,547	$ 3,584

See accompanying notes to unaudited consolidated financial statements.

MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Three Months Ending March 31, 2004 and 2003
(Unaudited, in thousands)

	2004	2003
Cash flows from operating activities:		
Net income	$ 3,943	$ 4,298
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	648	646
Amortization of bond discounts and premiums, net	468	462
Provision for loan losses	330	330
Securities transactions, net	(8)	43
Federal Home Loan Bank stock dividend	(65)	(71)
Undistributed loss from non-marketable equity securities	67	--
Gain on sales of mortgage loans, net	(203)	(544)

(Gain) Loss on disposal of premises and equipment	(293)	2
Proceeds from sales of mortgage loans originated for sale	16,834	50,059
Mortgage loans originated for sale	(18,146)	(50,629)
Other, net	216	(434)
Net cash provided by operating activities	3,791	4,162
Cash flows from investing activities:		
Net (increase) decrease in loans	(25,313)	29,380
Proceeds from maturities and calls of investments in debt securities:		
Held-to-maturity	5,270	3,541
Available-for-sale	46,210	55,615
Proceeds from sales of investments:		
Available-for-sale	88	11,085
Purchases of investments in debt and equity securities:		
Held-to-maturity	(33,750)	(24,468)
Available-for-sale	(48,887)	(94,005)
Other equity securities	--	(330)
Principal paydowns from mortgage-backed securities:		
Held-to-maturity	8,707	3,154
Available-for-sale	2,106	6,632
Return of principal on other equity securities	--	115
Purchases of premises and equipment	(460)	(240)
Proceeds from sales of premises and equipment	623	1
Net cash used in investing activities	(45,406)	(9,520)
Cash flows from financing activities:		
Net increase (decrease) in deposits	11,749	(20,610)
Net increase in federal funds purchased, repurchase agreements, and notes payable	13,154	13,597
Payments on Federal Home Loan Bank and other borrowings	(41)	(41)
Cash dividends paid	(1,996)	(1,570)
MSTI stock transactions, net	848	650
Net cash provided by (used in) financing activities	23,714	(7,974)
Net decrease in cash and cash equivalents	(17,901)	(13,332)
Cash and cash equivalents at beginning of year	75,903	102,746
Cash and cash equivalents at end of period	$ 58,002	$ 89,414
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 3,778	$ 4,833
Income taxes	200	400
Real estate acquired through or in lieu of foreclosure	--	10
Dividends declared not paid	2,002	1,575

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, 2003, and schedules included in Main Street Trust, Inc.'s Form 10-K filed on March 12, 2004.

In the opinion of management, the consolidated financial statements of Main Street Trust, Inc. and its subsidiaries, as of March 31, 2004 and for the three-month periods ended March 31, 2004 and 2003, 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, 2004 are not necessarily indicative of the results which may be expected for the year ended December 31, 2004.

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 2003 consolidated financial statements have been reclassified to conform with the 2004 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 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 then outstanding, repurchased at a cost, including expenses, of $16.556 million. The Company completed a second tender offer on September 30, 2003 with 1,074,140 shares, representing approximately 10.2% of the total shares then outstanding, repurchased at a cost, including expenses, of approximately $32.395 million.

Note 3. Income per Share

Net income per common share has been computed as follows:

	Three Months Ended	
	March 31,	
	2004	2003
Net Income	$ 3,943,000	$ 4,298,000
Shares:		
Weighted average common shares outstanding	9,509,487	10,479,172
Dilutive effect of outstanding options, as determined by the application of the treasury stock method	120,854	103,051
Weighted average common shares oustanding, as adjusted	9,630,341	10,582,223
Basic earnings per share	$ 0.41	$ 0.41
Diluted earnings per share	$ 0.41	$ 0.41

Note 4. Stock Option Plans

The Company has established a stock incentive plan, which provides for the granting of options of the Company's common stock to certain directors, officers and employees. 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 (in thousands, except per share data 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,	
	2004	2003
Net income on common stock:		
As reported	$ 3,943	$ 4,298
Deduct total stock-based compensation expense determined under the fair value method for all awards, net of related tax effects	(95)	(45)
Pro forma	$ 3,848	$ 4,253
Basic earnings per share:		
As reported	$ 0.41	$ 0.41
Pro forma	0.40	0.41
Diluted earnings per share:		
As reported	$ 0.41	$ 0.41
Pro forma	0.40	0.40

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, 2004	March 31, 2003
Number of options granted	140,500	129,000
Risk-free interest rate	3.94%	3.64%
Expected life, in years	8.00	8.00
Expected volatility	15.95%	13.35%
Expected dividend yield	2.75%	2.42%

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, 2004 and 2003:

	March 31, 2004	March 31, 2003
Financial instruments whose contract amounts represent credit risk:		
Commitments	$ 251,729	$ 202,678
Standby letters of credit	18,419	8,640

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 $3.440 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, 2004 and 2003, 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 increased $28.428 million, or 2.5%, to $1.183 billion at March 31, 2004 compared to $1.154 billion at December 31, 2003. Increases in loans, investments in debt and equity securities, mortgage loans held for sale and accrued interest receivable were partially offset by decreases in cash and due from banks, federal funds sold and interest bearing deposits, premises and equipment, and other assets.

Cash and due from banks decreased $10.069 million, or 21.9% to $35.830 million at March 31, 2004 compared to $45.899 million at December 31, 2003, primarily due to a smaller dollar amount of deposit items in process of collection at March 31, 2004 compared to December 31, 2003.

Federal funds sold and interest bearing deposits decreased $7.832 million, or 26.1%, to $22.172 million at March 31, 2004 compared to $30.004 million at December 31, 2003. Federal funds sold and interest bearing deposits fluctuate with loan demand, deposit volume and investment opportunities.

Total investments in debt and equity securities increased $20.800 million, or 5.6%, to $391.526 million at March 31, 2004 compared to $370.726 million at December 31, 2003. This overall increase was primarily due to an increase in investments in securities held-to-maturity of $19.595 million, or 20.2%, and an increase in securities available-for-sale of $1.208 million, or 0.5%. Investments fluctuate with loan demand, deposit volume and investment opportunities.

Loans, net of allowance for loan losses, increased $24.983 million, or 3.7%, to $691.242 million at March 31, 2004 from $666.259 million at December 31, 2003. Commercial, financial and agricultural loans increased $25.766 million, or 10.3%, primarily as a result of the favorable rate environment, the Company's emphasis on business development and relative improvement in the economy in recent months. Real estate loans increased $1.205 million, or 0.3%. Installment and consumer loans decreased $1.823 million, or 2.4%, primarily due to competition from alternative funding sources available to consumers, such as special financing offered by the auto manufacturers' captive financing companies.

Mortgage loans held for sale increased $1.515 million, or 239.7%, to $2.147 million at March 31, 2004 compared to $632,000 at December 31, 2003. This increase was primarily due to a higher volume of loan originations in March 2004 compared to December 2003 as a result of a drop in interest rates in March 2004 and the timing of subsequent sales of those loans.

Premises and equipment decreased $518,000, or 2.9%, from $17.622 million at December 31, 2003 to $17.104 million at March 31, 2004. The decrease included depreciation and amortization expense of $648,000 and proceeds from sale of property of $623,000, offset somewhat by purchases of $460,000 and gain on disposal of property of $293,000.

Total liabilities increased $25.107 million, or 2.4%, to $1.068 billion at March 31, 2004 from $1.043 billion at December 31, 2003. Increases in total deposits, federal funds purchased, repurchase agreements and notes payable, accrued interest payable and other liabilities were somewhat offset by a decrease in Federal Home Loan Bank advances and other borrowings.

Total deposits increased $11.749 million, or 1.3%, to $910.221 million at March 31, 2004 from $898.472 million at December 31, 2003. Interest bearing deposits increased $13.710 million, or 1.9%, and were somewhat offset by a decrease of $1.961 million, or 1.2%, in non-interest bearing deposits.

Federal funds purchased, repurchase agreements and notes payable increased $13.154 million, or 12.8%, to $116.152 million at March 31, 2004 compared to $102.998 million at December 31, 2003. Included in this change were increases of $11.604 million in repurchase agreements and $1.550 million in federal funds purchased.

Federal Home Loan Bank advances and other borrowings decreased $41,000, or 0.1%, to $29.939 million at March 31, 2004 compared to $29.980 million at December 31, 2003.

Investment Securities

The carrying value of investments in debt and equity securities was as follows for March 31, 2004 and December 31, 2003:

Carrying Value of Securities
(in thousands)

	March 31, 2004	December 31, 2003
Available-for-sale:		
Federal agencies	$ 222,760	$220,199
Mortgage-backed securities	21,290	23,007
State and municipal	17,394	17,317
Marketable equity securities	5,678	5,391
Total available-for-sale	$ 267,122	$265,914
Held-to-maturity:		
Federal agencies	$ 36,378	$ 10,704
Mortgage-backed securities	46,854	50,029
State and municipal	33,419	36,323
Total held-to-maturity	$ 116,651	$ 97,056
Non-marketable equity securities:		
FHLB and FRB stock1	$ 4,324	$ 4,259
Other equity investments	3,429	3,497

Total non-marketable equity securities	$ 7,753	$ 7,756
Total investment securities	$ 391,526	$370,726

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, 2004. All securities are shown at their contractual maturity.

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

	March 31, 2004							
	1 year or less		1 to 5 years		5 to 10 years		Over 10 years	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	R
Securities available-for-sale:								
Federal agencies	$65,608	4.35%	$156,152	3.14%	$1,000	2.61%	$ --	
Mortgage-backed securities1	$ 575	4.58%	$ 20,547	4.91%	$ 134	6.69%	$ 34	3
State and municipal	$ 2,867	2.94%	$ 9,106	4.34%	$4,296	5.02%	$1,125	5
Marketable equity securities2	$ --	--	$ --	--	$ --	--	$ --	
Total	$69,050		$185,805		$5,430		$1,159	
Average Yield		4.29%		3.39%		4.62%		5
Securities held-to-maturity:								
Federal agencies	$ 1,226	2.04%	$ 31,627	2.86%	$3,525	4.08%	$ --	
Mortgage-backed securities1	$30,731	1.81%	$ 15,914	3.79%	$ 103	3.70%	$ 106	5
State and municipal	$11,959	3.87%	$ 20,074	4.06%	$ 881	4.69%	$ 505	5
Total	$43,916		$ 67,615		$4,509		$ 611	
Average Yield		2.38%		3.43%		4.19%		5
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, 2004 and December 31, 2003 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, 2004		December 31, 2003	
	Amount	Percentage	Amount	Percentage
Commercial, financial and agricultural	$275,561	39.30%	$249,795	36.95%
Real estate	350,202	49.94%	348,997	51.62%
Installment and consumer	75,430	10.76%	77,253	11.43%
Total loans	$701,193	100.00%	$676,045	100.00%

The balance of loans outstanding as of March 31, 2004 by maturity is shown in the following table:

Maturity of Loans Outstanding (dollars in thousands)

	March 31, 2004			
	1 year or less	1 to 5 years	Over 5 years	Total
Commercial, financial and agricultural	$173,956	$84,763	$16,842	$275,561
Real estate	60,849	172,560	116,793	350,202
Installment and consumer1	25,571	39,902	9,957	75,430
Total	$260,376	$297,225	$143,592	$701,193
Percentage of total loans outstanding	37.13%	42.39%	20.48%	100.00%

1 Net of unearned discount

Capital

Total shareholders' equity increased $3.321 million from December 31, 2003 to March 31, 2004. Treasury stock transactions were $848,000, primarily due to stock option exercises. The change in shareholders' equity is summarized as follows:

Shareholders' Equity (in thousands)

Shareholders' equity, December 31, 2003	$111,450
Net income	3,943
Treasury stock transactions, net	848
Stock appreciation rights	(72)
Cash dividends declared	(2,002)

Other comprehensive income	604
Shareholders' equity, March 31, 2004	$114,771

On March 16, 2004, the Board of Directors of the Company declared a quarterly cash dividend of $0.21 per share of the Company's common stock. The dividend of $2.002 million was paid on April 23, 2004 to holders of record on April 9, 2004.

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, 2004, that the Company and its subsidiary banks exceeded all capital adequacy requirements to which they are subject.

As of March 31, 2004, the most recent notifications from primary regulatory agencies categorized both of 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 prompt purposes:		To be well capitalized under corrective action provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2004:						
Total capital (to risk-weighted assets)						
Consolidated	$121,809	14.3%	$67,939	8.0%	N/A	
BankIllinois	$ 61,105	11.6%	$42,273	8.0%	$52,842	10.0%
First National Bank of Decatur	$ 35,829	11.8%	$24,252	8.0%	$30,316	10.0%
Tier I capital (to risk-weighted assets)						
Consolidated	$111,739	13.2%	$33,969	4.0%	N/A	
BankIllinois	$ 54,968	10.4%	$21,137	4.0%	$31,705	6.0%
First National Bank						

of Decatur	$ 32,038	10.6%	$12,126	4.0%	$18,189	6.0%
Tier I capital (to average assets)						
Consolidated	$111,739	9.5%	$46,845	4.0%	N/A	
BankIllinois	$ 54,968	7.7%	$28,534	4.0%	$35,668	5.0%
First National Bank of Decatur	$ 32,038	7.2%	$17,692	4.0%	$22,115	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, 2004:

Rate Sensitivity of Earning Assets and Interest Bearing Liabilities
(dollars in thousands)

	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Over 1 year
Interest earning assets:					
Federal funds sold and interest bearing deposits	$ 22,172	$ --	$ --	$ --	$ -
Debt and equity securities 1	15,742	49,320	14,130	49,819	262,51
Loans 2	276,727	29,708	45,314	58,360	293,23
Total earning assets	$ 314,641	$79,028	$ 59,444	$ 108,179	$ 555,74
Interest bearing liabilities:					
Savings and interest bearing demand deposits	$ 45,869	$ 1,592	$ 2,388	$ 4,784	$ 181,63
Money market savings deposits	160,041	--	--	--	-
Time deposits	21,440	31,299	57,134	111,711	132,11
Federal funds purchased, repurchase agreements, and notes payable	113,397	422	1,665	83	58
FHLB advances and other borrowings	7,268	10,000	--	92	12,57
Total interest bearing liabilities	$ 348,015	$43,313	$ 61,187	$116,670	$ 326,91
Net asset (liability) funding gap	(33,374)	35,715	(1,743)	(8,491)	228,83

Repricing gap	0.90	1.82	0.97	0.93	1.7
Cumulative repricing gap	0.90	1.01	1.00	0.99	1.2

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, 2004, the Company was slightly liability-sensitive in the 1-30 days category and slightly asset-sensitive in the 1-90 day category. 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 $334,000 in the 1-30 days category, but decrease annualized net interest income by approximately $23,000 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, 2004, the Company's RSA/RSL was 0.99, 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 that permit the Company to borrow federal funds on an unsecured basis. Additionally, the Company has a $10 million unsecured line of credit with a correspondent bank, and can borrow approximately $54 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, 2004 and December 31, 2003 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, 2004	13.1%	6.5%	(6.5%)	(13.1%)
December 31, 2003	11.7%	5.9%	(5.9%)	(11.7%)

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 2004. 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 $17.901 million from December 31, 2003 to March 31, 2004.

In general, funds provided by customer deposits, federal funds purchased, repurchase agreements, and notes payable, and maturities, calls and paydowns of investment securities are used to fund loans and purchase investment securities. Available funds are used to fund demand for loans that meet the Company's credit quality guidelines, with the remaining funds used to purchase investment securities and/or federal funds sold.

The decrease in cash and cash equivalents came from cash used in investing offset somewhat by cash provided by financing and operating activities. There were differences in the sources and uses of cash during the first three months of 2004 compared to the first three months of 2003. More cash was used in investing activities during the first quarter of 2004 compared to the first quarter of 2003. Cash was used in the area of loans during the first quarter of 2004 compared to cash provided by loans during the first quarter of 2003. Net loans increased during the first three months of 2004 compared to a decrease during the same period in 2003. Somewhat offsetting this increase in cash used in the area of loans was a net decrease in cash used in investing activities involving the Company's investment portfolio, which was $20.256 million in the first quarter of 2004 compared to $38.661 million during the same period in 2003. Cash was provided by financing activities during the first three months of 2004 compared to cash used during the same period in 2003. This was mainly due to funds provided by an increase in deposits during the first three months of 2004 compared to funds used as a result of deposits decreasing during the same period in 2003. Slightly less cash was provided by operating activities during the first quarter of 2004 compared to the first quarter of 2003.

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, financial and agricultural, residential real estate and installment 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 $9.951 million at March 31, 2004 compared to $9.786 million at December 31, 2003, as net charge-offs were $165,000 and provisions totaled $330,000 during the first three months of 2004. The allowance for loan losses as a percentage of gross loans, including loans held-for-sale, was 1.41% at March 31, 2004, compared to 1.45% at December 31, 2003. Gross loans, including loans held-for-sale, increased 3.9% to $703.340 million at March 31, 2004 from $676.677 million at December 31, 2003.

One measure of the adequacy of the allowance for loan losses is the ratio of the allowance to nonperforming loans. The allowance for loan losses as a percentage of nonperforming loans was 391.2% at March 31, 2004 compared to 959.4% at December 31, 2003. Nonperforming loans increased from $1.020 million at December 31, 2003 to $2.544 million at March 31, 2004. The $1.524 million increase in nonperforming loans during the first three months of 2004 resulted from a $1.503 million increase in nonaccrual loans and an increase of $21,000 in loans past due 90 days or more. The increase in nonaccruals was primarily the result of the addition of one commercial loan in the amount of $1.435 million. As of March 31, 2004, a specific valuation allowance of $300,000 had been assigned to this loan, and the remaining balance was considered adequately collateralized. 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, 2004	March 31, 2003

Allowance for loan losses at beginning of year	$ 9,786	$ 9,259
Charge-offs during period:		
Commercial, financial and agricultural	$ --	$ --
Residential real estate	--	(9)
Installment and consumer	(265)	(115)
Total	$ (265)	$ (124)
Recoveries of loans previously charged off:		
Commercial, financial and agricultural	$ 53	$ 95
Residential real estate	--	11
Installment and consumer	47	51
Total	$ 100	$ 157
Net (charge-offs) recoveries	$ (165)	$ 33
Provision for loan losses	330	330
Allowance for loan losses at end of quarter	$ 9,951	$ 9,622
Ratio of net (charge-offs) recoveries to average net loans	(0.02%)	0.01%

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

Allocation of the Allowance for Loan Losses
(in thousands)

	March 31, 2004	December 31, 2003
Allocated:		
Commercial, financial and agricultural	$ 6,365	$ 5,973
Residential real estate	155	153
Installment and consumer	2,077	2,428
Total allocated allowance	$ 8,597	$ 8,554
Unallocated allowances	1,354	1,232
Total	9,951	9,786

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, 2004	December 31, 2003
Nonaccrual loans1	$ 1,902	$ 399
Loans past due 90 days or more	$ 642	$ 621

Restructured loans	$ 259	$ 18

1 Includes $322,000 at March 31, 2004 and $269,000 at December 31, 2003 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).

Other Nonperforming Assets (dollars in thousands)

	March 31, 2004	December 31, 2003
Other real estate owned	$ -	$ -
Nonperforming other assets	$ 198	$ 55

Results of Operations

Results of Operations For the Three Months Ended March 31, 2004

Net income for the first three months of 2004 was $3.943 million, a $355,000, or 8.3%, decrease from $4.298 million for the same period in 2003. Basic and diluted earnings per share remained stable at $0.41 per share in the first quarters of 2004 and 2003, primarily as a result of the Company utilizing approximately $32.4 million of its capital to repurchase 1,074,140 shares of Main Street Trust, Inc. common stock on September 30, 2003.

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,

	2004			2003	
	Average Balance	Interest	Rate	Average Balance	Interest
Assets					
Taxable investment securities1	$ 307,326	$ 2,714	3.55%	$ 275,639	$ 2,823
Tax-exempt investment securities1 (TE)	50,135	774	6.21%	56,876	903
Federal funds sold and interest bearing deposits2	40,568	113	1.12%	32,105	102
Loans3,4 (TE)	686,628	10,053	5.89%	658,378	11,058
Total interest earning assets and interest income (TE)	$1,084,657	$13,654	5.06%	$1,022,998	$14,886
Cash and due from banks	$ 47,782			$ 49,495	
Premises and equipment	17,518			18,203	

Other assets	21,242			16,960	
Total assets	$1,171,199			$1,107,656	
Liabilities and Shareholders' Equity					
Interest bearing demand deposits	$ 93,191	$ 151	0.65%	$ 82,942	$ 176
Savings	304,141	638	0.84%	278,185	704
Time deposits	347,281	2,413	2.79%	337,391	2,993
Federal funds purchased, repurchase agreements, and notes payable	107,838	281	1.05%	85,878	267
FHLB advances and other borrowings	29,966	399	5.36%	27,793	380
Total interest bearing liabilities and interest expense	$ 882,417	$ 3,882	1.77%	$ 812,189	$ 4,520
Noninterest bearing demand deposits	$ 99,744			$ 89,858	
Noninterest bearing savings deposits	66,153			60,151	
Other liabilities	9,824			9,716	
Total liabilities	$1,058,138			$ 971,914	
Shareholders' equity	113,061			135,742	
Total liabilities and shareholders' equity	$1,171,199			$1,107,656	
Interest spread (average rate earned minus average rate paid) (TE)			3.29%		
Net interest income (TE)		$ 9,772			$10,366
Net yield on interest earnings assets (TE)			3.62%		

Notes to Consolidated Average Balance Sheet and Interest Rate Tables:

1 Investments in debt securities are included at carrying value.

2 Federal funds sold and interest bearing deposits included approximately $20,000 and $14,000 in 2004 and 2003, respectively, of interest income from third party processing of cashier checks.

3 Loans are net of allowance for loan losses and include mortgage loans held for sale. Nonaccrual loans are included in the total.

4 Loan fees of approximately $296,000 and $498,000 in 2004 and 2003, respectively, were included in total loan income.

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%. 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, 2004			
	Increase (Decrease) from Previous Year	Due to Volume	Due to Rate
Interest Income			
Taxable investment securities	$ (109)	$ 1,420	$ (1,529)
Tax-exempt investment securities (TE)	(129)	(99)	(30)
Federal funds sold and interest earning deposits	11	80	(69)
Loans (TE)	(1,005)	2,681	(3,686)
Total interest income (TE)	$(1,232)	$ 4,082	$ (5,314)
Interest Expense			
Interest bearing demand and savings deposits	$ (91)	$ 439	$ (530)
Time deposits	(580)	562	(1,142)
Federal funds purchased, repurchase agreements and notes payable	14	229	(215)
FHLB advances and other borrowings	19	87	(68)
Total interest expense	$ (638)	$ 1,317	$ (1,955)
Net Interest Income (TE)	$ (594)	$ 2,765	$ (3,359)

Net interest income on a tax equivalent basis was $594,000, or 5.7%, lower for the first three months of 2004 compared to 2003. Total tax-equivalent interest income was $1.232 million, or 8.3%, lower in 2004 compared to 2003, and interest expense decreased $638,000, or 14.1%. The decrease in both tax-equivalent interest income and interest expense was mainly due to lower rates, offset somewhat by an increase in average balances.

The decrease in total tax-equivalent interest income was primarily due to decreases in interest income from loans and both taxable and tax-exempt investment securities. The decreases in interest income from loans and taxable investment securities were due to lower rates offset somewhat by higher average balances. The decrease in interest income from tax-exempt investment securities was due to lower rates and lower average balances.

The decrease in total interest expense was due to decreases in interest expense from interest bearing demand and savings deposits and time deposits, offset slightly by increases in federal funds purchased, repurchase agreements and

notes payable and FHLB advances and other borrowings. Interest expense on both interest bearing demand and savings deposits and time deposits decreased due to lower rates, offset somewhat by an increase in average balances. Interest expense on both federal funds purchased, repurchase agreements and notes payable and FHLB advances and other borrowings increased due to higher average balances, offset somewhat by lower rates.

The provision for loan losses recorded was $330,000 during the first three months of both 2004 and 2003. 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.

Noninterest Income and Expense
for the Three Months Ended
March 31, 2004 and 2003
(in thousands)

	03/31/2004	03/31/2003	$ change	% change
Noninterest income:				
Remittance processing 1	$ 1,892	$ 1,766	$ 126	7.13%
Trust and brokerage fees 2	1,662	1,462	200	13.68%
Service charges on deposit accounts	579	580	(1)	(0.17%)
Securities transactions, net	8	(43)	51	118.60%
Gain on sales of mortgage loans, net 3	203	544	(341)	(62.68%)
Other 4	803	527	276	52.37%
Total non-interest income	$ 5,147	$ 4,836	$ 311	6.43%
Noninterest Expense:				
Salaries and employee benefits	$ 4,708	$ 4,649	$ 59	1.27%
Occupancy	645	623	22	3.53%
Equipment	633	649	(16)	(2.47%)
Data processing	532	529	3	0.57%
Office supplies	305	303	2	0.66%
Service charges from correspondent banks	225	229	(4)	(1.75%)
Other	1,149	1,082	67	6.19%
Total non-interest expense	$ 8,197	$ 8,064	$ 133	1.65%

1 In August 2003, a new product, Internet Agent, was introduced for one new customer and, during the fourth quarter of 2003, three existing customers switched from mechanical processing to this product. Internet Agent income accounted for $401,000 of total remittance processing income in the first quarter of 2004. This increase was offset somewhat by decreases in mechanical collection, lockbox processing and electronic payment income. Emphasis has continued to be placed on new sales of, and conversion of existing customers to, Internet Agent processing, as it is a better product and more profitable compared to mechanical, lockbox and electronic processing.

2 The increase in trust and brokerage fees was mainly due to an increase in assets under management of approximately $166 million at March 31, 2004 compared to March 31, 2003 as a result of booking new assets and market appreciation.

3 The decrease in gains on sales of mortgage loans reflected a $33.225 million, or 66.4%, decrease in funded mortgage loans held-for sale, from $50.059 million in the first quarter of 2003 to $16.834 million in the first quarter of 2004. The volume of funded mortgage loans, which peaked in the third quarter of 2003, has decreased in both of the last two quarters, mainly due to a decline in demand for refinancing.

4 The increase in other non-interest income was due to a gain of $291,000 on the sale of two parking lots.

Income tax expense decreased $14,000, or 0.6%, during the first three months of 2004 compared to the same period in 2003. The effective tax rate increased to 35.6% during the first quarter of 2004 from 33.8% during the first quarter of 2003.

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. Certain administrative, audit, compliance, accounting, finance, property management, human resources, sales management and marketing, courier, information systems and other support services are performed by the Company. The net expenses of these functions are allocated to the subsidiaries by charging a monthly management fee.

	Banking Services	Remittance Services	Company	Eliminations
March 31, 2004				
Total interest income	$ 13,421	$ 4	$ (17)	$ (27)
Total interest expense	3,892	-	17	(27)
Provision for loan losses	330	-	-	-
Total non-interest income	3,282	1,912	1,180	(1,227)
Total non-interest expense	6,576	1,316	1,532	(1,227)
Income before income tax	5,905	600	(386)	-
Income tax expense	2,079	252	(155)	-
Net income	3,826	348	(231)	-
Total assets	1,163,592	3,940	121,659	(106,589)
Depreciation and amortization	384	149	115	-

March 31, 2003				
Total interest income	$ 14,416	$ 18	$ 155	$ (23)
Total interest expense	4,543	-	-	(23)
Provision for loan losses	330	-	-	-
Total non-interest income	3,226	1,787	1,101	(1,278)
Total non-interest expense	6,641	1,251	1,450	(1,278)
Income before income tax	6,128	554	(194)	-
Income tax expense	2,038	222	(70)	-
Net income	4,090	332	(124)	-
Total assets	1,103,743	7,101	140,933	(133,767)
Depreciation and amortization	449	100	97	-

Recent Regulatory Development

On March 31, 2004, Illinois Governor Blagojevich signed an Executive Order that would create a new state agency called the Department of Financial and Professional Regulation (the "DFPR"). As issued, the Executive Order provides that the DFPR would replace the Office of Banks and Real Estate, the Department of Financial Institutions, the Department of Insurance and the Department of Professional Regulation. The DFPR would be established on July 1, 2004, unless the Executive Order is challenged. At this time, it is not possible to predict the impact that the creation of the DFPR would have on the Company and its subsidiaries.

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:

o 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 than expected and may result in, among other things, a deterioration in the credit quality and value of the Company's assets.

o 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.

o 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.

- 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 orexpensive 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

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of March 31, 2004. Based on that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the

Company's disclosure controls and procedures were effective. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls.

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, Use of Proceeds and Issuer Purchases of Equity Securities

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs 1	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs 1
January 1 - January 31, 2004	-	$ -	-	500,000
February 1 - February 29, 2004	2,000	$ 30.75	2,000	498,000
March 1 - March 31, 2004	-	$ -	-	498,000
Total	2,000	$ 30.75	2,000	498,000

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

31.1 Certification of Chief Executive Officer Pursuant to Rule 13-a-14(a)/15d-14(a)

31.2 Certification of Chief Financial Officer Pursuant to Rule 13-a-14(a)/15d-14(a)

32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

b. Reports

On January 23, 2004, the Company filed a report on Form 8-K pursuant to Item 12 that reported the Company's financial information for the fiscal quarter and fiscal year ended December 31, 2003.

On April 26, 2004, the Company filed a report on Form 8-K pursuant to Item 12 that reported the Company's financial information for the fiscal quarter ended March 31, 2004.

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, 2004

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