MAIN STREET TRUST INC
Form 10-Q
May 15, 2002

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, 2002

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 the number of shares outstanding of the registrant's common stock, as of May 7, 2002

Main Street Trust, Inc. Common Stock	11,206,390

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
March 31, 2002 and December 31, 2001
(Unaudited, in thousands, except share data)

	March 31, 2002
ASSETS	
Cash and due from banks	$ 40,063
Federal funds sold and interest earning deposits	31,329
Investments in debt and equity securities:	
Available-for-sale, at fair value	258,436
Held-to-maturity, at cost (fair value of $59,689 and $64,727 at March 31, 2002 and December 31, 2001, respectively)	58,623
Non-marketable equity securities	5,146
Mortgage loans held for sale	2,797
Loans, net of allowance for loan losses of $9,457 and $9,259 at March 31, 2002 and December 31, 2001, respectively	670,589
Premises and equipment	18,990
Accrued interest receivable	8,504
Other assets	11,790
Total assets	$ 1,106,267
LIABILITIES AND SHAREHOLDERS' EQUITY	
Liabilities:	
Deposits:	
Demand, non-interest bearing	$ 122,064
Demand, interest bearing	109,998

Savings	272,055
Time, $100 and over	109,386
Other time	224,173
Total deposits	837,676
Federal funds purchased, repurchase agreements and notes payable	81,477
Federal Home Loan Bank advances and other borrowings	34,855
Accrued interest payable	2,675
Other liabilities	8,920
Total liabilities	965,603
Shareholders' equity:	
Preferred stock, no par value; 2,000,000 shares authorized	--
Common stock, $0.01 par value; 15,000,000 shares authorized; 11,199,947 and 11,111,281 shares issued at March 31, 2002 and December 31, 2001, respectively	112
Paid in capital	55,040
Retained earnings	84,346
Accumulated other comprehensive income	1,395
	140,893
Less: treasury stock, at cost, 12,242 and 267,783 shares at March 31, 2002 and December 31, 2001, respectively	(229)
Total shareholders' equity	140,664
Total liabilities and shareholders' equity	$ 1,106,267

See accompanying notes to unaudited consolidated financial statements.

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MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Income
For the Three Months Ended March 31, 2002 and 2001
(Unaudited, in thousands, except share data)

	2002	2001
Interest income:		
Loans and fees on loans	$ 12,187	$ 14,236
Investments in debt and equity securities		
Taxable	3,325	3,682
Tax-exempt	600	543
Federal funds sold and interest earning deposits	95	660
Total interest income	16,207	19,121
Interest expense:		
Demand, savings, and other time deposits	3,915	6,756
Time deposits $100 and over	1,092	1,430
Federal funds purchased, repurchase agreements and notes payable	326	779
Federal Home Loan Bank advances and other borrowings	494	614
Total interest expense	5,827	9,579

Net interest income	10,380	9,542
Provision for loan losses	330	235
Net interest income after provision for loan losses	10,050	9,307
Non-interest income:		
Remittance processing	1,949	1,660
Trust and brokerage fees	1,453	1,277
Service charges on deposit accounts	554	484
Securities transactions, net	70	77
Gain on sales of mortgage loans, net	219	155
Other	479	434
Total non-interest income	4,724	4,087
Non-interest expense:		
Salaries and employee benefits	4,755	4,516
Occupancy	552	614
Equipment	688	761
Data processing	563	464
Office supplies	341	389
Service charges from correspondent banks	236	202
Other	1,033	1,120
Total non-interest expense	8,168	8,066
Income before income taxes	6,606	5,328
Income taxes	2,196	1,660
Net income	$ 4,410	$ 3,668
Per share data:		
Basic earnings per share	$ 0.40	$ 0.33
Weighted average shares of common stock outstanding	11,097,242	10,988,282
Diluted earnings per share	$ 0.40	$ 0.33
Weighted average shares of common stock and dilutive potential common shares outstanding	11,147,974	11,187,231

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, 2002 and 2001
(Unaudited, in thousands)

	2002	2001
Net income	$ 4,410	$ 3,668
Other comprehensive income:		
Unrealized gains on securities:		

Unrealized holding gains (losses) arising during period, net of tax of ($693) and $599, for March 31, 2002 and 2001, respectively	(1,309)	1,162
Less: reclassification adjustment for gains included in net income, net of tax of ($24) and ($26), for March 31, 2002 and 2001, respectively	(46)	(51)
Other comprehensive income (loss)	(1,355)	1,111
Comprehensive income	$ 3,055	$ 4,779

See accompanying notes to unaudited consolidated financial statements.

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MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Three Months Ending March 31, 2002 and 2001
(Unaudited, in thousands)

	2002	2001
Cash flows from operating activities:		
Net income	$ 4,410	$ 3,668
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	666	713
(Accretion) amortization of bond discounts and premiums, net	283	(344)
Provision for loan losses	330	235
Securities transactions, net	(70)	(77)
Gain on sales of mortgage loans, net	(219)	(155)
Federal Home Loan Bank stock dividend	(41)	(66)
Proceeds from sales of mortgage loans originated for sale	26,810	15,818
Mortgage loans originated for sale	(20,613)	(17,730)
Other, net	326	295
Net cash provided by operating activities	11,882	2,357
Cash flows from investing activities:		
Net decrease in loans	2,142	2,954
Proceeds from maturities and calls of investments in debt securities:		
Held-to-maturity	863	15,338
Available-for-sale	20,615	29,825
Proceeds from sales of investments:		
Available-for-sale	28,889	39,189
Purchases of investments in debt and equity securities:		
Held-to-maturity	(500)	(6,932)
Available-for-sale	(45,664)	(51,877)
Other equity securities	--	(250)
Principal paydowns from mortgage-backed securities:		
Held-to-maturity	4,795	1,536
Available-for-sale	1,974	467
Purchases of premises and equipment	(391)	(511)
Net cash provided by investing activities	12,723	29,739

Cash flows from financing activities:

Net (decrease) increase in deposits	(46,433)	4,526
Net decrease in federal funds purchased, repurchase agreements, and notes payable	(3,730)	(2,652)
Advances from Federal Home Loan Bank and other borrowings	5,000	5,000
Payments on Federal Home Loan Bank and other borrowings	(5,040)	(5,038)
Cash dividends paid	(1,452)	(1,047)
Issuance of new shares of common stock, net	886	--
Treasury stock transactions, net	2,177	(395)
Net cash (used in) provided by financing activities	(48,592)	394
Net (decrease) increase in cash and cash equivalents	(23,987)	32,490
Cash and cash equivalents at beginning of year	95,379	84,139
Cash and cash equivalents at end of period	$ 71,392	$ 116,629
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 6,542	$ 10,035
Income taxes	220	1,533
Dividends declared not paid	1,454	1,149

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, 2001, and schedules included in Main Street Trust, Inc.'s Form 10-K filed on March 29, 2002.

In the opinion of management, the consolidated financial statements of Main Street Trust, Inc. (the "Company") and its subsidiaries, as of March 31, 2002 and for the three-month periods ended March 31, 2002 and 2001, 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, 2002 are not necessarily indicative of the results which may be expected for the year ended December 31, 2002.

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 earning deposits. Generally, federal funds are sold for one-day periods.

Certain amounts in the 2001 consolidated financial statements have been reclassified to conform with the 2002 presentation. Such reclassifications have no effect on previously reported net income.

Note 2. Company Information/Business Combination

On March 23, 2000, BankIllinois Financial Corporation and First Decatur Bancshares, Inc. completed a "merger of equals" between the two companies, structured as a merger of the two companies into the Company. The merger has been accounted for as a pooling of interests and, accordingly, all prior financial statements have been restated to include both companies. As a result of the merger, former shareholders of BankIllinois Financial Corporation and First Decatur Bancshares, Inc. received 6,119,673 and 4,990,281 shares of Company common stock, respectively.

The Company operates 17 banking centers and is the parent company of BankIllinois, First National Bank of Decatur, First Trust Bank of Shelbyville and FirsTech, Inc., a retail payment processing company. The Company has applied with its bank regulators for approval to merge BankIllinois and First Trust Bank of Shelbyville effective late in the second quarter of 2002. The resulting bank will be BankIllinois. The merger is not expected to have a significant impact on the consolidated financial statements.

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.

On April 23, 2002, the Company commenced a tender offer to acquire up to 1,200,000 of its shares of common stock at a price of $23.00 per share.

Note 3. New Accounting Rules and Regulations

In June 2001, Statement on Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations" was issued to address financial reporting and obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement applies to all entities and to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development or normal operations of a long-lived asset, except for certain obligations of lessees. Statement No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. Management does not believe the adoption of Statement No. 143 will have a significant impact on its financial statements.

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Note 4. Income per Share

Net income per common share has been computed as follows:

	Three Months Ended March 31, 2002	Three Months Ended March 31, 2001*
Net Income	$ 4,410,000	$ 3,668,000
Shares:		
Weighted average common shares outstanding	11,097,242	10,988,282
Dilutive effect of outstanding options, as determined by the application of the treasury stock method	50,732	198,949

Weighted average common shares oustanding, as adjusted	11,147,974	11,187,231
Basic earnings per share	$ 0.40	$ 0.33
Diluted earnings per share	$ 0.40	$ 0.33

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

Financial Condition

Assets and Liabilities

Total assets decreased $45.244 million, or 3.9%, to $1.106 billion at March 31, 2002 compared to $1.152 billion at December 31, 2001. Increases in federal funds sold and interest earning deposits, other assets and non-marketable equity securities were offset by decreases in all other asset categories.

Cash and due from banks decreased $47.832 million, or 54.4%, to $40.063 million at March 31, 2002 compared to $87.895 million at December 31, 2001, primarily due to a smaller dollar amount of deposit items in process of collection at March 31, 2002 compared to December 31, 2001.

Federal funds sold and interest earning deposits increased $23.845 million, or 318.6%, to $31.329 million at March 31, 2002 compared to $7.484 million at December 31, 2001. This increase was due to a smaller dollar amount of deposit items in process of collection at March 31, 2002 compared to December 31, 2001.

Total investments in debt and equity securities decreased $13.217 million, or 3.9%, to $322.205 million at March 31, 2002 compared to $335.422 million at December 31, 2001. Investments in securities available-for-sale decreased $8.060 million, or 3.0%, and investments in debt and equity securities held-to-maturity decreased $5.195 million, or 8.1%, at March 31, 2002 compared to December 31, 2001. Slightly offsetting these decreases was an increase in non-marketable equity securities of $0.038 million, or 0.7%, for the same period. Investments fluctuate with loan demand and deposit volume.

Mortgage loans held for sale decreased $5.978 million, or 68.1%, to $2.797 million at March 31, 2002 compared to $8.775 million at December 31, 2001. This decrease was attributable to the decrease in demand due to the interest rate environment, which has seen a slight increase in mortgage rates since the end of 2001.

Loans, net of allowance for loan losses, decreased $2.472 million, or 0.4%, to $670.589 million at March 31, 2002 from $673.061 million at December 31, 2001. Decreases in commercial, financial and agricultural loans of $25.347 million, or 10.3%, and installment and consumer loans of $9.137 million, or 7.6%, were partially offset by an increase of $32.210 million, or 10.2%, in real estate loans at March 31, 2002 compared to December 31, 2001.

Premises and equipment decreased $0.269 million, or 1.4%, from $19.259 million at December 31, 2001 to $18.990 million at March 31, 2002. The decrease was caused by depreciation expense of $0.660 million offset by purchases of $0.391 million.

Other assets increased $1.065 million, or 9.9%, from $10.725 million at December 31, 2001 to $11.790 million at March 31, 2002 primarily due to an increase of $0.478 million in accrued trust income receivable.

Total liabilities decreased $49.915 million, or 4.9%, to $965.603 million at March 31, 2002 from $1.016 billion at December 31, 2001. Decreases in total deposits, federal funds purchased, repurchase agreements and notes payable, accrued interest payable and Federal Home Loan Bank advances and other borrowings were slightly offset by an increase in other liabilities.

Total deposits decreased $46.433 million, or 5.3%, to $837.676 million at March 31, 2002 from $884.109 million at December 31, 2001. Decreases in deposits included $30.656 million, or 21.9%, in time deposits $100,000 and over, $11.342 million, or 8.5%, in non-interest bearing demand deposits, $7.409 million, or 3.2%, in other time and $1.243 million, or 1.1%, in interest bearing demand deposits. Somewhat offsetting these decreases was an increase of $4.217 million, or 1.6%, in savings deposits. The decrease in time deposits $100,000 and over was mainly due to the maturity of a large short-term deposit at the beginning of 2002.

Federal funds purchased, repurchase agreements and notes payable decreased $3.730 million, or 4.4%, to $81.477 million at March 31, 2002 compared to $85.207 million at December 31, 2001. Included in this change were decreases of $4.007 million in repurchase agreements and $1.825 million in federal funds purchased. Somewhat offsetting these decreases was an increase in notes payable of $2.102 million.

Other liabilities increased $1.003 million, or 12.7%, to $8.920 million at March 31, 2002 from $7.917 million at December 31, 2001. This change was primarily due to a $0.588 million increase in federal income taxes payable due to income tax expense being $536,000 higher in the first quarter of 2002 compared to the same period in 2001.

Investment Securities

The carrying value of investments in debt and equity securities was as follows for March 31, 2002 and December 31, 2001:

Carrying Value of Securities
(in thousands)

	March 31, 2002	December 31, 2001
Available-for-sale:		
U.S. Treasury	$ 6,999	$ 8,577
Federal agencies	184,096	191,325
Mortgage-backed securities	42,535	28,279
State and municipal	16,126	15,642
Corporate and other obligations	3,082	3,099
Marketable equity securities	5,598	19,574
Total available-for-sale	$258,436	$266,496
Held-to-maturity:		
Federal agencies	$ 1,750	$ 1,750
Mortgage-backed securities	15,028	19,842
State and municipal	41,845	42,226
Total held-to-maturity	$ 58,623	$ 63,818

Non-marketable equity securities:		
FHLB and FRB stock1	$ 3,807	$ 3,766
Other equity investments	1,339	1,342
Total	$ 5,146	$ 5,108
Total investment securities	$322,205	$335,422

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, 2002. All securities are shown at their contractual maturity.

Maturities and Weighted Average Yields of D
(dollars in thousands)
March 31, 2002

	1 year or less		1 to 5 years		5 to 10 years		
	Amount	Rate	Amount	Rate	Amount	Rate	Amou
Securities available-for-sale							
U.S. Treasury	$ 4,453	6.10%	$ 2,546	3.59%	$ --	--	$
Federal agencies	$ 28,694	6.13%	$153,410	4.80%	$ 1,993	6.24%	$
Mortgage-backed securities1	$ 6,305	2.27%	$ 20,583	5.41%	$ 5,683	5.50%	$ 9
State and municipal	$ 1,020	6.00%	$ 6,561	6.15%	$ 6,679	7.53%	$ 1
Other securities	$ --	--	$ 3,082	5.31%	$ --	--	$
Marketable equity securities	$ --	--	$ --	--	$ - -	--	$
Total	$ 40,472		$186,182		$14,355		$ 11
Average Yield		5.52%		4.91%		6.55%	
Securities held-to-maturity							
Federal agencies	$ 1,750	6.04%	$ --	--	$ --	--	$
Mortgage-backed securities1	$ 9,891	4.70%	$ 3,679	6.53%	$ 1,458	6.53%	$
State and municipal	$ 3,626	6.40%	$ 30,918	6.25%	$ 7,301	7.13%	$
Total	$ 15,267		$ 34,597		$ 8,759		$
Average Yield		5.26%		6.28%		7.03%	
Non-marketable equity securities2							
FHLB and FRB stock	$ --	--	$ --	--	$ --	--	$
Other equity investments	$ --	--	$ --	--	$ --	--	$

Total	$ --	--	$ --	--	$ --	--	$

Loans

The following tables present the amounts and percentages of loans for March 31, 2002 and December 31, 2001 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, 2002		December 31, 2001	
	Amount	Percentage	Amount	Percentage
Commercial, financial and agricultural	$220,695	32.45%	$246,042	36.06%
Real estate	348,903	51.31%	316,693	46.41%
Installment and consumer1	110,448	16.24%	119,585	17.53%
Total loans	$680,046	100.00%	$682,320	100.00%

1 Net of unearned discount

The balance of loans outstanding as of March 31, 2002 by maturity is shown in the following table:

Maturity of Loans Outstanding
(dollars in thousands)
March 31, 2002

	1 year or less	1 to 5 years	Over 5 years	Total
Commercial, financial and agricultural	$106,999	$ 98,991	$ 14,705	$220,695
Real estate	43,412	131,035	174,456	348,903
Installment and consumer1	35,294	68,317	6,837	110,448
Total	$185,705	$298,343	$195,998	$680,046
Percentage of total loans outstanding	27.31%	43.87%	28.82%	100.00%

Capital

Total shareholders' equity increased $4.671 million from December 31, 2001 to March 31, 2002. Treasury stock transactions were $3.063 million, primarily due to the exercise of employee stock options. The change in capital is summarized as follows:

(in thousands)

Shareholders' equity, December 31, 2001	$ 135,993
Net income	4,410
Treasury stock transactions, net	3,063
Stock appreciation rights	7
Cash dividends declared	(1,454)
Other comprehensive income	(1,355)
Shareholders' equity, March 31, 2002	$ 140,664

On March 19, 2002, the Board of Directors of the Company declared a quarterly cash dividend of $0.13 per share of the Company's common stock. The dividend of $1.454 million was paid on April 23, 2002 to holders of record on April 5, 2002. On April 23, 2002, the Company commenced a tender offer to acquire up to 1,200,000 of its shares of common stock at a price of $23.00 per share.

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, 2002, that the Company and its subsidiary banks exceeded all capital adequacy requirements to which they are subject.

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As of March 31, 2002, 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, 2002:						

Total capital (to risk-weighted assets)						
Consolidated	$148,640	19.2%	$ 61,927	8.0%	N/A	
BankIllinois	$ 67,616	15.9%	$ 34,074	8.0%	$ 42,592	10.0%
First National Bank of Decatur	$ 49,162	16.7%	$ 23,520	8.0%	$ 29,400	10.0%
First Trust Bank of Shelbyville	$ 11,337	26.2%	$ 3,464	8.0%	$ 4,330	10.0%
Tier I capital (to risk-weighted assets)						
Consolidated	$139,080	18.0%	$ 30,963	4.0%	N/A	
BankIllinois	$ 62,364	14.6%	$ 17,037	4.0%	$ 25,555	6.0%
First National Bank of Decatur	$ 45,501	15.5%	$ 11,760	4.0%	$ 17,640	6.0%
First Trust Bank of Shelbyville	$ 10,794	24.9%	$ 1,732	4.0%	$ 2,598	6.0%
Tier I capital (to average assets)						
Consolidated	$139,080	12.5%	$ 44,400	4.0%	N/A	
BankIllinois	$ 62,364	10.4%	$ 23,940	4.0%	$ 29,925	5.0%
First National Bank of Decatur	$ 45,501	10.6%	$ 17,118	4.0%	$ 21,397	5.0%
First Trust Bank of Shelbyville	$ 10,794	14.1%	$ 3,069	4.0%	$ 3,837	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.

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The following table presents the Company's interest rate sensitivity at various intervals at March 31, 2002:

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

	1-30 Days	31-90 Days	91-180 Days	181-365 Days
Interest earning assets:				
Federal funds sold and interest earning deposits	$ 31,329	$ --	$ --	$ --
Debt and equity securities 1	15,491	20,359	11,621	38,001
Loans 2	176,762	24,376	35,606	52,868
Total earning assets	$ 223,582	$ 44,735	$ 47,227	$ 90,869
Interest bearing liabilities:				
Savings and interest bearing demand deposits 3	$ 35,338	$ 1,449	$ 2,173	$ 4,346
Money market savings deposits	146,348	--	--	--
Time deposits	33,468	43,610	55,078	86,709

Federal funds purchased, repurchase agreements, and notes payable	77,976	505	2,320	91
FHLB advances and other borrowings	--	--	5,000	7,138
Total interest bearing liabilities	$ 293,130	$ 45,564	$ 64,571	$ 98,284
Net asset (liability) funding gap	(69,548)	(829)	(17,344)	(7,415
Repricing gap	0.76	0.98	0.73	0.92
Cumulative repricing gap	0.76	0.79	0.78	0.81

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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, 2002, 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 $695,000 in the 1-30 days category and $704,000 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.

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 $37 million from the Federal Home 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, 2002 and December 31, 2001 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, 2002	2.8%	1.4%	(1.4%)	(3.3%)
December 31, 2001	4.2%	2.1%	(2.1%)	(3.6%)

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 maximize current earnings 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 2002. 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 $23.987 million from December 31, 2001 to March 31, 2002. This decrease came from cash used in financing activities offset somewhat by cash provided by operating and investing activities.

There were differences in the sources and uses of cash during the first three months of 2002 compared to the first three months of 2001. More cash was provided by operating activities during the first three months of 2002 compared to the same period of 2001. Cash was provided during the first three months of 2002 for net loans originated for sale because proceeds from sales were higher than originated loans, whereas during the first three months of 2001, originated loans were higher than proceeds from sales. Less cash was provided by investing activities during the first three months of 2002 compared to the same period of 2001 due to changes in the Company's investment portfolio. During the first three months of 2002, net cash provided by investing activities involving the Company's investment portfolio was $10.972 million compared to $27.296 million during the same period in 2001. Cash was used in financing activities during the first three months of 2002 compared to cash provided during the first three months of 2001. This was primarily due to cash used because of decreases in deposits during the first three months of 2002 compared to cash provided from increases in deposits during the same period of 2001.

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 $9.457 million at March 31, 2002 compared to $9.259 million at December 31, 2001, as net charge-offs were $132,000 and provisions totaled $330,000 during the first three months of 2002. The allowance for loan losses as a percentage of gross loans, including loans held-for-sale, was 1.38% at March 31, 2002, or slightly more than the December 31, 2001 percentage of 1.34%. Gross loans, including loans held-for-sale, decreased 1.2% to $682.843 million at March 31, 2002 from $691.095 million at December 31, 2001.

The allowance for loan losses as a percentage of nonperforming loans was 201.3% at March 31, 2002 compared to 181.0% at December 31, 2001. Nonperforming loans decreased from $5.115 million at December 31, 2001 to $4.699 million at March 31, 2002. The $416,000 decrease in nonperforming loans during the first three months resulted from a $1.125 million decrease in loans past due 90 days or more, offset somewhat by a $709,000 increase in nonaccrual loans. The increase in nonaccruals consisted primarily of residential mortgage loans as well as 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 has 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.

Along with other financial institutions, management shares a concern for the outlook of the economy in 2002. In addition to the softening of the economy in 2001, the tragic events of September 11, 2001 further clouded the economic outlook, severely impacting several major industries, as well as the economy as a whole. Additionally, consumer confidence, a key factor in the economy, was negatively impacted. Although the economy shows signs of improving, the past economic slowdown could still adversely affect cash flows from both commercial and individual borrowers, as a result of which, the Company could experience increases in problem assets, delinquencies and losses on loans.

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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,

	2002	2001
Allowance for loan losses at beginning of year	$ 9,259	$ 8,879
Charge-offs during period:		
Commercial, financial and agricultural	$ (16)	$ (15)
Real estate	--	--
Installment and consumer	(278)	(213)
Total	$ (294)	$ (228)
Recoveries of loans previously charged off:		
Commercial, financial and agricultural	$ 88	$ 44
Residential real estate	24	63
Installment and consumer	50	30
Total	$ 162	$ 137
Net (charge-offs) recoveries	$ (132)	$ (91)
Provision for loan losses	330	235
Allowance for loan losses at end of quarter	$ 9,457	$ 9,023
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 category.

Allocation of the Allowance for Loan Losses
(in thousands)

	March 31, 2002	December 31, 2001
Allocated:		
Commercial, financial and agricultural	$5,486	$5,487
Residential real estate	384	419
Installment and consumer	1,951	2,000
Total allocated allowance	$7,821	$7,906
Unallocated allowances	1,636	1,353
Total	9,457	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, 2002	December 31, 2001
Nonaccrual loans1	$4,050	$3,341

Loans past due 90 days or more	$ 649	$1,774
Renegotiated loans	$ 63	$ 67

1 Includes $3.886 million at March 31, 2002 and $3.216 million at December 31, 2001 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).

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Results of Operations

Results of Operations For the Three Months Ended March 31, 2002

Net income for the first three months of 2002 was $4.410 million, a $742,000, or 20.2%, increase from $3.668 million for the same period in 2001. Basic and diluted earnings per share increased $0.07, or 21.2%, to $0.40 per share in the first quarter of 2002 from $0.33 per share in the first quarter of 2001.

Operating earnings for the three months ended March 31, 2002 were $4.410 million compared to $3.883 million for the same period in 2001, an increase of $527,000, or 13.6%. Basic and diluted operating earnings per share increased 14.3%, to $0.40, in the first quarter of 2002 from $0.35 in the first quarter of 2001. The difference between operating and net earnings in the first quarter of 2001 was due to merger and restructuring related expenses, net of tax, of $215,000. The 2001 merger and restructuring expenses consisted of $50,000 of data processing expense and $276,000 of termination of employment contracts, offset by $111,000 of tax benefit.

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,

	2002			20	
	Average Balance	Interest	Rate	Average Balance	Inte
Assets					
Taxable investment securities1	$ 273,909	$ 3,325	4.86%	$ 247,313	$
Tax-exempt investment securities1 (TE) .	55,487	909	6.55%	48,111	
Federal funds sold and interest earning deposits2	20,539	95	1.85%	46,174	
Loans3,4 (TE)	673,475	12,191	7.24%	657,788	1
Total interest earning assets and interest income (TE)	$1,023,410	$ 16,520	6.46%	$ 999,386	$ 1
Cash and due from banks	$ 48,993			$ 55,702	
Premises and equipment	19,136			20,842	
Other assets	18,650			19,388	
Total assets	$1,110,189			$1,095,318	

Liabilities and Shareholders' Equity					
Interest bearing demand deposits	$ 106,084	$ 150	0.57%	$ 114,774	$
Savings	251,182	1,121	1.79%	225,441	
Time deposits	338,388	3,736	4.42%	361,949	
Federal funds purchased, repurchase agreements, and notes payable	72,304	326	1.80%	70,621	
FHLB advances and other borrowings	35,268	494	5.60%	39,073	
Total interest bearing liabilities and interest expense	$ 803,226	$ 5,827	2.90%	$ 811,858	$
Noninterest bearing demand deposits	$ 105,026			$ 102,601	
Noninterest bearing savings deposits ...	51,961			37,819	
Other liabilities	9,744			15,959	
Total liabilities	$ 969,957			$ 968,237	
Shareholders' equity	140,232			127,081	
Total liabilities and stockholders' equity	$1,110,189			$1,095,318	
Interest spread (average rate earned minus average rate paid) (TE)			3.56%		
Net interest income (TE)		$ 10,693			$
Net yield on interest earnings assets (TE)			4.18%		

See next page for Notes 1 - 4.

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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 earning deposits include approximately $19,000 and $35,000 in 2002 and 2001, 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 $250,000 and $175,000 in 2002 and 2001, respectively, are 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 34%. 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, 2002

	Increase (Decrease) from Previous Year	Due to Volume	Due to Rate
Interest Income			
Taxable investment securities	$ (357)	$ 1,870	$(2,227)
Tax-exempt investment securities (TE)	86	285	(199)
Federal funds sold and interest earning deposits	(565)	(255)	(310)
Loans (TE)	(2,056)	2,114	(4,170)
Total interest income (TE)	$(2,892)	$ 4,014	$(6,906)
Interest Expense			
Interest bearing demand and savings deposits1 ..	$(1,581)	$ 926	$(2,507)
Time deposits	(1,598)	(329)	(1,269)
Federal funds purchased, repurchase agreements and notes payable	(453)	125	(578)
FHLB advances and other borrowings	(120)	(57)	(63)
Total interest expense	$(3,752)	$ 665	$(4,417)
Net Interest Income (TE)	$ 860	$ 3,349	$(2,489)

Net interest income on a tax equivalent basis was $860,000, or 8.7%, higher for the first three months of 2002 compared to 2001. Total tax-equivalent interest income was $2.892 million, or 14.9%, lower in 2002 compared to 2001, and interest expense decreased $3.752 million, or 39.2%. The decrease in tax-equivalent interest income was mainly due to lower rates, offset somewhat by an increase in average balances. The decrease in interest expense was due primarily to lower rates.

The decrease in total tax-equivalent interest income was mainly due to a decrease in interest income from loans, federal funds sold and interest-earning deposits and taxable investment securities, offset somewhat by an increase in interest income from tax-exempt investment securities. The decrease in interest income from loans was due to lower rates, offset somewhat by an increase in average balances. The decrease in interest income from federal funds sold and interest earning deposits was due to a combination of 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 increase in interest income from tax-exempt investment securities was due to an increase in average balances, offset somewhat by lower rates.

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 due to lower rates as well as a decrease in 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 slightly by an increase in average balances. The decrease in interest expense on FHLB advances and other borrowings was a combination of lower rates and lower average balances.

The provision for loan losses recorded was $330,000 during the first three months of 2002. This was $95,000, or 40.4%, higher than the $235,000 recorded during the first three months of 2001. 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 $637,000, or 15.6%, during the first three months of 2002 compared to the first three months of 2001. Included in this increase was an increase of $289,000, or 17.4%, in income from remittance processing. This increase was primarily due to increased volume coupled with restructured pricing for some customers. Income from trust and brokerage fees increased $176,000, or 13.8%, during the first quarter of 2002 compared to the first quarter of 2001. This was mainly due to an increase in total assets under management upon which fees are based. Total assets under management increased $380.0 million, or 33.4%, at March 31, 2002 compared to March 31, 2001. Service charges on deposit accounts increased $70,000, or 14.5%, during the first quarter of 2002 compared to the same period in 2001. Gains on sales of mortgage loans held-for-sale increased $64,000, or 41.3%, during the first three months of 2002 compared to the same period in 2001. This increase reflected a $10.992 million, or 69.5%, increase in funded mortgage loans held-for-sale during the first quarter of 2002 compared to the first quarter of 2001. This increase was reflective of lower mortgage interest rates during the first three months of 2002 compared to the same period in 2001. Other income increased $45,000, or 10.4%, during the first three months of 2002 compared to the same period in 2001. Somewhat offsetting these increases was a $7,000, or 9.1%, decrease in income from securities transactions during the first three months of 2002 compared to the same period in 2001.

Total non-interest expense increased $102,000, or 1.3%, during the first three months of 2002 compared to the same period in 2001. Of this increase, salaries and employee benefits increased $239,000, or 5.3%, during the first quarter of 2002 compared to the first quarter of 2001. Data processing expense increased $99,000, or 21.3%, in the first quarter of 2002 compared to the first quarter of 2001. As a result of a computer system conversion at the Company's Decatur bank in 2001, computer processing expense increased due to a change from in-house data processing to third party service bureau data processing. Also contributing to the overall increase in non-interest expense was an increase in service charges from correspondent banks of $34,000, or 16.8%, in the first three months of 2002 compared to the same period in 2001. Somewhat offsetting these increases was a decrease in other non-interest expense of $87,000, or 7.8%, during the first quarter of 2002 compared to the first quarter of 2001. Equipment expense decreased $73,000, or 9.6%, during the first three months of 2002 compared to the same period in 2001. This decrease was primarily due to conversion to third party service bureau data processing from in-house data processing. Occupancy expense decreased $62,000, or 10.1%, during the first three months of 2002 compared to the same period in 2001. This was mainly due to lower utilities and maintenance expenses because of the mild winter in 2002. Office supplies decreased $48,000, or 12.3%, in the first quarter of 2002 compared to the first quarter of 2001. Included in office supplies expense in 2001 were additional printing and mailing expense to announce a computer system conversion, and additional supplies purchased as a result of the conversion.

Income tax expense increased $536,000, or 32.3%, during the first three months of 2002 compared to the first three months of 2001. The effective tax rate increased to 33.2% during the first quarter of 2002 from 31.2% during the first quarter of 2001. The difference in the effective tax rate was that the 2001 expense was offset by a State net operating loss carry forward.

Business Segment Information

The Company currently operates in two industry segments. The primary business involves providing banking services to central Illinois. The Company's subsidiary 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
- 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

The Company operates primarily to manage its investment in the subsidiaries. Company information is provided for informational purposes only, since it is not considered a separate segment for reporting purposes.

	Banking Services	Remittance Services	Company	Eliminations	Total
March 31, 2002					
Total interest income	$ 16,194	$ 24	$ 43	$ (54)	$ 16,20
Total interest expense	5,881	--	--	(54)	5,82
Provision for loan losses ...	330	--	--	--	33
Total non-interest income ...	2,880	1,980	27	(163)	4,72
Total non-interest expense ..	6,836	1,331	164	(163)	8,16
Income before income tax	6,027	673	(94)	--	6,60
Income tax expense	1,965	269	(38)	--	2,19
Net income	4,062	404	(56)	--	4,41
Total assets	1,095,135	7,790	142,862	(139,520)	1,106,26
Depreciation and amortization	532	126	8	--	66
March 31, 2001					
Total interest income	$ 19,123	$ 37	$ 27	$ (66)	$ 19,12
Total interest expense	9,645	--	--	(66)	9,57
Provision for loan losses ...	235	--	--	--	23
Total non-interest income ...	2,446	1,777	4,011	(4,147)	4,08
Total non-interest expense ..	6,427	1,332	513	(206)	8,06
Income before income tax	5,262	482	3,525	(3,941)	5,32
Income tax expense	1,638	165	(143)	--	1,66
Net income	3,624	317	3,668	(3,941)	3,66

Total assets	1,085,406	6,454	133,917	(129,817)	1,095,96
Depreciation and amortization	584	123	6	--	71

Recent Regulatory Developments

On October 26, 2001, President Bush signed into law the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "USA PATRIOT Act"). Among its other provisions, the USA PATRIOT Act requires each financial institution: (i) to establish an anti-money laundering program; (ii) to establish due diligence policies, procedures and controls with respect to its private banking accounts and correspondent banking accounts involving foreign individuals and certain foreign banks; and (iii) to avoid establishing, maintaining, administering, or managing correspondent accounts in the United States for, or on behalf of, foreign banks that do not have a physical presence in any country. The USA PATRIOT Act also requires the Secretary of the Treasury to prescribe, by regulations to be issued jointly with the federal banking regulators and certain other agencies, minimum standards that financial institutions must follow to verify the identity of customers, both foreign and domestic, when a customer opens an account. In addition, the USA PATRIOT Act contains a provision encouraging cooperation among financial institutions, regulatory authorities and law enforcement authorities with respect to individuals, entities and organizations suspected of engaging in terrorist acts or money laundering activities.

During the first quarter of 2002, the Financial Crime Enforcement Network (FinCEN), a bureau of the Department of the Treasury, issued proposed and interim regulations as mandated by the USA PATRIOT Act that would: (i) prohibit certain financial institutions from providing correspondent accounts to foreign shell banks; (ii) require such financial institutions to take reasonable steps to ensure that correspondent accounts provided to foreign banks are not being used to indirectly provide banking services to foreign shell banks; (iii) require certain financial institutions that provide correspondent accounts to foreign banks to maintain records of the ownership of such foreign banks and their agents in the United States; (iv) require the termination of correspondent accounts of foreign banks that fail to turn over their account records in response to a lawful request from the Secretary of the Treasury or the Attorney General; and (v) encourage information sharing among financial institutions and federal law enforcement agencies to identify, prevent, deter and report money laundering and terrorist activity. To date, it has not been possible to predict the impact the USA PATRIOT ACT and its implementing regulations may have on the Company or its subsidiary banks in the future.

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 than 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 the terrorist attacks that occurred on September 11th, as well as any future threats and attacks, 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.

- The ability of the Company to compete with other financial institutions as effectively as the Company currently intends due to increase 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.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

See the "Interest Rate Sensitivity" section above.

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

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

None

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 14, 2002

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