MAIN STREET TRUST INC
Form 10-K
March 15, 2004

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2003

Commission File Number: 33-90342

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)

Securities registered pursuant to Section 12(b) of the Act:

Title of Exchange Class	Name of Each Exchange On Which Registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.01 par value per share
(Title of Class)

Indicate by check mark 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 check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendments to this Form 10-K. [X]

The index to exhibits is located on page 62 of 68 total sequentially numbered pages.

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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes X - No ___

As of March 5, 2004, the Registrant had issued and outstanding 9,512,251 shares of the Registrant's Common Stock. The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the last reported price on June 30, 2003, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $209,495,280.

* Based on the last reported price ($30.00) of an actual transaction in Registrant's Common Stock on June 30, 2003, and reports of beneficial ownership filed by directors and executive officers of Registrant and by beneficial owners of more than 5% of the outstanding shares of Common Stock of Registrant; however, such determination of shares owned by affiliates does not constitute an admission of affiliate status or beneficial interest in shares of Registrant's Common Sock.

Documents Incorporated By Reference

Part III of Form 10-K - Portions of Proxy Statement for annual meeting of shareholders to be held May 11, 2004.

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MAIN STREET TRUST, INC.

Form 10-K Annual Report

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PART I

Item 1. Description of Business

A. General

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

On March 23, 2000, the Company acquired all of the outstanding stock of BankIllinois, The First National Bank of Decatur, First Trust Bank of Shelbyville and FirsTech, Inc. following the merger of BankIllinois Financial Corporation and First Decatur Bancshares, Inc. into the Company. The merger, which was accounted for as a pooling of interests, was completed on March 23, 2000. Accordingly, prior period consolidated financial data has been restated as though the prior entities had been consolidated for all periods presented. The Company subsequently merged the Company's former banking subsidiary, First Trust Bank of Shelbyville, into BankIllinois effective June 19, 2002.

B. Business of the Company and Subsidiaries

General

The Company conducts the business of banking and offers trust services through BankIllinois and The First National Bank of Decatur (the "Banks"), and retail payment processing through FirsTech, Inc., its wholly owned subsidiaries. As of December 31, 2003, the Company had consolidated total assets of $1.154 billion, shareholders' equity of $111.450 million and trust assets under administration of approximately $ 1.514 billion. Substantially all of the income of the Company is currently derived from dividends and management fees received from the subsidiaries. The amount of these dividends is directly related to the earnings of the subsidiaries and is subject to various regulatory restrictions. See "Regulation and Supervision".

Banking Segment

The Banks conduct a general banking business embracing most of the services, both consumer and commercial, which banks may lawfully provide, including the

following principal services: the acceptance of deposits to demand, savings, time and individual retirement accounts and the servicing of such accounts; commercial, consumer and real estate lending, including installment loans and personal lines of credit; safe deposit operations; and additional services tailored to the needs of individual customers, such as the sale of traveler's checks, cashier's checks and other specialized services. The Company offers personalized financial planning services through Raymond James, which services include a broad spectrum of investment products, including stocks, bonds, mutual funds and tax advantaged investments. In addition, the Wealth Management division offers a wide range of services such as investment management, acting as trustee, serving as guardian, executor or agent, farm management, 401K administration and miscellaneous consulting.

Commercial lending at the Banks covers such categories as agriculture, manufacturing, capital, inventory, construction, real estate development and commercial mortgages. Commercial lending, particularly loans to small and medium sized businesses, accounts for a major portion of the Banks' loan portfolios. The Banks' retail banking divisions make loans to consumers for various purposes, including home equity and automobile loans. The consumer mortgage loan departments, which are part of the retail banking divisions, specialize in real estate loans to individuals. The Banks also purchase installment obligations from retailers, primarily without recourse.

The Banks' principal sources of income are interest and fees on loans and investments and service fees. Their principal expenses are interest paid on deposits and general operating expenses. The Banks' primary service area is Central Illinois.

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Remittance Services Segment

FirsTech, Inc. 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. For the years ended December 31, 2003, 2002 and 2001, FirsTech, Inc. accounted for $7.3 million (10%), $7.5 million (9%), and $7.7 million (9%), respectively, of the consolidated total revenues of the Company and accounted for $2.3 million (9%), $2.4 million (9%) and $2.1 million (9%), respectively, of the consolidated income before income tax of the Company. See Note 2 to the Consolidated Financial Statements for an analysis of segment operations.

FirsTech, Inc. provides retail lockbox processing for organizations, which provided approximately 41%, 41% and 42% of the total revenue of FirsTech, Inc. in 2003, 2002 and 2001, respectively.

FirsTech, Inc. processes payments delivered by customers to pay agents. Many businesses and merchants such as grocery stores and convenience stores located throughout the United States serve as agents of utilities in collecting customer payments. In 2003, 2002 and 2001, the remittance collection business for these companies accounted for approximately 55%, 54% and 53%, respectively, of the total revenue of FirsTech, Inc.

FirsTech, Inc. competes in the retail payment processing business with companies that range from large national companies to small, local businesses. In addition, many companies do their own remittance processing rather than out-source the work to an independent processor such as FirsTech, Inc. The principal methods of competition in the remittance processing industry are

pricing of services, use of technology and quality of service.

C. Competition

The Company faces strong competition both in originating loans and in attracting deposits. Competition in originating real estate loans comes primarily from other commercial banks, savings institutions and mortgage bankers making loans secured by real estate located in the Company's market area. Commercial banks and finance companies, including finance company affiliates of automobile manufacturers, provide vigorous competition in consumer lending. In addition to competition from the local market, the Company faces competition from large national organizations, such as financial organizations and insurance companies, for large commercial real estate loans. The Company competes for real estate and other loans primarily on the basis of the interest rates and loan fees it charges, the types of loans it originates and the quality of services it provides to borrowers.

The Company faces substantial competition in attracting deposits from other commercial banks, savings institutions, money market and mutual funds, credit unions and other investment vehicles. The ability of the Company to attract and retain deposits depends on its ability to provide investment opportunities that satisfy the requirements of investors as to rate of return, liquidity, risk and other factors. The Company attracts a significant amount of deposits through its branch offices, primarily from the communities in which those branch offices are located; therefore, competition for those deposits is principally from other commercial banks and savings institutions located in the same communities. The Company competes for these deposits by offering a variety of deposit accounts at competitive rates, convenient business hours and convenient branch locations with interbranch deposit and withdrawal privileges at each.

Under the Gramm-Leach-Bliley Act, which was enacted in 2000, securities firms and insurance companies that elect to become financial holding companies may acquire banks and other financial institutions. Although the Company has seen no significant impact from this change, it has the potential to change the competitive environment in which the Company and the Banks conduct business. The financial services industry is also likely to become more competitive as further technological advances enable more companies to provide financial services. These technological advances may diminish the importance of depository institutions and other financial intermediaries in the transfer of funds between parties.

D. Monetary Policy and Economic Conditions

The earnings of commercial banks and bank holding companies are affected not only by general economic conditions, but also by the policies of various governmental regulatory agencies. In particular, the Federal Reserve regulates money and credit conditions and interest rates in order to influence general economic conditions and interest rates, primarily through open market operations in U.S. government securities, varying the discount rate on member banks and nonmember bank borrowings and setting reserve requirements against bank deposits. Such Federal Reserve policies and acts have a significant influence on overall growth and distribution of bank loans, investments, deposits and related interest rates. The Company cannot accurately predict the effect, if any, such policies and acts may have in the future on its business or earnings.

E. Supervision and Regulation

General

Financial institutions, their holding companies and their affiliates are extensively regulated under federal and state law. As a result, the growth and earnings performance of the Company may be affected not only by management decisions and general economic conditions, but also by the requirements of federal and state statutes and by the regulations and policies of various bank regulatory authorities, including the Illinois Commissioner of Banks and Real Estate (the "Commissioner"), the Office of the Comptroller of the Currency (the "OCC"), the Board of Governors of the Federal Reserve System (the "Federal Reserve") and the Federal Deposit Insurance Corporation (the "FDIC"). Furthermore, taxation laws administered by the Internal Revenue Service and state taxing authorities and securities laws administered by the Securities and Exchange Commission (the "SEC") and state securities authorities have an impact on the business of the Company. The effect of these statutes, regulations and regulatory policies may be significant, and cannot be predicted with a high degree of certainty.

Federal and state laws and regulations generally applicable to financial institutions regulate, among other things, the scope of business, the kinds and amounts of investments, reserve requirements, capital levels relative to operations, the nature and amount of collateral for loans, the establishment of branches, mergers and consolidations and the payment of dividends. This system of supervision and regulation establishes a comprehensive framework for the respective operations of the Company and its subsidiaries and is intended primarily for the protection of the FDIC-insured deposits and depositors of the Bank Subsidiaries, rather than shareholders.

The following is a summary of the material elements of the regulatory framework that applies to the Company and its subsidiaries. It does not describe all of the statutes, regulations and regulatory policies that apply, nor does it restate all of the requirements of those that are described. As such, the following is qualified in its entirety by reference to applicable law. Any change in statutes, regulations or regulatory policies may have a material effect on the business of the Company and its subsidiaries.

Recent Regulatory Developments

National Bank Preemption. On January 7, 2004, the OCC issued two final rules that clarify the federal character of the national banking system. The first rule provides that, except where made applicable by federal law, state laws that obstruct, impair or condition national banks' ability to fully exercise their deposit-taking, lending and operational powers are not applicable to national banks. That rule further provides that the following types of state laws apply to national banks to the extent that they only incidentally affect the exercise of national banks' deposit-taking, lending and operational powers: contract, criminal, taxation, tort, zoning and laws relating to certain homestead rights, rights to collect debts, acquisitions and transfers of property and other laws as determined to apply to national banks by the OCC. The second rule affirms that, under federal law, with some exceptions, the OCC has exclusive visitorial authority (the power to inspect, examine, supervise and regulate) with respect to the content and conduct of activities authorized for national banks. These controversial rules give national banks, especially those that operate in multiple states, a significant competitive advantage over state-chartered banks and are therefore likely to be challenged by individuals and organizations that represent the interests of individual states and state-chartered banks. Both the U.S. House Committee on Financial Services and the New York Attorney General have already initiated such challenges.

FACT Act. On December 4, 2003, President Bush signed into law the Fair and Accurate Credit Transactions Act of 2003 (the "FACT Act"), which contains numerous amendments to the Fair Credit Reporting Act relating to matters including identity theft and privacy. Among its other provisions, the FACT Act requires financial institutions: (i) to establish an identity theft prevention

program; (ii) to enhance the accuracy and integrity of information furnished to consumer reporting agencies; and (iii) to allow customers to prevent financial institution affiliates from using, for marketing solicitation purposes, transaction and experience information about the customers received from the financial institution. The FACT Act also requires the federal banking regulators, and certain other agencies, to promulgate regulations to implement its provisions. The various provisions of the FACT Act contain different effective dates including March 31, 2004, for those provisions of the FACT Act that do not require significant changes to business procedures and December 1, 2004, for certain other provisions that will require significant business procedure changes.

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The Company

General. The Company, as the sole shareholder of the Bank Subsidiaries, is a bank holding company. As a bank holding company, the Company is registered with, and is subject to regulation by, the Federal Reserve under the Bank Holding Company Act of 1956, as amended (the "BHCA"). In accordance with Federal Reserve policy, the Company is expected to act as a source of financial strength to the Bank Subsidiaries and to commit resources to support the Bank Subsidiaries in circumstances where the Company might not otherwise do so. Under the BHCA, the Company is subject to periodic examination by the Federal Reserve. The Company is also required to file with the Federal Reserve periodic reports of the Company's operations and such additional information regarding the Company and its subsidiaries as the Federal Reserve may require.

Acquisitions, Activities and Change in Control. The primary purpose of a bank holding company is to control and manage banks. The BHCA generally requires the prior approval of the Federal Reserve for any merger involving a bank holding company or any acquisition by a bank holding company of another bank or bank holding company acquisition involving a bank holding company. Subject to certain conditions (including deposit concentration limits established by the BHCA), the Federal Reserve may allow a bank holding company to acquire banks located in any state of the United States. In approving interstate acquisitions, the Federal Reserve is required to give effect to applicable state law limitations on the aggregate amount of deposits that may be held by the acquiring bank holding company and its insured depository institution affiliates in the state in which the target bank is located (provided that those limits do not discriminate against out-of-state depository institutions or their holding companies) and state laws that require that the target bank have been in existence for a minimum period of time (not to exceed five years) before being acquired by an out-of-state bank holding company.

The BHCA generally prohibits a bank holding company from acquiring direct or indirect ownership or control of more than 5% of the voting shares of any company that is not a bank and from engaging in any business other than that of banking, managing and controlling banks or furnishing services to banks and their subsidiaries. This general prohibition is subject to a number of exceptions. The principal exception allows bank holding companies to engage in, and to own shares of companies engaged in, certain businesses found by the Federal Reserve to be "so closely related to banking...as to be a proper incident thereto." This authority would permit the Company to engage in a variety of banking-related businesses, including the operation of a thrift, consumer finance, equipment leasing, the operation of a computer service bureau (including software development), and mortgage banking and brokerage. The BHCA generally does not place territorial restrictions on the domestic activities of non-bank subsidiaries of bank holding companies.

Additionally, bank holding companies that meet certain eligibility requirements

prescribed by the BHCA and elect to operate as financial holding companies may engage in, or own shares in companies engaged in, a wider range of nonbanking activities, including securities and insurance underwriting and sales, merchant banking and any other activity that the Federal Reserve, in consultation with the Secretary of the Treasury, determines by regulation or order is financial in nature, incidental to any such financial activity or complementary to any such financial activity and does not pose a substantial risk to the safety or soundness of depository institutions or the financial system generally. The Company has elected (and the Federal Reserve has accepted the Company's election) to operate as a financial holding company.

Federal law also prohibits any person or company from acquiring "control" of an FDIC-insured depository institution or its holding company without prior notice to the appropriate federal bank regulator. "Control" is conclusively presumed to exist upon the acquisition of 25% or more of the outstanding voting securities of a bank or bank holding company, but may arise under certain circumstances at 10% ownership.

Capital Requirements. Bank holding companies are required to maintain minimum levels of capital in accordance with Federal Reserve capital adequacy guidelines. If capital levels fall below minimum required levels, a bank holding company, among other things, may be denied approval to acquire or establish additional banks or non-bank businesses.

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The Federal Reserve's capital guidelines establish the following minimum regulatory capital requirements for bank holding companies: (i) a risk-based requirement expressed as a percentage of total assets weighted according to risk; and (ii) a leverage requirement expressed as a percentage of total assets. The risk-based requirement consists of a minimum ratio of total capital to total risk-weighted assets of 8%, and a minimum ratio of Tier 1 capital to total risk-weighted assets of 4%. The leverage requirement consists of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly rated companies, with a minimum requirement of 4% for all others. For purposes of these capital standards, Tier 1 capital consists primarily of permanent stockholders' equity less intangible assets (other than certain loan servicing rights and purchased credit card relationships.) Total capital consists primarily of Tier 1 capital plus certain other debt and equity instruments which do not qualify as Tier 1 capital and a portion of the company's allowance for loan losses.

The risk-based and leverage standards described above are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual banking organizations. For example, the Federal Reserve's capital guidelines contemplate that additional capital may be required to take adequate account of, among other things, interest rate risk, or the risks posed by concentrations of credit, nontraditional activities or securities trading activities. Further, any banking organization experiencing or anticipating significant growth would be expected to maintain capital ratios, including tangible capital positions (i.e., Tier 1 capital less all intangible assets), well above the minimum levels. As of December 31, 2003, the Company had regulatory capital in excess of the Federal Reserve's minimum requirements.

Dividend Payments. The Company's ability to pay dividends to its shareholders may be affected by both general corporate law considerations and policies of the Federal Reserve applicable to bank holding companies. As an Illinois corporation, the Company is subject to the limitations of the Illinois Business Corporation Act, as amended, which prohibits the Company from paying a dividend if, after giving effect to the dividend: (i) the Company would be insolvent; or (ii) the net assets of the Company would be less than zero; or (iii) the net assets of the Company would be less than the maximum amount then payable to

shareholders of the company who would have preferential distribution rights if the Company were liquidated. Additionally, policies of the Federal Reserve caution that a bank holding company should not pay cash dividends that exceed its net income or that can only be funded in ways that weaken the bank holding company's financial health, such as by borrowing. The Federal Reserve also possesses enforcement powers over bank holding companies and their non-bank subsidiaries to prevent or remedy actions that represent unsafe or unsound practices or violations of applicable statutes and regulations. Among these powers is the ability to proscribe the payment of dividends by banks and bank holding companies.

Federal Securities Regulation. The Company's common stock is registered with the SEC under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Consequently, the Company is subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the SEC under the Exchange Act.

The Bank Subsidiaries

General. BankIllinois is an Illinois-chartered bank, the deposit accounts of which are insured by the FDIC's Bank Insurance Fund ("BIF"). As an Illinois-chartered FDIC-insured bank, BankIllinois is subject to the examination, supervision, reporting and enforcement requirements of the Commissioner, the chartering authority for Illinois banks, and the FDIC, designated by federal law as the primary federal regulator of insured state banks that, like BankIllinois, are not members of the Federal Reserve System (non-member banks"). BankIllinois is a member of the Federal Home Loan Bank System, which provides a central credit facility primarily for member institutions.

The First National Bank of Decatur ("Decatur") is a national bank chartered by the OCC under the National Bank Act. The deposit accounts of Decatur are insured by the BIF, and Decatur is a member of the Federal Reserve System and the Federal Home Loan Bank System. Decatur is subject to the examination, supervision, reporting and enforcement requirements of the OCC, the chartering authority for national banks. The FDIC, as administrator of the BIF, also has regulatory authority over Decatur.

Deposit Insurance. As FDIC-insured institutions, the Bank Subsidiaries are required to pay deposit insurance premium assessments to the FDIC. The FDIC has adopted a risk-based assessment system under which all insured depository institutions are placed into one of nine categories and assessed insurance premiums based upon their respective levels of capital and results of supervisory evaluations. Institutions classified as well-capitalized (as defined by the FDIC) and considered healthy pay the lowest premium while institutions that are less than adequately capitalized (as defined by the FDIC) and considered of substantial supervisory concern pay the highest premium. Risk classification of all insured institutions is made by the FDIC for each semi-annual assessment period.

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During the year ended December 31, 2003, BIF assessments ranged from 0% of deposits to 0.27% of deposits. For the semi-annual assessment period beginning January 1, 2004, BIF assessment will continue to range from 0% of deposits to 0.27% of deposits.

FICO Assessments. Since 1987, a portion of the deposit insurance assessments paid by members of the FDIC's Savings Association Insurance Fund ("SAIF") has been used to cover interest payments due on the outstanding obligations of the Financing Corporation ("FICO"). FICO was created in 1987 to finance the

recapitalization of the Federal Savings and Loan Insurance Corporation, the SAIF's predecessor insurance fund. As a result of federal legislation enacted in 1996, beginning as of January 1, 1997, both SAIF members and BIF members became subject to assessments to cover the interest payments on outstanding FICO obligations until the final maturity of such obligations in 2019. These FICO assessments are in addition to amounts assessed by the FDIC for deposit insurance. During the year ended December 31, 2003, the FICO assessment rate for BIF and SAIF members were approximately 0.02% of deposits.

Supervisory Assessments. All Illinois banks and national banks are required to pay supervisory assessments to the Commissioner and the OCC, respectively, to fund the operations of those agencies. The amount of the assessment paid by an Illinois bank to the Commissioner is calculated on the basis of the institution's total assets, including consolidated subsidiaries, as reported to the Commissioner. In the case of a national bank, the amount of the assessment paid to the OCC is calculated using a formula that takes into account the bank's size and its supervisory condition (as determined by the corporate rating assigned to the bank as a result of its most recent OCC examination). During the year ended December 31, 2003, BankIllinois paid supervisory assessments to the Commissioner totaling $106,000 and Decatur paid supervisory assessments to the OCC totaling $109,000.

Capital Requirements. Banks are generally required to maintain capital levels in excess of other businesses. The federal bank regulatory agencies have established the following minimum capital standards for insured state and national banks, such as the Bank Subsidiaries: (i) a leverage requirement consisting of a minimum ratio of Tier 1 capital to total assets of 3% for the most highly-rated banks with a minimum requirement of at least 4% for all others; and (ii) a risk-based capital requirement consisting of a minimum ratio of total capital to total risk-weighted assets of 8%, and a minimum ratio of Tier 1 capital to total risk-weighted assets of 4%. For purposes of these capital standards, the components of Tier 1 capital and total capital are the same as those for bank holding companies discussed above.

The capital requirements described above are minimum requirements. Higher capital levels will be required if warranted by the particular circumstances or risk profiles of individual institutions. For example, the regulations of the FDIC and the OCC provide that additional capital may be required to take adequate account of, among other things, interest rate risk or the risks posed by concentrations of credit, nontraditional activities or securities trading activities.

Further, federal law and regulations provide various incentives to financial institutions to maintain regulatory capital at levels in excess of minimum regulatory requirements. For example, a financial institution that is "well-capitalized" may qualify for exemptions from prior notice or application requirements otherwise applicable to certain types of activities and may qualify for expedited processing of other required notices or applications. Additionally, one of the criteria which determines a bank holding company's eligibility to operate as a financial holding company is a requirement that all of its financial institution subsidiaries be "well-capitalized". Under the regulations of the FDIC and the OCC, in order to be "well-capitalized", a financial institution must maintain a ratio of total capital to total risk-weighted assets of 10% or greater, a ratio of Tier 1 capital to total risk-weighted assets of 6% or greater and a ratio of Tier 1 capital to total assets of 5% or greater.

Federal law also provides the federal banking regulators with broad power to take prompt corrective action to resolve the problems of undercapitalized

institutions. The extent of the regulators' powers depends on whether the institution in question is "adequately capitalized", "undercapitalized", "significantly undercapitalized", or "critically undercapitalized", in each case as defined by regulation. Depending upon the capital category to which an institution is assigned, the regulators' correction powers include: (i) requiring the institution to submit a capital restoration plan; (ii) limiting the institution's asset growth and restricting its activities; (iii) requiring the institution to issue additional capital stock (including additional voting stock) or to be acquired; (iv) restricting transactions between the institution and its affiliates; (v) restricting the interest rate the institution may pay on deposits; (vi) ordering a new election of directors of the institution; (vii) requiring that senior executive officers or directors be dismissed; (viii) prohibiting the institution from accepting deposits from correspondent banks; (ix) requiring the institution to divest certain subsidiaries; (x) prohibiting the payment of principal or interest on subordinated debt; and (xi) ultimately, appointing a receiver for the institution.

As of December 31, 2003: (i) none of the Bank Subsidiaries were subject to a directive from the FDIC (in the case of BankIllinois) or the OCC (in the case of Decatur) to increase its capital to an amount in excess of the minimum regulatory capital requirements; (ii) each of the Bank Subsidiaries exceeded its minimum regulatory capital requirements under applicable capital adequacy guidelines; and (iii) each of the Bank Subsidiaries was "well-capitalized", as defined by applicable regulations.

Liability of Commonly Controlled Institutions. Under Federal law, institutions insured by the FDIC may be liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC in connection with the default of commonly controlled FDIC-insured depository institutions or any assistance provided by the FDIC to commonly controlled FDIC-insured depository institutions in danger of default. Because the Company controls each of the Bank Subsidiaries, the Bank Subsidiaries are commonly controlled for purposes of these provisions of federal law.

Dividend Payments. The primary source of funds for the Company is dividends from the subsidiaries. Under the Illinois Banking Act, BankIllinois generally may not pay dividends in excess of their net profits. Under the National Bank Act, Decatur may pay dividends out of its undivided profits in such amounts and at such times as its board of directors deemed prudent. Without prior OCC approval, however, Decatur may not pay dividends in any calendar year that, in the aggregate, exceed its year-to-date net income plus its retained net income for the two preceding years.

The payment of dividends by any financial institution or its holding company is affected by the requirement to maintain adequate capital pursuant to applicable capital adequacy guidelines and regulations, and a financial institution generally is prohibited from paying any dividends if, following payment thereof, the institution would be undercapitalized. As described above, each of the Bank Subsidiaries exceeded its minimum capital requirements under applicable guidelines as of December 31, 2003. As of December 31, 2003, approximately $29,378,000 was available to be paid as dividends by the Bank Subsidiaries. Notwithstanding the availability of funds for dividends, however, the FDIC (in case of BankIllinois) and the OCC (in case of Decatur) may prohibit the payment of dividends if the agency determines such payment would constitute an unsafe or unsound practice.

Insider Transactions. The Bank Subsidiaries are subject to certain restrictions imposed by federal law on extensions of credit to the Company and its subsidiaries, on investments in the stock or other securities of the Company and its subsidiaries and the acceptance of the stock or other securities of the Company or its subsidiaries as collateral for loans made by the Bank Subsidiaries. Certain limitations and reporting requirements are also placed on

extensions of credit by the Bank Subsidiaries to their directors and officers, to directors and officers of the Company and its subsidiaries, to principal shareholders of the Company and to "related interests" of such directors, officers and principal shareholders. In addition, federal law and regulations may affect the terms upon which any person who is a director or officer of the Company or one of its subsidiaries or a principal shareholder of the Company may obtain credit from banks with which the Bank Subsidiaries maintain correspondent relationships.

Safety and Soundness Standards. The federal banking agencies have adopted guidelines that establish operational and managerial standards to promote the safety and soundness of federally insured depository institutions. The guidelines set forth standards for internal controls, information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, asset quality and earnings.

In general, the safety and soundness guidelines prescribe the goals to be achieved in each area, and each institution is responsible for establishing its own procedures to achieve those goals. If an institution fails to comply with any of the standards set forth in the guidelines, the institution's primary federal regulator may require the institution to submit a plan for achieving and maintaining compliance. If an institution fails to submit an acceptable compliance plan, or fails in any material respect to implement a compliance plan that has been accepted by its primary federal regulator, the regulator is required to issue an order directing the institution to cure the deficiency. Until the deficiency cited in the regulator's order is cured, the regulator may restrict the institution's rate of growth, require the institution to increase its capital, restrict the rates the institution pays on deposits or require the institution to take any action the regulator deems appropriate under the circumstances. Noncompliance with the standards established by the safety and soundness guidelines may also constitute grounds for other enforcement action by the federal banking regulators, including cease and desist orders and civil money penalty assessments.

Branching Authority. Illinois banks, such as BankIllinois, have the authority under Illinois law to establish branches anywhere in the State of Illinois, subject to receipt of all required regulatory approvals. National banks headquartered in Illinois, such as Decatur, have the same branching rights in Illinois as banks chartered under Illinois law, subject to OCC approval.

Federal law permits state and national banks to merge with banks in other states subject to: (i) regulatory approval; (ii) federal and state deposit concentration limits; and (iii) state law limitations requiring the merging bank to have been in existence for a minimum period of time (not to exceed five years) prior to the merger. The establishment of new interstate branches or the acquisition of individual branches of a bank in another state (rather than the acquisition of an out-of-state bank in its entirety) is permitted only in those few states that authorize such expansion.

State Bank Investments and Activities. BankIllinois generally is permitted to make investments and engage in activities directly or through subsidiaries as authorized by Illinois law. However, under federal law and FDIC regulation, FDIC-insured state banks are prohibited, subject to certain exceptions, from making or retaining equity investments of a type, or in an amount, that are not permissible for a national bank. Federal law and FDIC regulations also prohibit FDIC-insured state banks and their subsidiaries, subject to certain exceptions, from engaging as principal in any activity that is not permitted for a national bank unless the bank meets, and continues to meet, its minimum regulatory

capital requirements and the FDIC determines the activity would not pose a significant risk to the deposit insurance fund of which the bank is a member. These restrictions have not had, and are not currently expected to have, a material impact on the operations of BankIllinois.

Financial Subsidiaries. Under Federal law and OCC regulations, national banks are authorized to engage, through "financial subsidiaries", in any activity that is permissible for a financial holding company and any activity that the Secretary of the Treasury, in consultation with the Federal Reserve, determines is financial in nature or incidental to any such financial activity, except (i) insurance underwriting, (ii) real estate development or real estate investment activities (unless otherwise permitted by law), (iii) insurance company portfolio investments and (iv) merchant banking. The authority of a national bank to invest in a financial subsidiary is subject to a number of conditions, including, among other things, requirements that the bank must be well-managed and well-capitalized (after deducting from capital the bank's outstanding investments in financial subsidiaries). Federal law also provides that state banks may invest in financial subsidiaries (assuming they have the requisite investment authority under applicable state law) subject to substantially the same conditions that apply to national bank investments in financial subsidiaries. None of the Bank Subsidiaries has applied for or received approval to establish any financial subsidiaries.

Federal Reserve System. Federal Reserve regulations, as presently in effect, require depository institutions to maintain non-interest earning reserves against their transactions accounts (primarily NOW and regular checking accounts), as follows: for transactions accounts aggregating $45.4 million or less, the reserve requirement is 3% of total transaction accounts; and for transaction accounts aggregating in excess of $45.4 million, the reserve requirement is $1.164 million plus 10% of the aggregate amount of total transaction accounts in excess of $45.4 million. The first $6.6 million of otherwise reservable balances are exempted from the reserve requirements. These reserve requirements are subject to annual adjustment by the Federal Reserve. The Bank Subsidiaries are in compliance with the foregoing requirements.

F. Employees

The Company had a total of 453 employees at December 31, 2003, consisting of 347 full-time employees and 106 part-time. The Company places a high priority on staff development, which involves extensive training, including customer service training. New employees are selected on the basis of both technical skills and consumer service capabilities. None of the Company's employees are covered by a collective bargaining agreement with the Company or its subsidiaries. The Company offers a variety of employee benefits, and management considers its employee relations to be excellent.

G. Internet Website

The Company maintains internet sites for its subsidiary banks at www.bankillinois.com and www.1stdecatur.com. The Company makes available free of charge on these sites its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and other reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the Securities and Exchange Commission.

Item 2. Properties

The Company and its subsidiaries conduct business in seventeen locations. The

Company and BankIllinois' headquarters are located at 100 W. University Ave. in Champaign, Illinois. The Company and/or its subsidiaries own the land and buildings for eleven locations and lease six locations, three of which are located in supermarkets.

All of the Banks own their main banking facilities. The Company believes that its facilities are adequate to serve its present needs.

Item 3. Legal Proceedings

In the course of business, the Company and its subsidiaries become involved in various legal proceedings, claims and litigation arising out of the ordinary course of business. As of the date of filing this report, there were no causes of action which would have a material adverse effect on the consolidated financial position of the Company.

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

There were no items submitted to a vote of security holders in the fourth quarter of 2003.

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PART II

Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

The Company's common stock was held by approximately 700 shareholders of record as of March 12, 2004 and is traded in the over-the-counter market.

The following table shows, for the periods indicated, the range of prices per share of the Company's common stock in the over-the-counter market, as reported to the Company by the brokers known to the Company to regularly follow the market for the common stock. Certain other private transactions may have occurred during the periods indicated of which the Company has no knowledge. The following prices represent inter-dealer prices without retail markups, markdowns or commissions.

		High	Low	Cash Dividends
2002	First quarter	$ 18.95	$ 17.85	$ 0.13
	Second quarter	24.00	18.70	0.13
	Third quarter	24.30	22.60	0.13
	Fourth quarter	24.95	24.00	0.13
2003	First quarter	$ 25.25	$ 24.25	$ 0.15
	Second quarter	30.00	25.00	0.15
	Third quarter	31.00	27.75	0.20
	Fourth quarter	35.00	29.70	0.20

During the fourth quarter of 2003, the Company declared a $0.21 per share cash dividend, which was paid on January 23, 2004. The ability of the Company to pay dividends in the future will be primarily dependent upon its receipt of dividends from the Banks. In determining cash dividends, the Board of Directors considers the earnings, capital requirements, debt and dividend servicing requirements, financial ratio guidelines it has established, the financial condition of the Company and other relevant factors. The Banks' ability to pay

dividends to the Company and the Company's ability to pay dividends to its shareholders are also subject to certain regulatory restrictions. See "Business - Supervision and Regulation - The Company - Dividend Payments" and "Business - Supervision and Regulation - The Bank Subsidiaries - Dividend Payments" for a more detailed description of these limitations.

On October 27, 2003, the Company announced that its Board of Directors had reinstated the Stock Repurchase Program, allowing the purchase of up to 500,000 shares of the Company's outstanding stock. No shares were repurchased during the fourth quarter of 2003. During that period, 23,485 shares were issued through exercise of stock options.

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Item 6. Selected Consolidated Financial Data

The following table presents selected consolidated financial information for the Company for each of the five years ended December 31, 2003. The selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements of the Company, including the related notes, presented elsewhere herein.

	Year Ended December 31,		
	2003	2002	2001
	(dollars in thousands, except per		
Interest income	$ 55,686	$ 63,363	$ 73,195
Interest expense	16,723	21,717	33,598
Net interest income	38,963	41,646	39,597
Provision for loan losses	1,470	1,450	2,670
Net interest income after provision for loan losses	37,493	40,196	36,927
Non-interest income	20,294	18,866	17,266
Non-interest expense	32,341	33,161	30,286
Income tax expense	8,841	8,520	7,736
Net income	$ 16,605	$ 17,381	$ 16,171
Basic earnings per share	$ 1.62	$ 1.61	$ 1.48
Diluted earnings per share	$ 1.60	$ 1.60	$ 1.45
Return on average total assets	1.47%	1.58%	1.47%
Return on average shareholders' equity	12.67%	12.79%	12.32%
Dividend payout ratio	46.91%	33.54%	30.41%
Cash dividends declared per common share1	$ 0.76	$ 0.54	$ 0.45
Total assets	$1,154,174	$1,122,728	$1,151,511
Investment in debt and equity securities	370,726	316,210	335,422
Loans held for investment, net	666,259	664,142	673,061
Deposits	898,472	868,586	884,109
Borrowings	132,978	108,457	120,102
Total shareholders' equity	111,450	134,470	135,993
Total shareholders' equity to total assets	9.66%	11.98%	11.81%
Average shareholders' equity to average assets	11.63%	12.35%	11.91%

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is designed to provide the reader with a comprehensive review of the consolidated results of operations for 2003, 2002 and 2001 for the Company, including all subsidiaries, and an analysis of the Company's financial condition at December 31, 2003 compared to December 31, 2002 and at December 31, 2002 compared to December 31, 2001. This discussion and analysis should be read in conjunction with the consolidated financial statements and related notes, which begin at page 30 of this report.

Overview

Earnings were flat for the year ended December 31, 2003 compared to 2002, with diluted earnings per share of $1.60 in both 2003 and 2002. Interest rates continued to stay at unprecedented lows during 2003. The interest rate environment caused compression in our margins. Also affecting our margin was the lack of loan growth during 2003. However, the economy continued to improve in the fourth quarter of 2003, and loan demand, which showed growth late in the fourth quarter of 2003, should continue to increase. Loan quality was strong in 2003, with non-performing loans as a percentage of gross loans improving to 0.15%, compared to 0.33% in 2002 and 0.74% in 2001. The years ended December 31, 2002 and 2001 were years of transition for the Company involving fundamental reorganization of the consolidated organization. Despite being in this post-merger transitional period, and facing a worsening economic environment and sagging consumer confidence, the Company posted record results during 2001 and 2002. Non-recurring items during 2002 and 2001, many of which were merger related, had significant effects on the Company's reported results.

Merger and related non-recurring restructuring expenses incurred in 2002 consisted of $529,000 of termination of employment contracts, $40,000 of professional fees and $38,000 of data processing expenses, offset by $243,000 of tax benefit. The resulting effect of these items on basic and diluted earnings per share was a decrease of $0.03 for the year 2002. Merger and related non-recurring restructuring expenses incurred in 2001 consisted of $70,000 of data processing expense and $256,000 of termination of employment contracts, offset by $111,000 of tax benefits. Also during 2001, a $2.5 million reconciliation liability expense, net of tax of $1.0 million, was reversed against non-interest expense. The resulting effect of these items on basic and diluted earnings per share for 2001 was an increase of approximately $0.12 and $0.11 respectively.

During the second quarter of 2002, the Company completed a tender offer in which 711,832 of its shares of common stock were acquired for an aggregate cost of $16.556 million. Also in the second quarter of 2002, one of the Company's bank subsidiaries, First Trust Bank of Shelbyville, was merged into BankIllinois. The Company completed a second tender offer during the third quarter of 2003 in which 1,074,140 of its shares of common stock were acquired for an aggregate cost of $32.395 million.

Segment Operations

FirsTech, Inc. operates as a separate segment of the Company. Results of FirsTech, Inc.'s operations are included as non-interest income and non-interest expense of the Company.

Critical Accounting Policies

The Company's significant accounting policies are more fully described in Note 2

to the Company's consolidated financial statements located in Item 8 of this Annual Report on form 10-K. The preparation of financial statements in conformity with accounting principles 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 or conditions. The Company believes that it has one critical accounting policy that is subject to estimates and judgements used in the preparation of its consolidated financial statements.

Allowance for Loan Losses. The allowance for loan losses is a material estimate that is particularly susceptible to significant changes in the near term. The allowance for loan losses is increased by provisions charged to operations and is reduced by loan charge-offs less recoveries. Management utilizes an approach, which provides for general and specific valuation allowances, that is based on current economic conditions, past losses, collection experience, risk characteristics of the portfolio, assessment of collateral values by obtaining independent appraisals for significant properties, and such other factors which, in management's judgment, deserve current recognition in estimating loan losses, to determine the appropriate level of the allowance for loan losses.

The allowance for loan losses related to impaired loans that are identified for evaluation is based on discounted cash flow using the loan's initial effective interest rate or the fair value, less selling costs, of the collateral for collateral dependent loans. Loans are categorized as "impaired" when, based on current information or events, it is probable that the Company will be unable to collect all amounts due, including principal and interest, in accordance with the contractual terms of the loan agreement. The Company reviews all non-accrual and substantially delinquent loans, as well as problem loans identified by management, for impairment as defined above. A specific reserve amount will be established for impaired loans in which the present value of the expected cash flows to be generated is less than the amount of the loan recorded on the Company's books. As an alternative to discounting, the Company may use the "fair value" of any collateral supporting a collateral-dependent loan in reviewing the necessity for establishing a specific loan loss reserve amount. Specific reserves will be established for accounts having a collateral deficiency estimated to be $50,000 or more. The Company's general reserve is maintained at an adequate level to cover accounts having a collateral deficiency of less than $50,000. Loans evaluated as groups or homogeneous pools of loans will be excluded from this analysis.

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The Company utilizes its data processing system to identify loan payments not made by their contractual due date and calculate the number of days each loan exceeds the contractual due date. The accrual of interest on any loan is discontinued when, in the opinion of management, there is reasonable doubt as to the collectibility of interest or principal. Management believes the allowance for loan losses is adequate to absorb probable credit losses inherent in the loan portfolio. However, there can be no assurance that the allowance for loan losses will be adequate to cover all losses. While management uses available information to recognize loan losses, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the adequacy of the allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance for loan losses based on their judgments of information available to them at the time of their examination.

Results of Operations

The Company had earnings of $16.605 million in 2003 compared to $17.381 million in 2002 and $16.171 million in 2001. The Company had a return on average assets of 1.47%, 1.58% and 1.47% in 2003, 2002 and 2001, respectively. Basic earnings per share was $1.62, $1.61 and $1.48 in 2003, 2002 and 2001, respectively. Diluted earnings per share was $1.60, $1.60 and $1.45 in 2003, 2002 and 2001, respectively. Management believes that a strong balance sheet and excellent profitability are critical to success.

Net Interest Income

Interest rates and fees charged on loans are affected primarily by the market demand for loans and the supply of money available for lending purposes. These factors are affected by, among other things, general economic conditions and the policies of the Federal government, including the Board of Governors of the Federal Reserve, legislative tax policies and governmental budgetary matters.

Net interest income, the most significant component of the Company's earnings, is the difference between interest received or accrued on the Company's earning assets--primarily loans and investments--and interest paid or accrued on deposits and borrowings. In order to compare the interest generated from different types of earning assets, the interest income on certain tax-exempt investment securities and loans is increased for analysis purposes to reflect the income tax savings provided by these tax-exempt assets. The adjustment to interest income for tax-exempt investment securities and loans was calculated based on the federal income tax statutory rate of 35% in 2003 and 2002 and 34% in 2001. The adjustment to net interest income for the tax effect of tax-exempt assets is shown in the following schedule.

Net Interest Income on a Tax Equivalent Basis
(in thousands)

	2003	2002	2001
Total interest income	$55,686	$63,363	$73,195
Total interest expense	16,723	21,717	33,598
Net interest income	38,963	41,646	39,597
Tax equivalent adjustment:			
Tax-exempt investments	1,222	1,279	1,210
Tax-exempt loans	16	19	59
Total adjustment	1,238	1,298	1,269
Net interest income (TE)	$40,201	$42,944	$40,866

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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)

	2003			2002		
	Average Balance	Interest	Rate	Average Balance	Interest	Ra

Assets						
Taxable investment securities1	$ 305,146	$11,502	3.77%	$ 262,275	$ 12,471	4
Tax-exempt investment securities1 (TE)	55,601	3,492	6.28%	55,134	3,654	6
Federal funds sold and interest bearing deposits2	36,786	447	1.22%	25,602	437	1
Loans3,4 (TE)	645,543	41,483	6.43%	673,423	48,099	7
Total interest earning assets and interest income (TE)	$1,043,076	$56,924	5.46%	$1,016,434	$ 64,661	6
Cash and due from banks	$ 45,872			$ 46,771		
Premises and equipment	17,864			18,928		
Other assets	19,848			18,149		
Total assets	$1,126,660			$1,100,282		
Liabilities and Shareholders' Equity						
Interest bearing demand deposits	$ 87,351	$ 641	0.73%	$ 90,916	$ 944	1
Savings	284,641	2,586	0.91%	261,063	3,689	1
Time deposits	337,737	10,843	3.21%	350,353	14,081	4
Federal funds purchased, repurchase agreements and notes payable	95,029	1,094	1.15%	68,615	1,169	1
FHLB advances & other borrowings	28,492	1,559	5.47%	32,889	1,834	5
Total interest bearing liabilities and interest expense	$ 833,250	$16,723	2.01%	$ 803,836	$21,717	2
Non-interest bearing demand deposits	89,935			93,590		
Non-interest bearing savings deposits	62,056			56,204		
Other liabilities	10,339			10,738		
Total liabilities	$ 995,580			$ 964,368		
Shareholders' equity	131,080			135,914		
Total liabilities and shareholders' equity	$1,126,660			$1,100,282		
Interest spread (average rate earned minus average rate paid) (TE)			3.45%			3
Net interest income (TE)		$40,201			$42,944	
Net yield on interest earnings assets (TE)			3.85%			4

Notes to Consolidated Average Balance Sheet and Interest Rates Table:

1 Investments in debt securities are included at carrying value.
2 Federal funds sold and interest bearing deposits include approximately

$71,000, $61,000 and $114,000 in 2003, 2002 and 2001, respectively, of interest income from third party processing of cashier checks.

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

4 Loan fees of approximately $1.706 million, $1.269 million, and $1.058 million in 2003, 2002 and 2001, respectively, are included in total loan income.

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The following table presents, on a fully taxable equivalent 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)

	2003			2002	
	Increase (Decrease) From Previous Year	Due to Volume	Due to Rate	Increase (Decrease) From Previous Year	Due to Volume
Interest Income					
Taxable investment securities	($ 969)	$ 1,862	($ 2,831)	($ 1,360)	$ 606
Tax-exempt investment securities ..	(162)	16	(178)	97	153
Federal funds sold and interest bearing deposits	10	158	(148)	(1,300)	(475
Loans	(6,616)	(1,933)	(4,683)	(7,240)	306
Total interest income	($ 7,737)	$ 103	($ 7,840)	($ 9,803)	$ 590
Interest Expense					
Interest bearing demand and savings deposits	($ 1,406)	$ 250	($ 1,656)	($ 4,339)	$ 370
Time deposits	(3,238)	(492)	(2,746)	(5,778)	(550
Federal funds purchased, repurchase agreements and notes payable ...	(75)	371	(446)	(1,381)	(199
Federal Home Loan Bank advances and other borrowings	(275)	(241)	(34)	(383)	(341
Total interest expense	($ 4,994)	($ 112)	($ 4,882)	($11,881)	($ 720
Net Interest Income (TE)	($ 2,743)	$ 215	($ 2,958)	$ 2,078	$ 1,310

Total average earning assets increased from $1.016 billion in 2002 to $1.043 billion in 2003, but generated lower interest income mainly as a result of reduced interest rates in 2003 compared to 2002. Average taxable investment securities increased $42.871 million, but generated $969,000 less interest income, of which $2.831 million was due to lower rates, offset somewhat by $1.862 million due to an increase in volume. Average federal funds sold and interest-bearing deposits increased $11.184 million and generated $10,000 more interest income. Average tax-exempt investment securities increased $467,000 in

2003, but generated $162,000 less interest income, of which $178,000 was due to a decrease in rates, offset slightly by $16,000 due to higher volume. Somewhat offsetting these increases in average balances was a decrease in average loans of $27.880 million, resulting in a decrease in interest income of $6.616 million, of which $4.683 million was due to lower rates and $1.933 million was attributable to a decrease in volume.

Total average earning assets increased from $1.013 billion in 2001 to $1.016 billion in 2002, but generated lower levels of interest income due to a significant decrease in interest rates during 2002. Average taxable investment securities increased $11.385 million, but generated $1.360 million less interest income, of which $1.966 million was due to lower rates, offset somewhat by $606,000 due to an increase in volume. Average loans increased $3.721 million, but generated $7.240 million less interest income, of which $7.546 million was due to lower rates, offset slightly by a $306,000 increase attributable to an increase in volume. Average tax-exempt investment securities increased $2.298 million in 2002, resulting in an increase of $97,000 in interest income. Of this increase, $153,000 was due to an increase in volume, offset somewhat by $56,000 due to lower rates. Somewhat offsetting these increases in average balances was a decrease in average federal funds sold and interest-bearing deposits of $13.924 million, resulting in a decrease in interest income in this category of $1.300 million. Of this decrease, $825,000 was due to lower rates and $475,000 was due to a decrease in volume.

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The Company establishes interest rates on loans and deposits based on market rates - such as the 91-day Treasury Bill rate and the prime rate - and interest rates offered by other financial institutions in the local community. The level of risk and the value of collateral also are evaluated when determining loan rates. Rates were generally lower in 2003 compared to 2002. The average rate earned on loans decreased 71 basis points from 7.14% in 2002 to 6.43% in 2003. The yield on tax-exempt investment securities decreased 35 basis points from 6.63% in 2002 to 6.28% in 2003. The yield on taxable investment securities decreased 98 basis points from 4.75% for the year ended December 31, 2002 to 3.77% for the year ended December 31, 2003. The yield on federal funds sold and interest-bearing deposits decreased 49 basis points from 1.71% in 2002 to 1.22% in 2003.

The total actual balance of loans at December 31, 2003 was higher than at December 31, 2002. Commercial, financial and agricultural loans increased $15.750 million from 2002 to 2003 as a result of the favorable rate environment. Real estate loans increased $5.170 million from 2002 to 2003, primarily due to a $32.106 million increase in commercial real estate loans aided by the favorable rate environment, offset somewhat by a decrease of $26.936 million in residential real estate loans. The decrease in real estate loans was caused primarily by long-term fixed rate loans being refinanced and subsequently sold on the secondary market. Installment and consumer loans decreased $18.276 million from 2002 to 2003. This was primarily due to alternative funding sources available to consumers, such as special financing offered by the automobile manufacturers' captive financing companies.

Average rates on total interest bearing liabilities decreased 69 basis points, from 2.70% in 2002 to 2.01% in 2003, resulting in a decrease in interest expense of $4.994 million in 2003 compared to 2002 due to the low rate environment throughout 2003. The overall decrease in interest expense was caused by a decrease in interest expense on all categories of interest bearing liabilities. The average rate paid on time deposits decreased 81 basis points, from 4.02% in 2002 to 3.21% in 2003. This resulted in a decrease of $3.238 million in interest expense, of which $2.746 million was due to lower rates and $492,000 was due to a decrease in volume. The average rate paid on federal funds purchased,

repurchase agreements and notes payable decreased 55 basis points from 1.70% in 2002 to 1.15% in 2003. This resulted in a decrease in interest expense of $75,000 of which $446,000 was due to lower rates, offset somewhat by a $371,000 increase in volume. The average rate paid on interest bearing demand and savings deposits decreased 45 basis points, from 1.32% in 2002 to 0.87% in 2003. This resulted in a decrease in interest expense of $1.406 million in 2003, of which $1.656 million was attributable to lower rates, offset slightly by a $250,000 increase in volume. The average rate paid on Federal Home Loan Bank advances and other borrowings decreased 11 basis points, from 5.58% in 2002 to 5.47% in 2003. This resulted in a decrease in interest expense of $275,000, of which $34,000 was due to lower rates and $241,000 was due to a decrease in volume.

Average rates on total interest bearing liabilities decreased 144 basis points, from 4.14% in 2001 to 2.70% in 2002, resulting in a decrease in interest expense of $11.881 million in 2002 compared to 2001, due to the low rate environment throughout 2002. This was caused by a decrease in interest expense on all categories of interest bearing liabilities. The average rate paid on federal funds purchased, repurchase agreements and notes payable decreased 170 basis points from 3.40% in 2001 to 1.70% in 2002. This resulted in a decrease in interest expense of $1.381 million of which $1.182 million was due to rate decreases and $199,000 was due to lower volume. The average rate paid on time deposits decreased 149 basis points, from 5.51% in 2001 to 4.02% in 2002. This resulted in a decrease of $5.778 million in interest expense, of which $5.228 million was due to lower rates and $550,000 was due to a decrease in volume. The average rate paid on interest bearing demand and savings deposits decreased 134 basis points, from 2.66% in 2001 to 1.32% in 2002. This resulted in a decrease in interest expense of $4.339 million in 2002, of which $4.709 million was attributable to lower rates, offset slightly by a $370,000 increase in volume. The average rate paid on Federal Home Loan Bank advances and other borrowings decreased 11 basis points, from 5.69% in 2001 to 5.58% in 2002. This resulted in a decrease in interest expense of $383,000, of which $42,000 was due to lower rates and $341,000 was due to a decrease in volume.

Provision for Loan Losses

The quality of the Company's loan portfolio is of prime importance to the Company's management and its board of directors, as loans are the largest component of the Company's assets. The Company maintains an independent credit administration function, which performs reviews of all large credit relationships and all loans that present indications of additional credit risk.

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Continued emphasis on loan quality was reflected in the ratio of net charge-offs to average net loans of 0.15% in 2003, compared to 0.22% in 2002. Net charge-offs decreased to $943,000 in 2003 from $1.450 million in 2002. The Company charged off $1.640 million in loans during 2003 compared to $1.927 million in 2002. This was due to decreases in charge-offs for installment and consumer loans and residential real estate loans of $249,000 and $83,000, respectively, in 2003 compared to 2002. The decrease in charge-offs for installment and consumer loans was reflective of the decrease in loan balances in this category in 2003 compared to 2002. These decreases were offset somewhat by an increase in charge-offs for commercial, financial and agricultural loans of $45,000. Recoveries of previously charged off loans increased from $477,000 in 2002 to $697,000 in 2003, with the largest increase in the area of commercial, financial and agricultural loans, which increased $207,000 from 2002 to 2003. The provision for loan losses increased $20,000 from $1.450 million in 2002 to $1.470 million in 2003. The Company continues to emphasize credit analysis and early detection of problem loans.

We believe that an improvement in employment levels would positively impact our

levels of problem assets, delinquencies and losses on loans. While the economy has shown recent strength (as measured in GDP growth), growth in the labor market has been sporadic. We are cautiously optimistic that long-awaited job recovery, which is essential for sustainable economic growth, is underway. However, it is still too early to consider robust jobs growth a certainty.

Non-interest income

Non-interest income increased $1.428 million, or 7.6%, from 2002 to 2003. Included in this increase was an increase of $1.168 million, or 85.4%, in gains on sales of mortgage loans held-for-sale. This increase resulted from a $70.294 million, or 50.6%, increase in mortgage loans sold during 2003 compared to 2002 due to the low interest rate environment and strong housing market. Other non-interest income increased $523,000, or 30.6%, in 2003 compared to 2002. In 2002, other non-interest income included a write-down of approximately $300,000 in the value of mortgage servicing rights as a result of the sharp rise in prepayment speeds. Service charges on deposit accounts increased $172,000, or 7.2%, in 2003 compared to 2002. Somewhat offsetting these increases was a decrease in income from securities transactions of $223,000, or 105.7%, in 2003 compared to 2002. In 2002, income from securities transactions included gains from some securities sold to reposition the portfolio in the low rate environment. Income from trust and brokerage fees decreased $146,000, or 2.5%, in 2003 compared to 2002. Remittance processing income decreased $66,000, or 0.9%, during 2003 compared to 2002.

Non-interest income increased $1.600 million, or 9.3%, from 2001 to 2002. Included in this increase was an increase of $702,000, or 13.4%, in income from trust and brokerage fees from $5.227 million in 2001 to $5.929 million in 2002. This was primarily the result of the adoption of a uniform trust fee schedule throughout the Company in 2002 that resulted in the recognition of increased fees as well as a $29.000 million increase in assets under management in 2002 compared to 2001. Gains on sales of mortgage loans held-for-sale increased $540,000, or 65.2%, from $828,000 in 2001 to $1.368 million in 2002. This increase resulted from a $34.743 million, or 33.4%, increase in mortgage loans sold during 2002 compared to 2001 due to the low interest rate environment. Service charges on deposit accounts increased $156,000, or 7.0%, in 2002 compared to 2001. Income from securities transactions increased $101,000, or 91.8%, in 2002 compared to 2001. This was the result of the sale of some securities to reposition the portfolio in the low rate environment. Remittance processing income increased $90,000, or 1.3%, during 2002 compared to 2001. Other non-interest income increased $11,000, or 0.6%, in 2002 compared to 2001.

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Non-interest expense

During 2003, non-interest expense decreased $820,000, or 2.5% to $32.341 million in 2003 from $33.161 million in 2002. Salaries and employee benefits expense decreased $476,000, or 2.5%, equipment expense decreased $390,000, or 14.0%, data processing expense decreased $192,000, or 8.3% and service charges from correspondent banks decreased $1,000, or 0.1%. Somewhat offsetting these decreases were increases in other non-interest expense of $121,000, or 2.5%, occupancy expense of $113,000, or 4.8% and office supplies expense of $5,000, or 0.4%. During 2002, non-interest expense increased $2.875 million, or 9.5%, from $30.286 million in 2001. $2.5 million of this increase was due to the reversal of a reconciliation liability. During 1999, the Company investigated reconciliation differences, which involved the Company's subsidiary, FirsTech, Inc. in connection with its commercial remittance processing services. After consultation with its professional advisors, the Company's Board of Directors directed that a liability in the amount of $2.5 million be recorded in the fourth quarter of 1999. Investigation of these differences was completed during

the fourth quarter of 2001. It was determined that no liability existed and the $2.5 million liability was reversed in non-interest expense in 2001. In 2002, there was no reconciliation liability effect. During 2002, salaries and employee benefits expense increased $960,000, or 5.4%, data processing expense increased $357,000, or 18.4%, occupancy expense increased $79,000, or 3.4%, and service charges from correspondent banks increased $47,000, or 5.3%. Somewhat offsetting these increases were decreases in equipment expense of $626,000, or 18.4%, office supplies expense of $274,000, or 17.9%, and other non-interest expense of $168,000, or 3.4%.

Salaries and employee benefits expense decreased $476,000, or 2.5%, from $18.721 million in 2002 to $18.245 million in 2003. Contributing to salaries and employee benefits expense in 2002 was $529,000 in salaries and benefits related to organizational restructuring that resulted in the termination of employment contracts. In 2002, salaries and employee benefits increased $960,000, or 5.4%, from $17.761 million in 2001. Contributing to the increase in 2002 were the salaries and benefits expense related to the restructuring.

Equipment expense decreased $390,000, or 14.0%, from $2.779 million in 2002 to $2.389 million in 2003. Equipment expense decreased largely due to efficiencies gained from restructuring and the merger of BankIllinois and First Trust Bank of Shelbyville in June 2002. In 2002, equipment expense decreased $626,000, or 18.4%, from $3.405 million in 2001. This decrease was due, in part, to conversion to third party service bureau data processing from in-house data processing at the Company's Decatur bank during 2001.

Data processing expense decreased $192,000, or 8.3%, from $2.300 million in 2002 to $2.108 million in 2003. Contributing to data processing expense in 2002 were conversion to a new system and software upgrade at the Company's remittance processing subsidiary FirsTech, and costs to merge First Trust Bank of Shelbyville and BankIllinois computer records. In 2002, data processing expense increased $357,000, or 18.4%, from $1.943 million in 2001. Contributing to this increase were a computer system conversion at the Company's Decatur bank late in the first quarter of 2001 from in-house data processing to third party service bureau data processing, conversion to a new system and a software upgrade at the Company's remittance processing subsidiary FirsTech, costs to merge First Trust Bank of Shelbyville and BankIllinois computer records, as well as a continuation in development of the Company's internet services during 2002 compared to 2001.

Service charges from correspondent banks decreased $1,000, or 0.1%, from $932,000 in 2002 to $931,000 in 2003. In 2002, service charges from correspondent banks increased $47,000, or 5.3%, from $885,000 in 2001. This increase was mainly due to a reduction in monthly earnings credits, which offset a portion of the charges, due to the falling rate environment. Earnings credits are typically indexed to a key government rate, like the monthly average 91-day Treasury bill rate. The average 91-day T-bill rate dropped from 3.43% in 2001 to 1.64% in 2002.

Other non-interest expense increased $121,000, or 2.5%, from $4.792 million in 2002 to $4.913 million in 2003. In 2002, other non-interest expense decreased $168,000, or 3.4%, from $4.960 million in 2001.

Occupancy expense increased $113,000, or 4.8%, from $2.376 million in 2002 to $2.489 million in 2003. In 2002, occupancy expense increased $79,000, or 3.4%, from $2.297 million in 2001.

Office supplies expense increased $5,000, or 0.4%, from $1.261 million in 2002 to $1.266 million in 2003. In 2002, office supplies expense decreased $274,000, or 17.9%, from $1.535 million in 2001. Included in office supplies expense in 2001 were additional printing and mailing expenses and additional supplies purchased to announce and support a computer system conversion to move the Company's subsidiaries toward the same data processing system.

Income Tax Expense

Income tax expense increased $321,000, or 3.8%, from $8.520 million in 2002 to $8.841 million in 2003. In 2002, income tax expense increased $784,000, or 10.1%, from $7.736 million in 2001, which was mainly due to an increase in taxable income. This was mainly due to an increase in taxable income. The Company's effective tax rate was 34.7%, 32.9% and 32.4% for the years ended December 31, 2003, 2002 and 2001, respectively.

The tax effects of temporary differences, which gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2003 and 2002, are shown in note 11 in the Notes to Consolidated Financial Statements.

Financial Condition

Total assets increased $31.446 million, or 2.8%, from $1.123 billion at December 31, 2002 to $1.154 billion at December 31, 2003. Increases in investments in debt and equity securities, other assets, and loans were somewhat offset by decreases in cash and due from banks, federal funds sold and interest bearing deposits, mortgage loans held-for-sale, accrued interest receivable and premises and equipment.

Cash and due from banks decreased $13.845 million, or 23.2%, at December 31, 2003 compared to December 31, 2002. This was primarily due to a smaller dollar amount of deposit items in process of collection at December 31, 2003 compared to December 31, 2002.

Federal funds sold and interest bearing deposits decreased $12.998 million, or 30.2%, at December 31, 2003 compared to December 31, 2002. Federal funds sold and interest bearing deposits fluctuate with loan demand, deposit volume and investment opportunities.

Total investments in debt and equity securities increased $54.516 million, or 17.2%, at December 31, 2003 compared to December 31, 2002 due to increases in all categories. Investments in debt and equity securities available-for-sale increased $25.298 million, or 10.5%, investments in debt and equity securities held-to-maturity increased $28.493 million, or 41.6%, and investments in non-marketable equity securities increased $725,000, or 10.3%, at December 31, 2003 compared to December 31, 2002.

Loans, net of loan allowance, increased $2.117 million, or 0.3%, at December 31, 2003 compared to December 31, 2002. Commercial, financial and agricultural loans increased $15.750 million from 2002 to 2003. Real estate loans increased $5.170 million from 2002 to 2003, primarily due to a $32.106 million increase in commercial real estate loans offset somewhat by a decrease of $26.936 million in residential real estate loans. The increases in commercial, financial and agricultural loans and commercial real estate loans were primarily the result of the favorable rate environment and the Company's emphasis on business development. The decrease in residential real estate loans was caused primarily by long-term fixed rate loans being refinanced and subsequently sold on the secondary market. Installment and consumer loans decreased $18.276 million from 2002 to 2003 primarily due to a decrease in indirect consumer loans due to competition from alternative funding sources available to consumers, such as special financing offered by the auto manufacturer's captive financing companies.

Mortgage loans held-for-sale decreased $2.340 million, or 78.7%, at December 31,

2003 compared to December 31, 2002. This decrease was reflective of a decrease in demand at the end of 2003 as compared to 2002.

The increase in year-end assets was primarily the result of funds provided by an increase in total deposits of $29.886 million, or 3.4%, at December 31, 2003 compared to December 31, 2002. This was due to the increase in interest bearing deposits of $31.614 million, or 4.5%, offset somewhat by a decrease of $1.728 million, or 1.1%, in non-interest bearing deposits. Also, federal funds purchased, repurchase agreements and notes payable were $22.347 million, or 27.7%, higher, and Federal Home Loan Bank advances and other borrowings were $2.174 million, or 7.8%, higher at December 31, 2003 than at December 31, 2002. Somewhat offsetting these increases was a decrease of $23.020 million in capital primarily due to the repurchase of stock in the 2003 tender offer and payment of cash dividends, somewhat offset by net income.

Average assets were $26.378 million, or 2.4%, higher in 2003 than 2002. Included in the increase in average assets were increases in taxable investment securities of $42.871 million, or 16.3%, federal funds sold and interest bearing deposits of $11.184 million, or 43.7%, other assets of $1.699 million, or 9.4%, and tax-exempt investment securities of $467,000, or 0.8%. These increases were somewhat offset by average decreases of $27.880 million, or 4.1%, in net loans, a decrease of $1.064 million, or 5.6%, in premises and equipment, and a decrease of $899,000, or 1.9%, in cash and due from banks.

Shifts in funding sources occurred as total average federal funds purchased, repurchase agreements and notes payable increased $26.414 million, or 38.5%, and total average deposits increased $9.594 million, or 1.1%, while average Federal Home Loan Bank advances and other borrowings decreased $4.397 million, or 13.4%, in 2003 from 2002. Included in the increase in average deposits was a shift in the average deposit mix in 2003 versus 2002. Average savings increased $23.578 million, or 9.0%, and average non-interest bearing savings increased $5.852 million, or 10.4%. Somewhat offsetting these increases were decreases in average time deposits of $12.616 million, or 3.6%, average non-interest bearing demand deposits of $3.655 million, or 3.9%, and average interest bearing demand deposits of $3.565 million, or 3.9%.

Investment Securities

The carrying value of investments in debt and equity securities was as follows:

Carrying Value of Securities1
(in thousands)

December 31,	2003	2002	2001
Securities available-for-sale:			
U.S. Treasury	$ --	$ 3,066	$ 8,577
Federal agencies	220,199	185,469	191,325
Mortgage-backed securities	23,007	30,884	28,279
State and municipal	17,317	16,168	15,642
Corporate and other obligations	--	1,008	3,099
Marketable equity securities	5,391	4,021	19,574
Total	$265,914	$240,616	$266,496
Securities held-to-maturity:			
Federal agencies	$ 10,704	$ 1,750	$ 1,750
Mortgage-backed securities	50,029	23,595	19,842
State and municipal	36,323	43,218	42,226

Total	$ 97,056	$ 68,563	$ 63,818
Non-marketable equity securities:			
FHLB and FRB stock2	$ 4,259	$ 3,963	$ 3,766
Other equity investments	3,497	3,068	1,342
Total	$ 7,756	$ 7,031	$ 5,108
Total securities	$370,726	$316,210	$335,422

1 Investment securities available-for-sale are carried at fair value. Investment securities held-to-maturity are carried at amortized cost.

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

The unrealized gain on securities available-for-sale, net of tax effect, decreased $1.835 million to a gain of $1.941 million at December 31, 2003 from a gain of $3.776 million at December 31, 2002.

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The following table shows the maturities and weighted-average yields of investment securities at December 31, 2003:

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

	December 31, 2003						
	1 Year or Less Amount	Rate	1 to 5 Years Amount	Rate	5 to 10 Years Amount	Rate	Ove 10 ye Amo
Securities available-for-sale:							
Federal agencies	$ 55,508	4.35%	$163,690	3.20%	$ 1,001	3.01%	$
Mortgage-backed securities1 ..	1,708	3.51%	21,127	4.50%	138	6.56%	
State and municipal	2,766	2.90%	8,768	4.30%	4,674	5.02%	1,
Marketable equity securities2	--	--	--	--	--	--	
Total	$ 59,982		$193,585		$ 5,813		$1,
Average Yield		4.26%		3.39%		4.71%	
Securities held-to-maturity:							
Federal agencies	$ 512	2.00%	$ 5,267	2.94%	$ 4,925	4.53%	$
Mortgage-backed securities1 ..	36,843	0.05%	12,404	4.32%	322	3.95%	
State and municipal	12,992	3.92%	20,453	4.07%	2,373	4.83%	
Total	$ 50,347		$ 38,124		$ 7,620		$
Average Yield		1.06%		4.00%		4.60%	
Non-marketable equity securities2							
FHLB and FRB stock	--	--	--	--	--	--	
Other equity investments	--	--	--	--	--	--	
Total	$ --	--	$ --	--	$ --	--	$

Loans

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

Amount of Loans Outstanding
(dollars in thousands)

	2003	2002	2001	2000	1999
Commercial, financial and agricultural	$249,795	$234,045	$246,042	$219,541	$188,430
Real estate	348,997	343,827	316,693	319,412	293,761
Installment and consumer	77,253	95,529	119,585	129,775	128,085
Total loans	$676,045	$673,401	$682,320	$668,728	$610,276

Percentage of Loans Outstanding

	2003	2002	2001	2000	1999
Commercial, financial and agricultural	36.95%	34.75%	36.06%	32.83%	30.88%
Real estate	51.62%	51.06%	46.41%	47.76%	48.13%
Installment and consumer	11.43%	14.19%	17.53%	19.41%	20.99%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

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The Company's loan portfolio totaled approximately $676.045 million at December 31, 2003, representing 58.6% of total assets at that date. Total loans increased $2.644 million, or 0.4%, from December 31, 2002 to December 31, 2003 with increases in commercial, financial and agricultural loans and real estate loans of $15.750 million and $5.170 million, respectively, offset somewhat by a decrease in installment and consumer loans of $18.276 million.

Total loans decreased $8.919 million, or 1.3%, from December 31, 2001 to December 31, 2002, with decreases in installment and consumer loans and in commercial, financial and agricultural loans of $24.056 million and $11.997 million, respectively, offset somewhat by an increase in real estate loans of $27.134 million.

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

Maturity of Loans Outstanding
(dollars in thousands)

December 31, 2003

	1 Year or Less	1-5 Years	Over 5 Years	Total
Commercial, financial and agricultural	$162,793	$ 70,707	$ 16,295	$249,795
Real estate	64,723	166,210	118,064	$348,997
Installment and consumer	27,626	40,804	8,823	$ 77,253
Total	$255,142	$277,721	$143,182	$676,045
Percentage of total loans outstanding	37.74%	41.08%	21.18%	100.00%

As of December 31, 2003, commercial, financial and agricultural loans with maturities of greater than one year were comprised of $35.119 million in fixed-rate loans and $51.883 million in floating-rate loans. Real estate loans with maturities greater than one year at December 31, 2003 included $103.173 million in fixed-rate loans and $181.101 million in floating-rate loans.

Allowance for Loan Losses and Loan Quality

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)

	2003	2002	2001	2000	19
Allowance for loan losses at beginning of year	$ 9,259	$ 9,259	$ 8,879	$ 8,682	$ 8
Charge-offs during period:					
Commercial, financial and agricultural .	$ (148)	$ (103)	$(1,165)	$ (99)	$
Residential real estate	(42)	(125)	(27)	(34)	
Installment and consumer	(1,450)	(1,699)	(1,481)	(1,119)	
Total	$(1,640)	$(1,927)	$(2,673)	$(1,252)	$(1
Recoveries of loans previously charged off:					
Commercial, financial and agricultural .	$ 452	$ 245	$ 179	$ 463	$
Residential real estate	46	31	37	9	
Installment and consumer	199	201	167	173	
Total	$ 697	$ 477	$ 383	$ 645	$
Net charge-offs	$ (943)	$(1,450)	$(2,290)	$ (607)	$
Provision for loan losses	1,470	1,450	2,670	804	
Allowance for loan losses at end of year ..	$ 9,786	$ 9,259	$ 9,259	$ 8,879	$ 8
Ratio of net charge-offs to average net loans	0.15%	0.22%	0.34%	0.10%	0

Management reviews criteria such as the customer's historic loan payment performance, financial statements, financial ratios, cash flow, net worth, collateral and guaranties, as well as local and national economic factors, in determining whether loans should be written off as uncollectible. The Company records a loss if it is probable that a loss will occur and the amount can be reasonably estimated.

The Company's risk of loan loss is dependent on many factors: economic conditions, the extent and values of underlying collateral, significant concentrations of loans within the portfolio, the ability and willingness of borrowers to perform according to loan terms and management's competence and judgment in overseeing lending, collecting and loan-monitoring activities. The risk of loss from commercial, financial and agricultural loans is significantly impacted by economic factors and how these factors affect the particular industries involved.

An analysis of the allowance for loan loss adequacy is performed on a quarterly basis by the Company's credit administration department. This analysis is reported to executive management and discussed at a quarterly meeting where specific allocations for problem credits, charge-offs and monthly provisions for loan losses are reviewed and revised, as necessary. The results are reported to the board of directors. The analysis includes assessment of the allowance for loan loss adequacy based on historic loan losses and current quality grades of specific credits reviewed, credit concentrations, current delinquent and nonperforming loans, current economic conditions, peer group information and results of recent audits or regulatory examinations. In 2002, charge-offs in commercial, financial and agricultural loans decreased to $103,000 compared to $1.165 million in 2001, primarily due to the charge-off of two agricultural credits totaling $847,000. The level of charge-offs of installment and consumer loans in 2001, 2002, and 2003 were reflective of the significant growth of the indirect loan portfolio in 1999 and 2000.

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

Allocation of the Allowance for Loan Losses
(in thousands)

	2003	2002	2001	2000	1999
Allocated:					
Commercial, financial and agricultural	$5,973	$5,732	$5,487	$3,426	$3,476
Residential real estate	153	345	419	855	799
Installment and consumer	2,428	1,763	2,000	1,649	1,289
Total allocated allowance	$8,554	$7,840	$7,906	$5,930	$5,564
Unallocated allowances	1,232	1,419	1,353	2,949	3,118
Total	$9,786	$9,259	$9,259	$8,879	$8,682

The allocated portion of the allowance for loan losses increased $714,000 from $7.840 million at December 31, 2002 to $8.554 million at December 31, 2003. Of this increase, the allowance for installment and consumer loans increased $665,000 from $1.763 million at December 31, 2002 to $2.428 million at December 31, 2003, and the allowance for commercial, financial and agricultural loans increased $241,000 from $5.732 million to $5.973 million during the same period. Somewhat offsetting these increases was a decrease in the allowance for

residential real estate loans of $192,000 from $345,000 at December 31, 2002 to $153,000 at December 31, 2003 as residential real estate loans decreased during 2003. The portion of the allowance for loan losses that was unallocated decreased by $187,000 to $1.232 million at December 31, 2002 from $1.419 million a year earlier. The unallocated amount is determined based on management's judgment, which considers, in addition to the other factors previously discussed, the risk of error in the specific allocation.

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 been previously identified as problem loans by the credit administration department or the loan committees.

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
(in thousands)

	2003	2002	2001	2000	1999
Nonaccrual loans1	$ 399	$1,392	$3,341	$ 602	$ 112
Loans past due 90 days or more	$ 621	$ 829	$1,774	$ 846	$ 440
Renegotiated loans	$ 18	$ 20	$ 67	$ 88	$ 104

1 Includes $269,000, $628,000, $3,216,000, $505,000 and $112,000 at December 31, 2003, 2002, 2001, 2000 and 1999, respectively, of loans which management does not consider impaired as defined by the Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairments of a Loan" (SFAS 114).

Other Nonperforming Assets
(in thousands)

	2003	2002	2001	2000	1999
Other real estate owed	$ --	$ 58	$ --	$ 7	$246
Nonperforming other assets	$ 55	$ 94	$153	$192	$132

There were no other interest earning assets that would be required to be disclosed as being nonperforming if such other assets were loans.

At December 31, 2003, the Company had approximately $7.730 million in potential problem loans, excluding nonperforming loans. Potential problem loans are those

loans identified by management as being worthy of special attention, and although currently performing, may have some underlying weaknesses. None of these potential problem loans were considered impaired as defined in SFAS 114. The $7.730 million of potential problem loans have either had timely payments or are adequately secured and loss of principal or interest is determined to be unlikely.

Loans over 90 days past due, which are not well secured and in the process of collection, are placed on nonaccrual status. There were $399,000 of nonaccrual loans at December 31, 2003 compared to $1.392 million at December 31, 2002. Loans past due 90 days or more but still accruing interest decreased by $208,000 in 2003 to a balance of $621,000 at December 31, 2003, from $829,000 at December 31, 2002. These loans are well secured and in the process of collection.

The following table categorizes nonaccrual loans as of December 31, 2003 based on levels of performance and also details the allocation of interest collected during the period in 2003 in which the loans were on nonaccrual. Substantial performance, yet contractually past due, includes borrowers making sizable periodic payments relative to the required periodic payments due. A borrower that is not making substantial payments but is making periodic payments would be included in the limited performance category.

Nonaccrual and Related Interest Payments
(in thousands)

	At December 31, 2003		Cash Interest Payments Applied		
	Book Balance	Contractual Balance	Interest Income	Recovery of Prior Partial Charge-offs	Reduct of Princ
Contractually past due with:					
Substantial performance	$237	$241	$ 23	$--	$
Limited performance	5	11	--	--	
No performance	157	176	--	--	-
Total	$399	$428	$ 23	$--	$

The difference between the book balance and the contractual balance represents charge-offs made since the loans were funded.

Management believes that the allowance for loan losses at December 31, 2003 was adequate to absorb credit losses in the total loan portfolio and that the policies and procedures in place to identify potential problem loans are being effectively implemented. However, there can be no assurance that the allowance for loan losses will be adequate to cover all losses.

Premises and Equipment

Total premises and equipment decreased $727,000 in 2003 from 2002. This decrease was primarily due to depreciation expense of $2.453 million somewhat offset by $1.726 million of purchases.

Other Assets

Other assets increased $5.608 million in 2003 from 2002. This increase included an investment of $2.268 million in a low-income housing development and

increases in cash value life insurance, deferred tax assets, and servicing rights.

Deposits

The following table shows the average balance and weighted average rate of deposits at December 31 for the years indicated:

Average Balance and Weighted Average Rate of Deposits
(dollars in thousands)

	2003		2002		2001	
	Average Balance	Weighted Average Rate	Average Balane	Weighted Average Rate	Average Balance	Weighted Average Rate
Demand						
Non-interest bearing	$ 89,935	--	$ 93,590	--	$102,136	--
Interest bearing ...	87,351	0.73%	90,916	1.04%	107,992	2.06%
Savings						
Non-interest bearing	62,056	--	56,204	--	42,810	--
Interest bearing ...	284,641	0.91%	261,063	1.41%	229,493	2.94%
Time						
$100,000 and more ..	113,604	3.22%	121,591	3.89%	110,966	4.73%
Under $100,000	224,133	3.21%	228,762	4.09%	249,624	5.85%
Totals	$861,720		$852,126		$843,021	

In analyzing its deposit activity, management has noted that average total deposits increased $9.594 million, or 1.1%, during 2003. Included in this increase were shifts in the average deposit mix in 2003 versus 2002. There were increases in average interest bearing savings deposits of $23.578 million, or 9.0%, and average non-interest bearing savings deposits of $5.852 million, or 10.4%. Somewhat offsetting these increases were decreases in average time $100,000 and over of $7.987 million, or 6.6%, average time under $100,000 of $4.629 million, or 2.0%, average non-interest bearing demand deposits of $3.655 million, or 3.9%, and average interest bearing demand of $3.565 million, or 3.9%.

The table below sets forth the maturity of deposits greater than $100,000 at December 31, 2003:

Maturity of Time Depsoits of $100,000 or More
(in thousands)

Maturity at December 31, 2003:	State of Illinois Time Deposits	Brokered CDs	CDs	IRAs	Total Deposi $100,000
3 months or less	$ 7,000	$ 7,000	$ 22,676	$ 940	$ 37,6
3 to 6 months	3,000	--	11,893	737	15,6
6 to 12 months	--	--	23,692	619	24,3
Over 12 months	--	5,000	28,520	2,840	36,3
Total	$ 10,000	$ 12,000	$ 86,781	$ 5,136	$113,9

Federal Funds Purchased, Repurchase Agreements and Notes Payable

This category includes federal funds purchased, which are generally overnight transactions, securities sold under repurchase agreements, which mature from one day to three years from the date of sale and U.S. Treasury demand notes. The table in note 8 in the Notes to Consolidated Financial Statements shows the balances of federal funds purchased, repurchase agreements and notes payable at December 31, 2003 and 2002, the average balance for the years ended December 31, 2003, 2002 and 2001, and the maximum month-end value during each year.

Fair Values of Financial Instruments

The estimated fair values of financial instruments for which no listed market exists and the fair values of investment securities, which are based on listed market quotes at December 31, 2003 and 2002, are disclosed in note 17 in the Notes to Consolidated Financial Statements.

Capital

Total shareholders' equity declined $23.020 million from $134.470 million at December 31, 2002 to $111.450 million at December 31, 2003. Included in the decrease were net treasury stock transactions of $30.157 million, primarily due to the completion of the $32.395 million tender offer during the third quarter of 2003, offset partially by the exercise of stock options by employees and directors of the Company. Cash dividends declared of $7.567 million, a decrease in accumulated other comprehensive income of $1.835 million, and a $66,000 decrease from stock appreciation rights also contributed to the overall decrease in capital. Somewhat offsetting the decreases in capital was net income of $16.605 million for the year ended December 31, 2003.

Financial institutions are required by regulatory agencies to maintain minimum levels of capital based on asset size and risk characteristics. Currently, the Company and the Banks are required by their primary regulators to maintain adequate capital based on two measurements: the total assets leverage ratio and the risk-weighted assets ratio.

Based on Federal Reserve guidelines, a bank holding company generally is required to maintain a leverage ratio of 3% plus an additional cushion of at least 100 to 200 basis points. The Company's total assets leverage ratio at December 31, 2003 and 2002 was 9.6% and 11.8%, respectively. The leverage ratios for the individual banks are disclosed in note 19 in the Notes to the Consolidated Financial Statements. All are well above the regulatory minimum. The decrease in the total assets leverage ratio in 2003 compared to 2002 was primarily due to the completion of the tender offer in the third quarter of 2003

The minimum risk-weighted assets ratio for bank holding companies is 8%. The Company's total risk-weighted assets ratio at December 31, 2003 and 2002 was 14.5% and 18.0%, respectively -- significantly higher than the regulatory minimum. The individual banks' total risk-weighted assets ratio are disclosed in note 19 in the Notes to Consolidated Financial Statements. All are significantly higher than the regulatory minimum. The decrease in the risk-weighted assets ratio in 2003 compared to 2002 was primarily due to the completion of the tender offer in the third quarter of 2003.

Inflation and Changing Prices

Changes in interest rates and a bank's ability to react to interest rate fluctuations have a much greater impact on a bank's balance sheet and net income

than inflation. A review of net interest income, liquidity and rate sensitivity should assist in the understanding of how well the Company is positioned to react to changes in interest rates.

Liquidity and Cash Flows

The Company requires cash to fund loan growth and deposit withdrawals. Cash flows fluctuate with changes in economic conditions, current interest rate trends and as a result of management strategies and programs. The Company monitors the demand for cash and initiates programs and policies as considered necessary to meet funding gaps.

The Company was able to adequately fund loan demand and meet liquidity needs in 2003. A review of the consolidated statement of cash flows in the accompanying financial statements shows that the Company's cash and cash equivalents decreased $26.843 million from December 31, 2002 to December 31, 2003. The decrease in 2003 resulted from cash used in investing activities, offset somewhat by cash provided by operating and financing activities. There were differences in sources and uses of cash during 2003 compared to 2002. Cash was used by investing activities in 2003 compared to cash provided in 2002. Funding of new loans increased in 2003 compared to 2002 as net loans increased $3.647 million in 2003 compared to a $7.172 million decrease in 2002. Also, there were more net purchases of investments in debt and equity securities compared to proceeds from maturities, calls and sales of the same in 2003 compared to 2002. Principal paydowns from mortgage-backed securities were slightly higher in 2003 compared to 2002, reflective of the ongoing low interest rate environment. Less cash was provided by operating activities in 2003 compared to 2002. Cash was provided by financing activities in 2003 compared to cash used in 2002. This was mainly due to increases in deposits, federal funds purchased, repurchase agreements and notes payable and net FHLB and other borrowings in 2003 compared to decreases in 2002. Somewhat offsetting these increases was a decrease in cash due to the use of more funds to complete the 2003 tender offer compared to the tender offer completed in 2002.

The Company's future short-term cash requirements are expected to continue to be provided by investment maturities, sales of loans and deposits. Cash required to meet longer-term liquidity requirements will mostly depend on future goals and strategies of management, the competitive environment, economic factors and changes in the needs of customers. No additional outside borrowing is anticipated. The Company expects to maintain FHLB advances near the current level. If current sources of liquidity cannot provide needed cash in the future, the Company can obtain funds from several sources. The Company is able to borrow funds on a temporary basis from the Federal Reserve Bank, the FHLB and correspondent banks to meet short-term requirements. With sound capital levels, the Company has several options for longer-term cash needs, such as for future expansion and acquisitions.

Management is not aware of any current recommendations by the Company's primary regulators which if implemented would have a material effect on the Company's liquidity, capital resources or operations.

The following table summarizes significant obligations and other commitments at December 31, 2003 (in thousands):

Years Ended December 31,	Time Deposits	Short and Long-Term Borrowings1	Op
2004	$ 203,731	$ 15,023	

2005	83,902	93
2006	22,018	7,221
2007	17,720	2,620
2008	12,549	5,023
Thereafter	6	-
Total	$ 339,926	$ 29,980
Commitments to extend credit:		
Commitments		
Standby letters of credit		

Interest Rate Sensitivity

The concept of interest 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. One way the Company monitors its interest rate sensitivity and liquidity is through the use of static gap reports, which measure the difference between assets and liabilities maturing or repricing within specified time periods.

The following table shows the company's interest rate sensitivity position at various intervals at December 31, 2003:

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

	1 - 30 Days	31 - 90 Days	91 - 180 Days	1
Interest earning assets:				
Federal funds sold and interest bearing deposits	$ 30,004	$ --	$ --	$
Debt and equity securities1	18,827	17,580	36,175	
Loans2	251,811	39,834	31,184	
Total interest earning assets	$ 300,642	$ 57,414	$ 67,359	$
Interest bearing liabilities:				
Savings and interest bearing demand deposits ...	$ 44,039	$ 1,568	$ 2,352	$
Money market savings deposits	164,745	--	--	
Time deposits	24,727	47,317	46,850	
Federal funds purchased, repurchase agreements and notes payable	101,184	9	422	
FHLB Advances and other borrowings	7,268	10,115	--	
Total interest bearing liabilities	$ 341,963	$ 59,009	$ 49,624	$
Net asset (liability) funding gap	$ (41,321)	$ (1,595)	$ 17,735	$
Repricing gap	0.88	0.97	1.36	
Cumulative repricing gap	0.88	0.89	0.94	

Included in the 1-30 day category of savings and interest bearing demand deposits is non-core deposits plus a percentage, based upon industry-accepted assumptions, 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, of the core deposits as follows:

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

At December 31, 2003, the Company tended to be slightly liability sensitive due to the levels of savings and interest bearing demand deposits, time deposits, federal funds purchased, repurchase agreements and notes payable. As such, the effect of a decrease in the prime rate of 100 basis points would increase net interest income by approximately $413,000 in 30 days and $429,000 in 90 days assuming no management intervention. A rise in interest rates would have the opposite effect for the same 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 shall fall within the range of 0.75-1.25. As of December 31, 2003, the Company's RSA/RSL was 1.00, which was within the established guidelines.

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In addition to managing interest 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. The Company has a $10 million unsecured line of credit with a correspondent bank. Als0, the Company can borrow approximately $52.973 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 December 31, 2003 and December 31, 2002 of the impact on net interest income from an immediate change in interest rates. The results are shown as a percentage change in net interest income over the next twelve months.

	+200	+100	-100	-200
December 31, 2003	11.7%	5.9%	(5.9%)	(11.7%)
December 31, 2002	7.6%	3.8%	(3.9%)	(7.8%)

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

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

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

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

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

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

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

- The effects of changes in interest rates (including the effects of changes

in the rate of prepayments of the Company's assets) and the policies of the Board of Governors of the Federal Reserve System.

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

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

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

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

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

- The ability of the Company to retain key executives and employees and the difficulty that the Company may experience in replacing key executives and employees in an effective manner.

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

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

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

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

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

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

Item 7a. Quantitative and Qualitative Disclosures about Market Risk

See the "Interest Rate Sensitivity" section contained in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 8. Financial Statements and Supplementary Data

The financial statements begin on page 34.

MAIN STREET TRUST, INC.
AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2003, 2002 and 2001

MAIN STREET TRUST, INC.
AND SUBSIDIARIES

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Independent Auditor's Report

The Board of Directors
Main Street Trust, Inc.
Champaign, Illinois

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall

financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Main Street Trust, Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

/s/ McGladrey & Pullen, LLP

Champaign, Illinois
February 6, 2004

MAIN STREET TRUST, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2003 and 2002
(in thousands, except share data)

	2003	2002
Assets		
Cash and due from banks	$ 45,899	$ 59,744
Federal funds sold and interest bearing deposits	30,004	43,002
Cash and cash equivalents	75,903	102,746
Investments in debt and equity securities:		
Available-for-sale, at fair value	265,914	240,616
Held-to-maturity, at cost (fair value of $96,628 and $70,489 at December 31, 2003 and 2002, respectively)	97,056	68,563
Non-marketable equity securities	7,756	7,031
Total investments in debt and equity securities	370,726	316,210
Loans, net of allowance for loan losses of $9,786 and $9,259 at December 31, 2003 and 2002, respectively	666,259	664,142
Mortgage loans held for sale	632	2,972
Premises and equipment	17,622	18,349
Accrued interest receivable	6,430	7,315
Other assets	16,602	10,994
Total assets	$ 1,154,174	$ 1,122,728

Liabilities and Shareholders' Equity

Liabilities:
Deposits:

Non-interest bearing	$ 162,175	$ 163,903
Interest bearing	736,297	704,683
Total deposits	898,472	868,586
Federal funds purchased, repurchase agreements and notes payable	102,998	80,651
Federal Home Loan Bank advances and other borrowings	29,980	27,806
Accrued interest payable	1,669	2,252
Other liabilities	9,605	8,963
Total liabilities	1,042,724	988,258
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	55,271	55,337
Retained earnings	101,521	92,853
Accumulated other comprehensive income	1,941	3,776
	158,845	152,078
Less: treasury stock, at cost, 1,718,950 and 755,047 shares at December 31, 2003 and 2002, respectively	(47,395)	(17,608)
Total shareholders' equity	111,450	134,470
Total liabilities and shareholders' equity	$ 1,154,174	$ 1,122,728

See accompanying notes to consolidated financial statements.

MAIN STREET TRUST, INC.
AND SUBSIDIARIES

Consolidated Statements of Income

Years Ended December 31, 2003, 2002 and 2001
(in thousands, except share data)

	2003	2002
Interest income:		
Loans and fees on loans	$ 41,467	$ 48,080
Investments in debt and equity securities		
Taxable	11,502	12,471
Tax-exempt	2,270	2,375
Federal funds sold and interest bearing deposits	447	437
Total interest income	55,686	63,363
Interest expense:		
Deposits	14,070	18,714
Federal funds purchased, repurchase agreements and notes payable	1,094	1,169
Federal Home Loan Bank advances and other borrowings	1,559	1,834

Total interest expense	16,723	21,717
Net interest income	38,963	41,646
Provision for loan losses	1,470	1,450
Net interest income after provision for loan losses	37,493	40,196
Non-interest income:		
Remittance processing	7,211	7,277
Trust and brokerage fees	5,783	5,929
Service charges on deposit accounts	2,545	2,373
Securities transactions, net	(12)	211
Gain on sales of mortgage loans, net	2,536	1,368
Other	2,231	1,708
Total non-interest income	20,294	18,866
Non-interest expense:		
Salaries and employee benefits	18,245	18,721
Occupancy	2,489	2,376
Equipment	2,389	2,779
Data processing	2,108	2,300
Office supplies	1,266	1,261
Service charges from correspondent banks	931	932
Reconciliation liability	--	--
Other	4,913	4,792
Total non-interest expense	32,341	33,161
Income before income taxes	25,446	25,901
Income taxes	8,841	8,520
Net income	$ 16,605	$ 17,381
Per share data:		
Basic earnings per share	$ 1.62	$ 1.61
Weighted average shares of common stock outstanding	10,242,929	10,792,092
Diluted earnings per share	$ 1.60	$ 1.60
Weighted average shares of common stock and dilutive potential common shares outstanding	10,359,836	10,878,823
Dividends declared per share	$ 0.76	$ 0.54

See accompanying notes to consolidated financial statements.

MAIN STREET TRUST, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Equity

Years Ended December 31, 2003, 2002 and 2001
(in thousands, except share data)

Accumulated Other Comprehensive	Tre

	Common Stock		Paid-in	Retained	Income	----
	Shares	Amount	Capital	Earnings	(Loss)	Shar
Balance, December 31, 2000	11,111,582	$ 111	$54,222	$ 72,591	$ 600	117,
Comprehensive Income:						
Net income	--	--	--	16,171	--	
Net change in unrealized gain (loss) on securities available-for-sale, net of taxes of $1,172	--	--	--	--	2,221	
Reclassification adjustment, net of tax of ($39)	--	--	--	--	(71)	
Comprehensive income						
Fractional shares of common stock purchased following stock dividend	(301)	--	(6)	--	--	
Stock appreciation rights	--	--	23	--	--	
Cash dividends ($0.45 per share)	--	--	--	(4,945)	--	
Treasury stock transactions, net	--	--	(92)	(7)	--	149,
Balance, December 31, 2001	11,111,281	111	54,147	83,810	2,750	267,
Comprehensive Income:						
Net income	--	--	--	17,381	--	
Net change in unrealized gain (loss) on securities available-for-sale, net of taxes of $1,159	--	--	--	--	1,153	
Reclassification adjustment, net of tax of ($84)	--	--	--	--	(127)	
Comprehensive income						
Stock appreciation rights	--	--	(31)	--	--	
Cash dividends ($0.54 per share)	--	--	--	(5,752)	--	
Issuance of new shares of common stock	108,038	1	1,221	--	--	
Treasury stock transactions, net	--	--	--	(2,586)	--	487,
Balance, December 31, 2002	11,219,319	112	55,337	92,853	3,776	755,
Comprehensive Income:						
Net income	--	--	--	16,605	--	
Net change in unrealized gain (loss) on securities available-for-sale, net of taxes of ($1,228)	--	--	--	--	(1,842)	
Reclassification adjustment, net of tax of $5	--	--	--	--	7	
Comprehensive income						
Stock appreciation rights	--	--	(66)	--	--	
Cash dividends ($0.76 per share)	--	--	--	(7,567)	--	
Treasury stock transactions, net	--	--	--	(370)	--	963,
Balance, December 31, 2003	11,219,319	$ 112	$55,271	$101,521	$1,941	1,718,

See accompanying notes to consolidated financial statements.

MAIN STREET TRUST, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years Ended December 31, 2003, 2002 and 2001
(in thousands)

	2003	2002
Cash flows from operating activities:		
Net income	$ 16,605	$ 17,381
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,453	2,647
Amortization (accretion) of bond premiums, net	2,249	1,188
Provision for loan losses	1,470	1,450
Deferred income taxes	(637)	(1,016)
Securities transactions, net	12	(211)
Federal Home Loan Bank stock dividend	(296)	(187)
Undistributed earnings from non-marketable equity securities	(172)	--
Gain on sales of mortgage loans, net	(2,536)	(1,368)
Proceeds from sales of mortgage loans originated for sale	209,192	138,898
Mortgage loans originated for sale	(204,316)	(131,727)
Other, net	(3,281)	1,309
Net cash provided by operating activities	20,743	28,364
Cash flows from investing activities:		
Net (increase) decrease in loans	(3,647)	7,172
Proceeds from maturities and calls of investments in debt securities:		
Held-to-maturity	15,217	2,956
Available-for-sale	163,034	116,835
Proceeds from sales of investments in debt and equity securities:		
Available-for-sale	11,085	44,732
Purchases of investments in debt and equity securities:		
Held-to-maturity	(63,526)	(25,158)
Available-for-sale	(222,498)	(150,268)
Other equity securities	(830)	(1,970)
Principal paydowns from mortgage-backed securities:		
Held-to-maturity	18,923	17,272
Available-for-sale	18,738	16,012
Return of principal on other equity securities	490	106
Purchases of premises and equipment	(1,726)	(1,737)
Net cash (used in) provided by investing activities	(64,740)	25,952
Cash flows from financing activities:		
Net increase (decrease) in deposits	29,886	(15,523)
Net increase (decrease) in federal funds purchased, repurchase agreements, and notes payable	22,347	(4,556)
Advances from Federal Home Loan Bank and other borrowings	2,268	13,000
Payments on Federal Home Loan Bank and other borrowings	(94)	(20,089)
Cash dividends paid	(7,142)	(5,634)

Issuance of new shares of common stock, net	--	1,222
MSTI stock transactions, net	(30,111)	(15,369)
Net cash provided by (used in) financing activities	17,154	(46,949)
Net (decrease) increase in cash and cash equivalents	(26,843)	7,367
Cash and cash equivalents at beginning of year	102,746	95,379
Cash and cash equivalents at end of period	$ 75,903	$ 102,746
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 17,306	$ 22,855
Income taxes	8,937	9,061
Real estate acquired through or in lieu of foreclosure	60	297
Dividends declared not paid	1,995	1,570

See accompanying notes to consolidated financial statements.

MAIN STREET TRUST, INC.
AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Organization

Main Street Trust, Inc. is a holding company whose subsidiaries BankIllinois, The First National Bank of Decatur and FirsTech, Inc., (the "Company") provide a full range of banking services to individual and corporate customers located within Champaign, Decatur, and Shelbyville, Illinois, and the surrounding communities. The subsidiaries are subject to competition from other financial institutions and nonfinancial institutions providing financial products. Additionally, the Company is subject to the regulations of certain regulatory agencies and undergo periodic examinations by those regulatory agencies.

2. Summary of Significant Accounting Policies

The consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the United States of America and conform to predominant practices within the banking industry. The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, including the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosure or in satisfaction of loans, that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The significant accounting policies used by the Company in the preparation of the consolidated financial statements are summarized below:

(a) Principles of Consolidation and Financial Statement Presentation

The consolidated financial statements include the accounts of Main Street Trust, Inc. and its wholly owned subsidiaries, BankIllinois, The First

National Bank of Decatur, (the "Banks") and FirsTech, Inc., a retail payment processing company. During 2002, First Trust Bank of Shelbyville, previously a bank subsidiary, was merged into BankIllinois. Significant intercompany accounts and transactions have been eliminated in consolidation.

Property held in fiduciary or agency capacities for its customers is not included in the accompanying consolidated balance sheets, since such items are not assets of the Company.

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

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

The following is a summary of selected data for the various business segments as of and for the year ending December 31:

	Banking Services	Remittance Services	Company	Eliminations	Total
2003					
Total interest income	$ 55,288	$ 46	$ 466	$ (114)	$ 55,686
Total interest expense	16,816	--	21	(114)	16,723
Provision for loan losses ..	1,470	--	--	--	1,470
Total non-interest income ..	13,314	7,294	4,653	(4,967)	20,294
Total non-interest expense .	26,486	5,014	5,808	(4,967)	32,341
Income before income tax ...	23,830	2,326	(710)	--	25,446
Income tax expense	8,185	942	(286)	--	8,841
Net income	15,645	1,384	(424)	--	16,605
Total assets	1,136,418	3,740	118,241	(104,225)	1,154,174
Depreciation and amortization	1,542	429	482	--	2,453

2002					
Total interest income	$ 63,207	$ 88	$ 210	$ (142)	$ 63,363
Total interest expense	21,843	--	16	(142)	21,717
Provision for loan losses ..	1,450	--	--	--	1,450
Total non-interest income ..	12,259	7,396	(60)	(729)	18,866
Total non-interest expense .	27,298	5,051	1,541	(729)	33,161
Income before income tax ...	24,875	2,433	(1,407)	--	25,901
Income tax expense	8,110	974	(564)	--	8,520
Net income	16,765	1,459	(843)	--	17,381
Total assets	1,110,691	6,774	137,243	(131,980)	1,122,728
Depreciation and amortization	2,105	512	30	--	2,647
2001					
Total interest income	$ 73,122	$ 135	$ 111	$ (173)	$ 73,195
Total interest expense	33,771	--	--	(173)	33,598
Provision for loan losses ..	2,670	--	--	--	2,670
Total non-interest income ..	10,669	7,543	(148)	(798)	17,266
Total non-interest expense .	26,964	5,565	(1,445)	(798)	30,286
Income before income tax ...	20,386	2,113	1,408	--	23,907
Income tax expense	6,355	790	591	--	7,736
Net income	14,031	1,323	817	--	16,171
Total assets	1,143,675	7,208	138,392	(137,764)	1,151,511
Depreciation and amortization	2,152	549	30	--	2,731

(b) Investments in Debt and Equity Securities

Debt securities classified as held-to-maturity are those securities which the Company has the ability and intent to hold until maturity. These securities are carried at amortized cost, in which the amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income, are recorded using methods which approximate the interest method. These methods consider the timing and amount of prepayments of underlying mortgages in estimating future cash flows on individual mortgage-related securities. Unrealized holding gains and losses for held-to-maturity securities are excluded from earnings and shareholders' equity.

Debt and equity securities classified as available-for-sale are those securities that the Company intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available-for-sale would be based on various factors, including significant movements in interest rates, changes in the maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations, and other similar factors. Securities available-for-sale are carried at fair value. The difference between fair value and cost, adjusted for amortization of premium and accretion of discounts, results in an unrealized gain or loss. Unrealized gains or losses are reported as accumulated other comprehensive income (loss), net of the related deferred tax effect. Gains or losses from the sale of securities are determined using the specific identification method. Premiums and discounts are recognized in interest income using methods, which approximate the interest method over their contractual lives.

A decline in the market value of any available-for-sale or held-to-maturity security below cost that is deemed other than temporary is charged to earnings and results in the establishment of a new cost basis for the security. Declines in the fair value of held-to-maturity and

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

Non-marketable equity securities include other investments which are carried at fair value as well as Federal Reserve Bank stock and the Banks' required investment in the capital stock of the Federal Home Loan Bank which are carried at cost which approximates fair value.

(c) Loans

Loans are stated at the principal amount outstanding, net of the allowance for loan losses. Interest is credited to income as earned, based upon the principal amount outstanding.

The accrual of interest on loans is discontinued when, in the opinion of management, the borrower is unable to meet payments as they become due. Interest accrued in the current year is reversed against interest income, and prior years' interest is charged to the allowance for loan losses. Interest income on impaired loans is recognized to the extent interest payments are received and the principal is considered fully collectible.

Mortgage loans held for sale are carried at the lower of aggregate cost or estimated market value. Gains or losses on sales of loans held for sale are computed using the specific-identification method and are reflected in income at the time of sale.

The fair market value of servicing rights on mortgage loans that are sold with servicing retained is capitalized. The capitalized servicing rights are amortized against income based on the estimated lives of the loans. Capitalized servicing rights are evaluated for impairment based on the fair value of the servicing rights and any impairment is reflected in income.

(d) Allowance for Loan Losses

The allowance for loan losses is increased by provisions charged to operations and is reduced by loan charge-offs less recoveries. Management utilizes an approach, which provides for general and specific valuation allowances, that is based on current economic conditions, past losses, collection experience, risk characteristics of the portfolio, assessment of collateral values by obtaining independent appraisals for significant properties, and such other factors which, in management's judgment, deserve current recognition in estimating loan losses, to determine the appropriate level of the allowance for loan losses.

The allowance for loan losses related to impaired loans that are identified for evaluation is based on discounted cash flow using the loan's initial effective interest rate or the fair value, less selling costs, of the collateral for collateral dependent loans.

Loans are categorized as "impaired" when, based on current information or events, it is probable that the Company will be unable to collect all amounts due, including principal and interest, in accordance with the contractual terms of the loan agreement. The Company reviews all non-accrual and substantially delinquent loans, as well as problem loans identified by management, for impairment as defined above. A specific reserve amount will be established for impaired loans in which the present

value of the expected cash flows to be generated is less than the amount of the loan recorded on the Company's books. As an alternative to discounting, the Company may use the "fair value" of any collateral supporting a collateral-dependent loan in reviewing the necessity for establishing a specific loan loss reserve amount. Specific reserves will be established for accounts having a collateral deficiency estimated to be $50,000 or more. The Company's general reserve is maintained at an adequate level to cover accounts having a collateral deficiency of less than $50,000. Loans evaluated as groups or homogeneous pools of loans will be excluded from this analysis.

The Company utilizes their data processing system to identify loan payments not made by their contractual due date and calculate the number of days each loan exceeds the contractual due dates. The accrual of interest on any loan is discontinued when, in the opinion of management, there is reasonable doubt as to the collectibility of interest or principal.

Management believes the allowance for loan losses is adequate to absorb probable credit losses inherent in the loan portfolio. While management uses available information to recognize loan losses, future additions to the allowance for loan losses may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the adequacy of the allowance for loan losses. Such agencies may require the Company to recognize additions to the allowance for loan losses based on their judgments of information available to them at the time of their examination.

(e) Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization applicable to furniture and equipment and buildings and leasehold improvements is charged to the related occupancy or equipment expense using straight-line and accelerated methods over the estimated useful lives of the assets. Estimated lives are 3 to 39 years for buildings and leasehold improvements and 3 to 7 years for furniture and equipment. Maintenance and repairs are charged to operations as incurred.

(f) Other Real Estate

Other real estate, included in other assets in the accompanying consolidated balance sheets, is initially recorded at fair value, if it will be held and used, or at its fair value less costs to sell if it will be disposed of. If, subsequent to foreclosure, the fair value is less than the carrying amount, the carrying value is reduced through a charge to income. Expenses incurred in maintaining the properties are charged to operations. The Company had no other real estate owned at December 31, 2003 and $58,000 at December 31, 2002.

(g) Income Taxes

Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income

in the period that includes the enactment date.

(h) Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of common stock shares outstanding. Diluted earnings per share is computed by dividing net income by the weighted average number of common stock and dilutive potential common shares outstanding. Options to purchase shares of the Company's common stock and stock appreciation rights are the only dilutive potential common shares. The weighted average number of dilutive potential common shares is calculated using the treasury stock method.

Earnings per share has been computed as follows:

	2003	2002	2001
Net Income	$16,605,000	$17,381,000	$16,171,000
Shares:			
Weighted average common shares outstanding	10,242,929	10,792,092	10,930,736
Dilutive effect of outstanding options, as determined by the application of the treasury stock method ...	116,907	86,731	207,554
Weighted average common shares outstanding, as adjusted	10,359,836	10,878,823	11,138,290
Basic earnings per share	$ 1.62	$ 1.61	$ 1.48
Diluted earnings per share	$ 1.60	$ 1.60	$ 1.45

(i) Cash and Cash Equivalents

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. Cash flows from loans, deposits, and federal funds purchased, repurchase agreements and notes payable are reported net.

(j) Reclassification

Certain amounts in the 2001 and 2002 consolidated financial statements have been reclassified to conform with the 2003 presentation. Such reclassifications have no effect on previously reported net income or shareholders' equity.

(k) Stock Option Plans

The Company has five stock-based compensation plans which have been in existence for all periods presented, and which are more fully described in Note 13. As permitted under accounting principles generally accepted in the United States of America, grants of options under the plans are accounted for under the recognition and measurement principles of APB Opinion No 25, Accounting for Stock Issued to Employees, and related interpretations. Because options granted under the plans had an exercise price equal to market value of the underlying common stock on the grant date, no stock-based employee compensation cost is included in determining net

income. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	2003	2002	2001
Net income on common stock:			
As reported	$ 16,605	$ 17,381	$ 16,171
Deduct total stock-based compensation expense determined under the fair value method for all awards, net of related tax effects	(263)	(290)	(293)
Pro forma	$ 16,342	$ 17,091	$ 15,878
Basic earnings per share:			
As reported	$ 1.62	$ 1.61	$ 1.48
Pro forma	1.60	1.58	1.45
Diluted earnings per share:			
As reported	$ 1.60	$ 1.60	$ 1.45
Pro forma	1.58	1.57	1.43

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.

	2003	2002	2001
Number of options granted	135,000	158,000	169,050
Risk-free interest rate	3.64%	5.20%	5.05%
Expected life, in years	8.00	8.00	6.97
Expected volatility	13.35%	10.34%	14.10%
Expected dividend yield	2.42%	2.80%	2.23%

3. Cash and Due from Banks

The compensating balances held at correspondent banks were $35,630,000 and $47,424,000 at December 31, 2003 and 2002, respectively. The Banks maintain such compensating balances with correspondent banks to offset charges for services rendered by those banks. In addition, the Banks were required by the Federal Reserve Bank to maintain reserves in the form of cash on hand or balances at the Federal Reserve Bank. The balance of reserves held was $10,369,000 and $8,312,000 at December 31, 2003 and 2002, respectively.

4. Investments in Debt and Equity Securities

The amortized cost and fair values of investments in debt and equity securities (in thousands) were as follows:

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	Amortized Cost	Unr G
December 31, 2003		
U.S. Treasury and other government agencies	$217,773	$
Mortgage-backed securities	23,196	
Obligations of state and political subdivisions	16,319	
Other	5,391	
	$262,679	$
December 31, 2002		
U.S. Treasury and other government agencies	$182,726	$
Mortgage-backed securities	29,987	
Obligations of state and political subdivisions	15,248	
Other	6,375	
	$234,336	$

	Amortized Cost	G Unr G
December 31, 2003		
U.S. Treasury and other government agencies	$ 10,704	$
Mortgage-backed securities	50,029	
Obligations of state and political subdivisions	36,323	
	$ 97,056	$
December 31, 2002		
U.S. Treasury and other government agencies	$ 1,750	$
Mortgage-backed securities	23,595	
Obligations of state and political subdivisions	43,218	
	$ 68,563	$

Continuous gross unrealized losses of investments in debt and equity securities (in thousands) which are classified as temporary were as follows:

	Continuous Unrealized Losses Existing for Less Than 12 months		Continuous Unrealized Losses Existing Greater Than 12 months		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses

Available-for-Sale:						
U.S. Treasury and other government agencies	$56,784	$ 491	$ --	$ --	$56,784	$ 491
Mortgage-backed securities	9,854	707	--	--	9,854	707
Obligations of state and political subdivisions	1,114	1	--	--	1,114	1
Subtotal, debt securities	$67,752	$ 1,199	$ --	$ --	$67,752	$ 1,199
Other	--	--	1,433	981	1,433	981
Total temporarily impaired securities	$67,752	$ 1,199	$ 1,433	$ 981	$69,185	$ 2,180
Held-to-Maturity:						
U.S. Treasury and other government agencies	$ 8,094	$ 154	$ --	$ --	$ 8,094	$ 154
Mortgage-backed securities	38,654	1,789	--	--	38,654	1,789
Obligations of state and political subdivisions	346	2	--	--	346	2
Total temporarily impaired securities	$47,094	$ 1,945	$ --	$ --	$47,094	$ 1,945

The $981,000 continuous unrealized loss greater than 12 months on other securities is made up of 10 stocks and is believed to be a temporary loss. The loss on these stocks at December 31, 2002 was $1,331,000 compared to $981,000 at December 31, 2003, an improvement of $350,000. Management believes the market value of these stocks will continue to improve as the economy continues to recover. Unrealized losses on debt securities are generally due to changes in interest rates and, as such, are considered, by the Company, to be temporary.

A summary of non-marketable equity securities (in thousands) at December 31, 2003 and 2002 is as follows:

	2003	2002
Federal Home Loan Bank Stock, at cost	$4,028	$3,732
Federal Reserve Bank Stock, at cost	231	231
Other investments, at fair value	3,497	3,068
	$7,756	$7,031

Realized gains and (losses) (in thousands) on sales and maturities for the years ended December 31, 2003, 2002 and 2001 were as follows:

	2003	2002	2001
Gross gains	$ 173	$ 1,016	$ 563
Gross (losses)	(185)	(805)	(453)
Net gains (losses)	$ (12)	$ 211	$ 110
Applicable income taxes (benefit)	$ (5)	$ 84	$ 39

Investments in debt and equity securities with a carrying value of $244,099,000 and $212,414,000 were pledged at December 31, 2003 and 2002, respectively, to secure public deposits, repurchase agreements, and for other purposes as required or permitted by law.

The amortized cost and fair value of investments in debt and equity securities (in thousands) at December 31, 2003, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties and certain securities require principal repayments prior to maturity. Therefore, these securities and equity securities with no stated maturities are not included in the following maturity summary.

	Available-For-Sale		Held-To-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 57,433	$ 58,274	$ 13,504	$ 13,692
Due after one year through five years	170,361	172,458	25,720	26,687
Due after five years through ten years	5,277	5,675	7,298	7,360
Due after ten years	1,021	1,109	505	568
	$234,092	$237,516	$ 47,027	$ 48,307
Mortgage-backed securities	23,196	23,007	50,029	48,321
Marketable equity securities	5,391	5,391	--	--
Non-marketable equity securities	7,756	7,756	--	--
Total debt securities	$270,435	$273,670	$ 97,056	$ 96,628

5. Loans

A summary of loans (in thousands), by classification, at December 31, 2003 and 2002 is as follows:

	2003	2002
Commercial, financial, and agricultural	$249,795	$234,045
Real estate	348,997	343,827
Installment and consumer	77,253	95,529
	$676,045	$673,401
Less:		
Allowance for loan losses	9,786	9,259
	$666,259	$664,142

The Company makes commercial, financial, and agricultural; real estate; and installment and consumer loans to customers located in central Illinois and the surrounding communities. As such, the Company is susceptible to changes in the economic environment in central Illinois.

During 2003, 2002 and 2001, the Company sold approximately $209,192,000, $138,898,000 and $104,155,000, respectively, of residential mortgage loans in the secondary market with servicing released on approximately $50,595,000, $49,040,000 and $52,511,000, respectively. Gross gains of approximately $2,542,000, $1,385,000 and $856,000, and gross losses of approximately $6,000,

$17,000 and $28,000, were realized on the sales during 2003, 2002 and 2001, respectively. Capitalized mortgage servicing rights totaled $949,000 and $544,000 at December 31, 2003 and 2002, respectively.

Mortgage loans serviced for others are not included in the accompanying consolidated financial statements. The unpaid balances of these loans consisted of the following (in thousands) at December 31, 2003, 2002 and 2001:

	2003	2002	2001
Fannie Mae	$191,505	$137,888	$107,950
Freddie Mac	10,287	6,250	4,216
Illinois Housing Development Authority	1,219	1,655	2,288

In the normal course of business, loans are made to directors, executive officers, and principal shareholders of the Company and to parties which the Company or its directors, executive officers, and shareholders have the ability to significantly influence its management or operating policies (related parties). The terms of these loans, including interest rates and collateral, are similar to those prevailing for comparable transactions with other customers and do not involve more than a normal risk of collectibility. Activity associated with loans (in thousands) made to related parties during 2003 was as follows:

	2003
Balance, January 1	$ 49,617
New loans	40,503
Repayments	(51,527)
Balance, December 31	$ 38,593

At December 31, 2003, one to four family real estate mortgage loans of approximately $75,115,000 were pledged to secure advances from the Federal Home Loan Bank, and approximately $25,057,000 of consumer loans were pledged to the Federal Reserve Bank to secure potential future borrowings from the Fed Discount Window.

Activity in the allowance for loan losses (in thousands) for 2003, 2002 and 2001 was as follows:

	2003	2002	2001
Balance, beginning of year	$ 9,259	$ 9,259	$ 8,879
Provision charged to expense	1,470	1,450	2,670
Loans charged off	(1,640)	(1,927)	(2,673)
Recoveries on loans previously charged off	697	477	383
Balance, end of year	$ 9,786	$ 9,259	$ 9,259

The following table presents summary data on nonaccrual and other impaired loans (in thousands) at December 31, 2003, 2002 and 2001:

	2003	2002	2001
Impaired loans on nonaccrual	$ 130	$ 764	$ 125

Impaired loans continuing to accrue interest	288	--	--
Total impaired loans	$ 418	$ 764	$ 125
Other non-accrual loans not classified as impaired	$ 269	$ 628	$3,216
Loans contractually past due 90 days or more, still accruing interest and not classified as impaired	$ 590	$ 829	$1,774
Allowance for loan losses on impaired loans	$ 63	$ 115	$ 19
Impaired loans for which there is no related allowance for loan losses	$ --	$ --	$ --
Average recorded investment in impaired loans	$ 847	$ 515	$ 142
Interest income recognized from impaired loans	$ 13	$ --	$ --
Cash basis interest income recognized from impaired loans	$ 10	$ 6	$ 5

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6. Premises and Equipment

A summary of premises and equipment (in thousands) at December 31, 2003 and 2002 is as follows:

	2003	2002
Land	$ 4,818	$ 4,788
Furniture and equipment	14,951	14,889
Buildings and leasehold improvements	23,947	23,388
	$43,716	$43,065
Less: accumulated depreciation and amortization	26,094	24,716
	$17,622	$18,349

Depreciation and amortization expense was $2,453,000, $2,647,000 and $2,731,000 for 2003, 2002 and 2001, respectively.

The Company leases various operating facilities and equipment under noncancellable operating lease arrangements. These leases expire at various dates through March 2008 and have renewal options to extend the lease terms for various dates. The rental expense for these operating leases was $218,000, $240,000 and $239,000 in 2003, 2002 and 2001, respectively.

Minimum annual rental payments required under the operating leases (in thousands), which have initial or remaining terms in excess of one year at December 31, 2003 are as follows:

2004	$ 201
2005	143
2006	134

2007	115
2008	2
	$ 595

7. Deposits

The aggregate amount of time certificate of deposits in denominations of $100,000 or more was $113,917,000 and $118,173,000 at December 31, 2003 and 2002, respectively. As of December 31, 2003, the scheduled maturities of time deposits (in thousands) were as follows:

2004	$ 203,731
2005	83,902
2006	22,018
2007	17,720
2008	12,549
Thereafter	6
	$ 339,926

8. Federal Funds Purchased, Repurchase Agreements, and Notes Payable

A summary of short-term borrowings (in thousands) at December 31, 2003 and 2002 is as follows:

	2003	2002
Federal funds purchased	$ 1,550	$ 3,700
U.S. Treasury demand notes	1,000	1,000
Securities sold under agreements to repurchase	100,448	75,951
	$102,998	$ 80,651

Information relating to short-term borrowings (dollars in thousands) is as follows:

	2003	2002	2001
Federal funds purchased:			
Average daily balance	$ 5,004	$ 4,599	$ 4,629
Maximum balance at month-end	$ 7,550	$ 21,300	$ 12,090
Weighted average interest rate at year-end	0.56%	0.50%	1.29%
Weighted average interest rate for the year	0.81%	1.70%	4.36%
Securities sold under agreements to repurchase:			
Average daily balance	$ 89,261	$ 62,298	$ 68,061
Maximum balance at month-end	$100,448	$ 75,951	$ 77,281
Weighted average interest rate at year-end	1.06%	1.36%	2.27%
Weighted average interest rate for the year	1.17%	1.71%	3.32%
U.S. Treasury demand notes:			
Average daily balance	$ 764	$ 1,459	$ 2,228
Maximum balance at month-end	$ 1,000	$ 4,437	$ 5,186
Weighted average interest rate at year-end	0.72%	1.14%	2.70%
Weighted average interest rate for the year	0.91%	1.58%	4.12%

The securities underlying the agreements to repurchase are under the control of the Banks.

9. Federal Home Loan Bank Advances and Other Borrowings

A summary of Federal Home Loan Bank (FHLB) advances and other borrowings (dollars in thousands) at December 31, 2003 is as follows:

	December 31				
	2003				2002
	FHLB Advances	Other Borrowings	Total	Weighted Average Rate	Total
Maturing in year ending:					
2003	$ --	$ --	$ --	--%	$ 23
2004	--	23	23	4.25%	23
2005	--	93	93	3.17%	23
2006	5,000	2,221	7,221	4.81%	5,023
2007	2,597	23	2,620	6.82%	2,691
2008	20,000	23	20,023	5.23%	20,023
	$ 27,597	$ 2,383	$ 29,980	5.26%	$ 27,806

The terms of a security agreement with the FHLB require the Banks to pledge as collateral for advances both qualifying first mortgage loans in an amount equal to at least 167% of these advances and all stock of the FHLB. Advances are subject to restrictions or penalties in the event of prepayment. The Banks had a total remaining borrowing capacity with the FHLB of approximately $52,973,000 at December 31, 2003 at a rate equal to the FHLB current advance rates.

The other borrowings include $2.268 million to finance an investment in a low-income housing development and $115,000 for the purchase of land. Principal of $70,000 is due August 22, 2005 with the remaining balance due August 22, 2006 on the low-income housing development investment. Interest is based on the one-month LIBOR rate plus 1.70%. The loan rate at December 31, 2003 was 2.82%. The land was originally purchased in 1999 at a cost of $266,000, with principal of $23,000 and annual interest due March 8th of each year until the balance has been paid in full. Interest is based on the prime rate at March 8th of each year. The rate at December 31, 2003 was 4.25%.

10. Line of Credit

The Company has an unsecured line of credit of $10,000,000 from a third party lender. As of December 31, 2003, the entire line was available.

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11. Income Taxes

Federal income tax expense (in thousands) for 2003, 2002 and 2001 is summarized as follows:

2003	2002	2001

Federal	$ 8,480	$ 8,707	$ 8,353
State	998	829	1,026
Current	9,478	9,536	9,379
Deferred	(637)	(1,016)	(1,643)
Total	$ 8,841	$ 8,520	$ 7,736

Actual income tax expense (in thousands) for 2003, 2002 and 2001 differ from the "expected" income taxes (computed by applying the maximum U.S. federal corporate income tax rate of 35% to earnings before income taxes) as follows:

	2003	2002	2001
Computed "expected" income taxes	$ 8,906	$ 9,066	$ 8,367
Tax-exempt interest income, net of disallowed interest expense	(744)	(764)	(718)
State tax, net of federal benefit	649	539	667
Other, net	30	(321)	(580)
	$ 8,841	$ 8,520	$ 7,736

The tax effects of temporary differences (in thousands) that give rise to significant portions of the deferred tax assets and deferred tax liabilities, included in other assets, at December 31, 2003 and 2002 are as follows:

	2003	2002
Deferred tax assets:		
Allowance for loan losses	$ 3,889	$ 3,347
Deferred compensation	1,564	1,611
Stock appreciation rights	36	73
Other employee benefits	279	115
Phantom stock	282	225
Other	111	148
Total deferred tax assets	$ 6,161	$ 5,519
Deferred tax liabilities:		
Unrealized holding gain on available-for-sale securities	$(1,294)	$(2,517)
Premises and equipment	(658)	(852)
Mortgage servicing rights	(201)	(153)
Deferred loan fees	(197)	(93)
Discount accretion	(61)	(138)
FHLB Stock Dividend	(372)	(248)
Total deferred tax liabilities	$(2,783)	$(4,001)
Net deferred tax assets	$ 3,378	$ 1,518

12. Retirement Plans

The Company has established a profit sharing plan and a 401(k) plan for substantially all employees who meet the eligibility requirements. The 401(k) plan allowed for participants' contributions up to the maximum amount allowed by IRS regulations, of which, the first 6% of gross salary was available for the Company's 50% match. The profit sharing plan is non-contributory. All contributions to the profit sharing plan are at the discretion of the Company.

Total contributions by the Company totaled $887,000, $926,000 and $746,000 for 2003, 2002 and 2001, respectively.

Certain key officers and directors participate in various deferred compensation or supplemental retirement agreements with the Company. The Company accrues the liability for these agreements based on the present value of the amount the employee or director is currently eligible to receive. The Company recorded expenses of $288,000, $281,000 and $281,000 in 2003, 2002 and 2001, respectively, related to these agreements. At December 31, 2003 and 2002, the Company had a recorded liability in the amount of approximately $3,915,000 and $3,731,000, respectively for these plans.

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Additionally, in connection with the merger, the Company assumed the outstanding liability for a deferred compensation plan for nonemployee directors of the Company which allowed participating directors to defer directors' fees in a fixed income fund or, alternatively, in the form of "phantom stock units." For directors that elected to receive phantom stock, a deferred compensation account, included in other liabilities on the consolidated balance sheet, was credited with phantom stock units. After the merger, no additional contributions were allowed to these plans, however, phantom stock units continue to be increased by any dividends or stock splits declared by the Company. At December 31, 2003 and 2002, there were 23,205 and 23,326 phantom stock units with a recorded liability in the amount of $710,000 and $567,000, respectively. Additionally, the Company had a recorded liability of $20,000 and $25,000 at December 31, 2003 and 2002, respectively for the fixed income fund.

13. Stock Options and Related Plans

In 2000, after the merger of BankIllinois Financial Corporation and First Decatur Bancshares, Inc. to form the Company, the Company established a stock incentive plan, which provides for the granting of options of the Company's common stock to certain directors, officers and employees. This plan provides for the granting of both qualified and non-qualified options. Existing director options granted prior to 2003 are fully vested and exercisable on the date granted while director options granted in 2003 vest, and thus become exercisable, ratably over a one-year period from the date granted. Existing officer and employee options vest, and thus become exercisable, ratably over a three-year period from the date granted. Under the 2000 incentive plan, the Company has outstanding options of 545,381 shares and 1,626,458 remain eligible for grant. This is the Company's only existing stock incentive plan.

Additionally, in connection with the merger, the Company assumed all of the outstanding options under First Decatur Bancshares, Inc.'s and BankIllinois Financial Corporation's stock option and incentive plans. There were four plans in place at the time of the merger. All of the options granted under these prior plans fully vested at the time of the merger and no additional options were available for grant after the merger. One of the plans included the granting of options in tandem with stock appreciation rights ("SAR's"). As of December 31, 2003, there were options outstanding for an aggregate of 36,399 shares of the Company's common stock and 3,992 SAR's under the prior plans.

The following is a summary of the changes in options outstanding under the stock incentive and stock option plans:

	2003		2002		
	Shares	Grant Price Range	Shares	Grant Price Range	Shar

Options outstanding, beginning of year	589,250	$ 6.92 - $19.76	868,998	$ 5.36 - $19.76	726,
Granted	135,000	$24.80 - $24.85	158,000	$18.60 - $18.60	169,
Exercised	(142,470)	$ 6.92 - $24.80	(428,553)	$ 5.36 - $19.76	(17,
Options forfeited	--	--	(9,195)	$17.50 - $18.60	(8,
Options oustanding, end of year	581,780	$ 6.92 - $24.85	589,250	$ 6.92 - $19.76	868,
Options exercisable, end of year	467,769	$ 6.92 - $24.85	493,893	$ 6.92 - $19.76	784,
Weighted average fair value of options granted		$3.96		$3.36	

	Options Outstanding			Options Exercisable	
Range of Exercise price	Outstanding as of December 31, 2003	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable as of December 31, 2003	Weighted Average Exercise Price
$ 6.92 - $6.92	3,992	1.0	$ 6.92	3,992	$ 6.92
$17.50 - $19.76	442,943	6.8	18.26	404,975	18.24
$24.80 - $24.85	134,845	9.2	24.80	58,802	24.80
	581,780	7.3	$ 19.70	467,769	$ 18.97

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14. Dividend Restrictions

Without prior approval of the Comptroller of the Currency, The First National Bank of Decatur is restricted by national banking laws as to the maximum amount of dividends it can pay in any calendar year to The First National Bank of Decatur's retained net profits (as defined) for that year and the two preceding years. At December 31, 2003, The First National Bank of Decatur had paid dividends in excess of available retained earnings and, therefore, must obtain approval from the Comptroller of the Currency before declaring future dividends.

Without prior approval, BankIllinois is restricted by Illinois law and regulations of the Office of Banks and Real Estate, State of Illinois, and the Federal Deposit Insurance Corporation as to the maximum amount of dividends it can pay to its parent to the balance of the retained earnings account, as adjusted (as defined). At December 31, 2003, BankIllinois had available retained earnings of approximately $29,378,000 for the payment of dividends without obtaining prior regulatory approval.

15. Condensed Financial Information of Parent Company

Following are the condensed balance sheets as of December 31, 2003 and 2002 and the related condensed statements of income and cash flows for the years ended December 31, 2003, 2002 and 2001 for Main Street Trust, Inc.:

Condensed Balance Sheets

(in thousands)

	2003	2002
Assets:		
Cash	$ 10,841	$ 2,287
Investment in Banks	88,370	118,251
Investment in FirsTech	3,408	6,524
Investment in other securities	8,655	6,875
Other assets	6,967	3,306
	$118,241	$137,243
Liabilities and shareholders' equity:		
Dividend payable	$ 1,995	$ 1,570
Other borrowings	2,268	--
Other liabilities	2,528	1,203
Shareholders' equity	111,450	134,470
	$118,241	$137,243

Condensed Statements of Income

(in thousands)

	2003	2002	2001
Revenue:			
Dividends received from subsidiaries	$ 47,400	$ 20,000	$ 12,000
Interest income on deposits	77	54	39
Income on securities	389	152	72
Securities transactions, net	(106)	(193)	(279)
Other	4,759	136	131
Total revenue	52,519	20,149	11,963
Expenses:			
Salary and benefits	4,066	--	--
Reconciliation liability	--	--	(2,500)
Other	1,763	1,556	1,055
Total expenses	5,829	1,556	(1,445)
Income before applicable income tax expense (benefit) and equity in undistributed income of subsidiaries	46,690	18,593	13,408
Applicable income tax expense (benefit)	(286)	(564)	591
Equity in undistributed income of subsidiaries	(30,371)	(1,776)	3,354
Net income	$ 16,605	$ 17,381	$ 16,171

Condensed Statements of Cash Flows

(in thousands)

	2003	2002	2001
Cash flows from operating activities:			
Net income	$ 16,605	$ 17,381	$ 16,171
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income of subsidiaries	30,371	1,776	(3,354)
Depreciation	482	30	30
Other, net	(2,043)	(812)	(1,649)
Net cash provided by operating activities:	45,415	18,375	11,198
Cash flows from investing activities:			
Equity securities transactions, net	(462)	(1,687)	(37)
Purchases of premises and equipment	(1,348)	--	(12)
Net cash used in investing activities	(1,810)	(1,687)	(49)
Cash flows from financing activities:			
Stock transactions, net	(30,111)	(15,369)	(2,802)
Fractional shares purchased following stock dividend and merger	--	--	(6)
Proceeds from other borrowings, net	2,268	--	--
Cash dividends paid	(7,142)	(5,634)	(4,540)
Issuance of new shares of common stock	--	1,222	--
Other, net	(66)	(31)	23
Net cash used in financing activities	(35,051)	(19,812)	(7,325)
Cash at beginning of year	2,287	5,411	1,587
Cash at end of year	$ 10,841	$ 2,287	$ 5,411

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16. Quarterly Results of Operations (Unaudited) (in thousands, except per share data)

Condensed Statements of Cash Flows
(in thousands)

	Year Ended December 31, 2003 Three Months Ended			
	December 31	September 30	June 30	March 31
Interest income	$13,406	$13,686	$14,028	$14,566
Interest expense	3,913	4,008	4,282	4,520
Net interest income	9,493	9,678	9,746	10,046

Provision for losses on loans	480	330	330	330
Net interest income after provision for losses on loans	9,013	9,348	9,416	9,716
Non-interest income	5,104	5,420	4,934	4,836
Non-interest expense	7,906	8,250	8,121	8,064
Income before income taxes	6,211	6,518	6,229	6,488
Income taxes	2,301	2,253	2,097	2,190
Net income	$ 3,910	$ 4,265	$ 4,132	$ 4,298
Basic earnings per share	$ 0.41	$ 0.41	$ 0.39	$ 0.41
Diluted earnings per share	$ 0.40	$ 0.40	$ 0.39	$ 0.41

	Year Ended December 31, 2002 Three Months Ended			
	December 31	September 30	June 30	March 31
Interest income	$15,265	$15,871	$16,020	$16,207
Interest expense	4,951	5,399	5,540	5,827
Net interest income	10,314	10,472	10,480	10,380
Provision for losses on loans	460	330	330	330
Net interest income after provision for losses on loans	9,854	10,142	10,150	10,050
Non-interest income	4,709	4,638	4,765	4,754
Non-interest expense	7,912	8,091	8,960	8,198
Income before income taxes	6,651	6,689	5,955	6,606
Income taxes	2,202	2,210	1,912	2,196
Net income	$ 4,449	$ 4,479	$ 4,043	$ 4,410
Basic earnings per share	$ 0.42	$ 0.43	$ 0.36	$ 0.40
Diluted earnings per share	$ 0.42	$ 0.42	$ 0.36	$ 0.40

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17. Disclosures About 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 December 31, 2003 and 2002:

	2003	2002
Financial instruments whose contract amounts represent credit risk:		
Commitments	$237,615	$201,181
Standby letters of credit	20,192	11,563

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 December 31, 2003 and 2002, no amounts have been recorded as liabilities for the Banks' potential obligations under these guarantees.

Following is a summary of the carrying amounts and fair values of the Company's financial instruments at December 31, 2003 and 2002:

	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$ 75,903	$ 75,903	$102,746	$102,746
Investments in debt and equity securities	370,726	370,298	316,210	318,136
Mortgage loans held for sale	632	632	2,972	2,972
Loans	666,259	676,584	664,142	685,675
Accrued interest receivable	6,430	6,430	7,315	7,315
Cash surrender value of life insurance	5,499	5,499	5,026	5,026
Liabilities:				

Deposits	$898,472	$902,653	$868,586	$885,487
Federal funds purchased, repurchase agreements, and notes payable	102,998	103,028	80,651	80,692
FHLB advances and other borrowings	29,980	30,133	27,806	28,963
Accrued interest payable	1,669	1,669	2,252	2,252

Management's fair value estimates, methods, and assumptions are set forth below for the Company's financial instruments.

Cash and Cash Equivalents

The carrying value of cash and cash equivalents approximates fair value due to the relatively short period of time between the origination of the instrument and its expected realization.

Investments in Debt and Equity Securities

The fair value of investments in debt and equity securities is estimated based on bid prices received from securities dealers.

Mortgage Loans Held For Sale

Fair values of mortgage loans held for sale are based on commitments on hand from investors or prevailing market prices.

Loans

Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as commercial, commercial real estate, residential mortgage, and consumer. Each loan category is further segmented into fixed and adjustable rate interest terms and by performing and nonperforming categories. The fair value of performing loans is calculated by discounting scheduled cash flows through the estimated maturity using estimated market discount rates equal to rates at which loans, similar in type, would be originated at December 31, 2003 and 2002. Estimated maturities are based upon the average remaining contractual lives for each loan classification. Fair value for nonperforming loans is based on the use of discounted cash flow techniques.

Accrued Interest Receivable

The carrying value of accrued interest receivable approximates fair value due to the relatively short period of time between the origination of the instrument and its expected realization.

Cash Surrender Value of Life Insurance

Life insurance agreements reprice periodically with no significant change in credit risk. Fair values approximate carrying value for these agreements.

Deposit Liabilities

The fair value of deposits with no stated maturity, such as non-interest bearing and interest bearing demand deposits and savings deposits is the amount payable on demand. The fair value of time deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using rates currently offered for deposits of similar remaining maturities. The fair value estimates do not include the benefit that results from the low-cost funding provided by the deposit liabilities compared to the cost of borrowing funds in the market nor the benefit derived from the customer relationship inherent in existing

deposits.

Federal Funds Purchased, Repurchase Agreements, and Notes Payable

The fair value of federal funds purchased, repurchase agreements, and notes payable is based on the discounted value of contractual cash flows. The discount rate is estimated using current rates on federal funds purchased, repurchase agreements, and notes payable with similar remaining maturities.

Federal Home Loan Bank Advances and Other Borrowings

The fair value of FHLB advances is based on the discounted value of contractual cash flows. The discount rate is estimated using rates on current FHLB advances with similar remaining maturities.

Accrued Interest Payable

The carrying value of accrued interest payable approximates fair value due to the relatively short period of time between the origination of the instrument and its expected realization.

Commitments to Extend Credit and Standby Letters of Credit

The fair value of commitments to extend credit is generally estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties. The estimated fair value of commitments to extend credit and standby letters of credit approximates the balances of such commitments.

18. Litigation

The Company and its subsidiaries are involved in various legal proceedings, claims and litigation arising out of the ordinary course of business.

It is the opinion of management that the disposition or ultimate resolution of any other claims and lawsuits arising out of the ordinary course of business will not have a material adverse effect on the consolidated financial position of the Company.

19. Regulatory Capital

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 capital 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 December 31, 2003, that the Company and its subsidiary banks exceeded all capital adequacy requirements to which they are subject.

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

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The Company's and the Banks' actual capital amounts and ratios as of December 31, 2003 and 2002 are presented in the following tables:

	Actual(1)		For Capital Adequacy Purposes:		To Be Well Capit Under Prompt Cor Action Provis	
	Amount	Ratio	Amount	Ratio	Amount	Rati
As of December 31, 2003:						
Total capital						
(to risk-weighted assets)						
Consolidated	$118,821	14.5%	$ 65,654	8.0%	N/A	
BankIllinois	$ 60,520	11.9%	$ 40,801	8.0%	$ 51,001	10.0
The First National Bank of Decatur	$ 35,333	12.1%	$ 23,430	8.0%	$ 29,288	10.0
Tier I capital						
(to risk-weighted assets)						
Consolidated	$109,035	13.3%	$ 32,827	4.0%	N/A	
BankIllinois	$ 54,460	10.7%	$ 20,401	4.0%	$ 30,601	6.0
The First National Bank of Decatur	$ 31,670	10.8%	$ 11,715	4.0%	$ 17,573	6.0
Tier I capital						
(to average assets)						
Consolidated	$109,035	9.6%	$ 45,336	4.0%	N/A	
BankIllinois	$ 54,460	7.9%	$ 27,638	4.0%	$ 34,547	5.0
The First National Bank of Decatur	$ 31,670	7.4%	$ 17,215	4.0%	$ 21,519	5.0
As of December 31, 2002:						
Total capital						
(to risk-weighted assets)						
Consolidated	$138,701	18.0%	$ 61,660	8.0%	N/A	
BankIllinois	$ 74,396	15.8%	$ 37,685	8.0%	$ 47,107	10.0
The First National Bank of Decatur	$ 48,351	16.0%	$ 24,213	8.0%	$ 30,266	10.0
Tier I capital						
(to risk-weighted assets)						
Consolidated	$129,442	16.8%	$ 30,830	4.0%	N/A	
BankIllinois	$ 68,739	14.6%	$ 18,843	4.0%	$ 28,264	6.0
The First National Bank of Decatur	$ 44,659	14.8%	$ 12,106	4.0%	$ 18,160	6.0
Tier I capital						
(to average assets)						
Consolidated	$129,442	11.8%	$ 43,732	4.0%	N/A	
BankIllinois	$ 68,739	10.5%	$ 26,236	4.0%	$ 32,795	5.0

The First National Bank of Decatur	$ 44,659	10.3%	$ 17,324	4.0%	$ 21,655	5.0

Item 9. Changes in and Disagreements on Accounting and Financial Disclosure

None.

Item 9a. 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 December 31, 2003. 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 III

Item 10. Directors and Executive Officers of the Registrant

The information in the Company's 2004 Proxy Statement under the caption "Election of Directors" and under the caption "Security Ownership of Certain Beneficial Owners and Management" is incorporated by reference. The information regarding executive officers not provided in the 2004 Proxy Statement is noted below.

Executive Officers

The term of office for the executive officers of the Company is from the date of election until the next annual organizational meeting of the Board of Directors. In addition to the information provided in the 2004 Proxy Statement, the names and ages of the executive officers of the Company as of December 31, 2003, as well as the offices of the Company and the Subsidiaries held by these officers on that date, and principal occupations for the past five years are set forth below.

Name (Age)	Position with Main Street, its subsidiaries and occupation for the last five years
David B. White (Age 52)	Executive Vice President and Chief Financial Officer of Main Street, BankIllinois and The First National Bank of Decatur and Director of FirsTech; Executive Vice President and Chief Financial Officer of BankIllinois Financial and BankIllinois (1993-2000)
Christopher M. Shroyer (Age 38)	President, Chief Executive Officer and Director of The First National Bank of Decatur; Executive Vice President, Lending, The First National Bank of Decatur (2000-2001); Senior Vice President, Lending, The First National Bank of Decatur (1999-2000); Vice President and Department Head, Commercial Lending, The First National

	Bank of Decatur (1997-1999)
Robert F. Plecki, Jr. (Age 43)	President and Director of BankIllinois; Executive Vice President, Retail Banking, BankIllinois (1998-2001); Senior Vice President, Retail Banking, BankIllinois (1996-1998)
Leanne C. Heacock (Age 38)	Executive Vice President, Management Information Systems, Main Street, BankIllinois and The First National Bank of Decatur and Director of FirsTech; Executive Vice President, Management Information Systems, BankIllinois and The First National Bank of Decatur (2001-2002); Executive Vice President, Management Information Systems, BankIllinois (1999-2001); Senior Vice President, Management Information Systems, BankIllinois (1998-1999)

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Section 16(a) Beneficial Ownership Compliance

Section 16(a) of the Securities Exchange Act requires that the directors, executive officers and persons who own more than 10% of our common stock file reports of ownership and changes in ownership with the Securities and Exchange Commission. These persons are also required to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms furnished to us and representations made by any reporting person concerning whether a Form 5 was required to be filed for 2003, we are not aware of any failures to comply with the filing requirements of Section 16(a) during 2003.

Item 11. Executive Compensation

The information in the 2004 Proxy Statement under the caption "Executive Compensation" is incorporated by reference.

Item 12. Security Ownership Of Certain Beneficial Owners And Management

The information in the 2004 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management" is incorporated by reference.

Equity Compensation Plan Information

The table below sets forth the following information as of December 31, 2003 for (i) all compensation plans previously approved by our shareholders and (ii) all compensation plans not previously approved by our shareholders:

(a) the number of securities to be issued upon the exercise of outstanding options, warrants and rights;

(b) the weighted-average exercise price of such outstanding options, warrants and rights;

(c) other than securities to be issued upon the exercise of such outstanding options, warrants and rights, the number of securities remaining available for future issuance under the plans.

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EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding optio
Equity compensation plans approved by security holders...............	545,381(1)	$19.79
Equity compensation plans not approved by security holders......	0	--
Total...........................	545,381 (1)	$19.79

Item 13. Certain Relationships And Related Transactions

The information in the 2004 Proxy Statement under the caption "Transactions with Management" is incorporated by reference.

Item 14. Principal Accountant Fees and Services

The information in the 2004 Proxy Statement under the caption "Independent Public Accountants" is incorporated by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a)(1) Index to Financial Statements

See page 34.

(a)(2) Financial Statement Schedules

N/A

(a)(3) Schedule of Exhibits

The Exhibit Index which immediately follows the signature page to this Form 10-K is incorporated by reference.

(b) Reports on Form 8-K

On December 17, 2003, Main Street Trust, Inc. issued a news release announcing its declaration of a quarterly dividend to its stockholders.

On October 27, 2003, Main Street Trust, Inc. announced that its Board of Directors has reinstated the Stock Repurchase Program, allowing the purchase of up to 500,000 shares of the Company's outstanding stock. The Stock Repurchase Program had been suspended during the Company's common stock tender offer, which was completed September 30, 2003. On October 27, 2003, Main Street Trust, Inc. issued a news release announcing its earnings for the

quarter ended September 30, 2003.

(c) Exhibits

The exhibits required to be filed with this Form 10-K are included with this Form 10-K and are located immediately following the Exhibit Index to this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 12, 2004.

By: /s/ Van A. Dukeman	By: /s/ David B. White
Van A. Dukeman President, CEO and Director	David B. White Executive Vice President and Principal Financial and Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 12, 2004.

Signature	Title
/s/ Gregory B. Lykins Gregory B. Lykins	Chairman and Director
/s/ Van A. Dukeman Van A. Dukeman	President, CEO and Director
/s/ Phillip C. Wise Phillip C. Wise	Executive Vice President and Director
/s/ David J. Downey David J. Downey	Director
/s/ Larry D. Haab Larry D. Haab	Director
/s/ Frederic L. Kenney Frederic L. Kenney	Director
/s/ August C. Meyer, Jr. August C. Meyer, Jr.	Director

/s/ Gene A. Salmon	
Gene A. Salmon	Director
/s/ George T. Shapland	
George T. Shapland	Director
/s/ Thomas G. Sloan	
Thomas G. Sloan	Director
/s/ Roy V. VanBuskirk	
Roy V. VanBuskirk	Director
/s/ H. Gale Zacheis	
H. Gale Zacheis	Director

MAIN STREET TRUST, INC.

EXHIBIT INDEX
TO
ANNUAL REPORT ON FORM 10-K

Exhibit No.	Description	Incorporated Herein by Reference To	Filed Herewith
3.1	Amended and Restated Articles of Incorporation	Exhibit 3.1 to the Form S-4 filed with the Commission on November 30, 1999 (SEC File No. 33-91759)	
3.2	Bylaws	Exhibit 3.2 to the Form S-4 filed with the Commission on November 30, 1999 (SEC File No. 33-91759)	
4.1	Specimen common stock certificate	Exhibit 4.1 to the Form 10-K filed with the Commission on March 30, 2001 (SEC File No. 000-30031)	
4.2	Second Amended and Restated Shareholders' Agreement, dated as of November 1, 2000	Exhibit 4.2 to the Form 10-K filed with the Commission on March 30, 2001 (SEC File No. 000-30031)	
10.1	Employment Agreement by and between the Company and Gregory B. Lykins	Exhibit 10.1 to the Form 10-K filed with the Commission on March 29, 2002 (SEC File No. 000-30031)	
10.2	Employment Agreement by and between the Company and Van A. Dukeman	Exhibit 10.2 to the Form 10-K filed with the Commission on March 29, (2002 (SEC File No. 000-30031)	
10.3	Employment Agreement by and between the Company	Exhibit 10.5 to the Registration Statement on Form S-4 filed with	

	and David B. White	the Commission on March 15, 1996, as amended (SEC File No. 33-90342)	
10.4	Employment Agreement by and between the Company, FirsTech, Inc. and Phillip C. Wise	Exhibit 10.4 to the Form 10-K filed with the Commission on March 29, 2002 (SEC File No. 000-30031)	
10.5	Employment Agreement by and between The First National Bank of Decatur and Chris Shroyer	Exhibit 10.5 to the Form 10-K filed with the Commission on March 24, 2003 (SEC File No. 000-30031)	
10.6	Employment Agreement by and between the Company and Robert F. Plecki		X
21.1	Subsidiaries of the Registrant		X
23.1	Consent of McGladrey & Pullen, LLP		X
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a)/15d-14(a)		X
31.2	Certification of Chief Financail Officer Pursuant to Rule 13a-14(a)/15d-14(a)		X
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		X
32.2	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		X