MAIN STREET TRUST INC
Form 10-Q
May 15, 2001

UNITED STATES

SECURITIES AND EXCHANGE COMMISION

WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2001

Commission File Number: 0-30031

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

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

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

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

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

Indicate the number of shares outstanding of the registrant's common stock, as of May 8, 2001

Main Street Trust, Inc. Common Stock	10,449,206

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MAIN STREET TRUST, INC AND SUBSIDIARIES
Consolidated Balance Sheets
March 31, 2001 and December 31, 2000
(Unaudited, in thousands, except share data)

	March 31, 2001	December 2000
ASSETS		
Cash and due from banks	$ 59,765	$ 58,
Federal funds sold and interest earning deposits	56,864	25,
Investments in debt and equity securities:		
Available-for-sale, at fair value	198,841	213,
Held-to-maturity, at cost (fair value of $75,153 and $84,849 at March 31, 2001 and December 31, 2000, respectively)	74,370	84,
Non-marketable equity securities	4,845	4,
Mortgage loans held for sale	4,157	2,
Loans, net of allowance for loan losses of $9,023 and $8,879 at March 31, 2001 and December 31, 2000, respectively	656,660	659,
Premises and equipment	20,679	20,
Accrued interest receivable	9,432	10,
Other assets	10,347	10,
Total assets	$ 1,095,960	$ 1,091,
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Demand, non-interest bearing	$ 125,896	$ 108,
Demand, interest bearing	255,547	233,
Savings	99,096	139,
Time, $100 and over	102,426	100,
Other time	261,493	257,

Total deposits	844,458	839,
Federal funds purchased, repurchase agreements and notes payable	67,006	69,
Federal Home Loan Bank advances and other borrowings	40,940	40,
Accrued interest payable	4,127	4,
Other liabilities	10,774	10,
Total liabilities	967,305	965,
Shareholders' equity:		
Preferred stock, no par value; 2,000,000 shares authorized	--	-
Common stock, $0.01 par value; 15,000,000 shares authorized; 10,582,484 shares issued at March 31, 2001 and and December 31, 2000, respectively	106	
Paid in capital	44,324	44,
Retained earnings	85,031	82,
Accumulated other comprehensive income	1,711	
	131,172	127,
Less: treasury stock, at cost, 133,278 and 112,178 shares at March 31, 2001 and December 31, 2000, respectively	(2,517)	(2,
Total shareholders' equity	128,655	125,
Total liabilities and shareholders' equity	$ 1,095,960	$ 1,091,

See accompanying notes to unaudited consolidated financial statements.

MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Income
For the Three Months Ended March 31, 2001 and 2000
(Unaudited, in thousands, except share data)

	2001	2000
Interest income:		
Loans and fees on loans	$ 14,236	$ 12,891
Investments in debt and equity securities		
Taxable	3,682	3,942
Tax-exempt	543	474
Federal funds sold and interest earning deposits	660	597
Total interest income	19,121	17,904
Interest expense:		
Demand, savings, and other time deposits	6,756	5,861
Time deposits $100 and over	1,430	1,215
Federal funds purchased, repurchase agreements and notes payable	779	1,005
Federal Home Loan Bank advances and other borrowings	614	459
Total interest expense	9,579	8,540
Net interest income	9,542	9,364
Provision for loan losses	235	136

Net interest income after provision for loan losses	9,307	9,228
Non-interest income:		
Remittance processing	1,660	1,875
Trust and brokerage fees	1,277	1,411
Service charges on deposit accounts	484	487
Gain on sales of mortgage loans, net	155	34
Securities transactions, net	77	2
Other	434	480
Total non-interest income	4,087	4,289
Non-interest expense:		
Salaries and employee benefits	4,516	5,130
Merger related professional fees	0	2,452
Occupancy	614	561
Equipment	761	743
Data processing	464	385
Office supplies	389	292
Service charges from correspondent banks	123	299
Other	1,199	1,236
Total non-interest expense	8,066	11,098
Income before income taxes	5,328	2,419
Income taxes	1,660	1,425
Net income	$ 3,668	$ 994
Per share data:		
Basic earnings per share	$ 0.35	$ 0.09
Weighted average shares of common stock outstanding	10,465,031	10,580,506
Diluted earnings per share	$ 0.34	$ 0.09
Weighted average shares of common stock and dilutive potential common shares outstanding	10,654,506	10,804,204

See accompanying notes to unaudited consolidated financial statements.

MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the Three Months Ended March 31, 2001 and 2000
(Unaudited, in thousands)

	2001	2000
Net income	$ 3,668	$ 994
Other comprehensive income (loss), before tax:		
Unrealized gains (losses) on securities:		
Unrealized holding gains (losses) arising during period, net of tax of $599 and ($62), for March 31, 2001 and 2000, respectively	1,162	(119)
Less: reclassification adjustment for gains (losses) included in net income, net of tax of ($26) and ($1), for March 31, 2001 and 2000, respectively	(51)	(1)
Other comprehensive income (loss), net of tax	1,111	(120)

Comprehensive income	$ 4,779	$ 874

See accompanying notes to unaudited consolidated financial statements.

MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Three Months Ending March 31, 2001 and 2000
(Unaudited, in thousands)

	2001
Cash flows from operating activities:	
Net income	$ 3,668
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	713
(Accretion) amortization of bond discounts and premiums, net	(344)
Provision for loan losses	235
Securities transactions, net	(77)
Gain on sales of mortgage loans, net	(155)
Federal Home Loan Bank stock dividend	(66)
Other, net	295
Proceeds from sales of mortgage loans originated for sale	15,818
Mortgage loans originated for sale	(17,730)
Net cash provided by operating activities	2,357
Cash flows from investing activities:	
Net decrease in loans	2,954
Proceeds from maturities and calls of investments in debt securities:	
Held-to-maturity	15,338
Available-for-sale	29,825
Proceeds from sales of investments:	
Held-to-maturity	647
Available-for-sale	38,542
Purchases of investments in debt and equity securities:	
Held-to-maturity	(6,932)
Available-for-sale	(51,877)
Non-marketable	(250)
Principal paydowns from mortgage-backed securities:	
Held-to-maturity	1,536
Available-for-sale	467
Purchases of premises and equipment	(511)
Net cash provided by (used in) investing activities	29,739
Cash flows from financing activities:	
Net increase in deposits	4,526
Net decrease in federal funds purchased, repurchase agreements and notes payable	(2,652)
Net decrease in Federal Home Loan Bank advances and other borrowings	(38)
Cash dividends paid	(1,047)
MSTI stock transactions, net	(395)
Net cash provided by (used in) financing activities	394

Net increase (decrease) in cash and cash equivalents	32,490	
Cash and cash equivalents at beginning of year	84,139	
Cash and cash equivalents at end of period	$ 116,629	$
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 10,035	$
Income taxes	1,533	
Real estate acquired through or in lieu of foreclosure	--	
Dividends declared not paid	1,149	

See accompanying notes to unaudited consolidated financial statements.

MAIN STREET TRUST, INC. AND SUBSIDIARIES

Notes to Unaudited Consolidated Financial Statements

Note 1. Basis of Presentation

The accompanying unaudited consolidated financial statements for Main Street Trust, Inc. have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for fair presentation of financial position, results of operations, and cash flows in conformity with generally accepted accounting principles. These financial statements should be read in conjunction with the audited consolidated financial statements and related notes as of and for the year ended December 31, 2000, and schedules included in Main Street Trust, Inc's. Form 10-K filed on March 30, 2001.

In the opinion of management, the consolidated financial statements of Main Street Trust, Inc. (the "Company") and its subsidiaries, as of March 31, 2001 and for the three-month periods ended March 31, 2001 and 2000, include all adjustments necessary for a fair presentation of the results of those periods. All such adjustments are of a normal recurring nature.

Results of operations for the three-month period ended March 31, 2001 are not necessarily indicative of the results which may be expected for the year ended December 31, 2001.

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

Certain amounts in the 2000 consolidated financial statements have been reclassified to conform with the 2001 presentation. Such reclassifications have no effect on previously reported net income.

Note 2. Business Combination

On August 12, 1999, BankIllinois Financial Corporation and First Decatur Bancshares, Inc. entered into an Agreement and Plan of Merger which provided for a "merger of equals" between the two companies, structured as a merger of the two companies into the Company. The merger, which was completed on March 23, 2000, has been accounted for as a pooling of interests and, accordingly, all prior financial statements have been restated to include both companies. As a result of the merger, former shareholders of BankIllinois Financial Corporation and First Decatur Bancshares, Inc. received 5,828,260 and 4,752,649 shares of Company common stock, respectively.

The Company operates 19 banking centers and is the parent company of BankIllinois, First National Bank of Decatur, First Trust Bank of Shelbyville and FirsTech, Inc., a retail payment processing company.

Note 3. New Accounting Rules and Regulations

In September 2000, Statement on Financial Accounting Standards No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" was issued to replace Statement on Financial Accounting Standards No. 125, which was issued in June 1996. Statement No. 125 addressed issues related to transfers of financial assets in which the transferor has some continuing involvement with the transferred assets or with the transferee. Statement No. 140 resolves implementation issues which arose as a result of Statement No. 125, but carries forward most of Statement No. 125's provisions. Statement No. 140 is effective for transfers occurring after March 31, 2001 and for disclosures relating to securitization transactions and collateral for fiscal years ending after December 15, 2000. Management does not believe the adoption of Statement No. 140 will have a significant impact on its financial statements.

Note 4. Income per Share

Net income per common share has been computed as follows:

	Three Months Ended March 31, 2001	Three Months Ended March 31, 2000
Net Income	$3,668,000	$ 994,000
Shares:		
Weighted average common shares outstanding	10,465,031	10,580,506
Dilutive effect of outstanding options, as deteremined by the application of the treasury stock method	172,990	207,452
Dilutive effect of outstanding SARs, as determined by the application of the treasury stock method	16,485	16,246
Weighted average common shares outstanding, as adjusted	10,654,506	10,804,204
Basic earnings per share	$ 0.35	$ 0.09
Diluted earnings per share	$ 0.34	$ 0.09

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

Financial Condition

Assets and Liabilities

Total assets remained stable with assets of $1,095,960,000 at March 31, 2001 compared to $1,091,081,000 at December 31, 2000. Increases in cash, federal funds sold and interest bearing deposits, non-marketable equity securities, mortgage loans held for sale, and other assets were offset somewhat by decreases in investments in debt and equity securities available-for-sale and held-to-maturity, loans, premises and equipment and accrued interest receivable.

Federal funds sold and interest earning deposits increased $31,692,000, or 125.9%, to $56,864,000 at March 31, 2001 compared to $25,172,000 at December 31, 2000. The reason for this increase was due to several factors, including lower than expected loan volume, a decrease in investment in debt and equity securities, and higher deposit growth than anticipated during the first quarter of 2001.

Mortgage loans held for sale increased $2,067,000, or 98.9%, to $4,157,000 at March 31, 2001 compared to $2,090,000 at December 31, 2000. This increase was mainly due to greater demand in the mortgage loan area at March 31, 2001 than at December 31, 2000 caused by lower interest rates.

Total investments in debt and equity securities decreased $25,131,000, or 8.3%, to $278,056,000 at March 31, 2001 compared to $303,187,000 at December 31, 2000, in anticipation of loan funding needs. Investments in securities available-for-sale decreased $14,845,000, or 6.9%, at March 31, 2001 compared to December 31, 2000. Investments in debt and equity securities held-to-maturity decreased $10,602,000, or 12.5%, at March 31, 2001 compared to December 31, 2000. Somewhat offsetting these decreases was an increase in non-marketable equity securities of $316,000, or 7.0%, during this time period.

Loans, net of allowance for loan losses, decreased $3,189,000, or 0.5%, to $656,660,000 at March 31, 2001 from $659,849,000 at December 31, 2000. Commercial, financial and agricultural loans decreased $15,690,000, or 7.1%, at March 31, 2001 compared to December 31, 2000. Somewhat offsetting this decrease was an increase in real estate loans of $11,253,000, or 3.5%, at March 31, compared to December 31, 2000. Also, installment and consumer loans increased $1,392,000, or 1.1%, during the same period.

Accrued interest receivable decreased $1,197,000, or 11.3%, to $9,432,000 at March 31, 2001 compared to $10,629,000 at December 31, 2000. This was primarily due to the decreases in investments in debt and equity securities, and the decrease in total net loans.

Total liabilities increased $1,626,000, or 0.2%, to $967,305,000 at March 31, 2001 from $965,679,000 at December 31, 2000. Increases in total deposits and other liabilities were partially offset by decreases in federal funds purchased, repurchase agreements and notes payable, accrued interest payable and Federal Home Loan Bank advances and other borrowings.

Total deposits increased $4,526,000, or 0.5%, to $844,458,000 at March 31, 2001 from $839,932,000 at December 31, 2000. The increase in deposits included an increase in interest bearing demand deposits of $21,709,000, or 9.3%, an increase in non-interest bearing demand deposits of $16,915,000, or 15.5%, and an increase of $6,608,000, or 1.8%, in total time deposits. Somewhat offsetting these increases was a decrease of $40,706,000, or 29.1%, in savings deposits.

Federal funds purchased, repurchase agreements and notes payable decreased $2,652,000, or 3.8%, to $67,006,000 at March 31, 2001 compared to $69,658,000 at December 31, 2000. Included in this change were decreases of $3,996,000 in repurchase agreements and $631,000 in notes payable. Somewhat offsetting these decreases was an increase in federal funds purchased of $1,975,000.

Accrued interest payable decreased $457,000, or 10.0%, to $4,127,000 at March 31, 2001 from $4,584,000 at December 31, 2000. This was reflective of the lower interest rate environment.

Investment Securities

The carrying value of investments in debt and equity securities was as follows for March 31, 2001 and December 31, 2000:

Carrying Value of Securities
(in thousands)

	March 31, 2001	December 31, 2000
Available-for-sale:		
U.S. Treasury	$ 19,029	$ 23,812
Federal agencies	137,291	156,322
Mortgage-backed securities	21,693	11,513
State and municipal	14,139	15,349
Corporate and other obligations	788	294
Marketable equity securities	5,901	6,396
Total available-for-sale	$198,841	$213,686
Held-to-maturity:		
Federal agencies	$ 14,249	$ 29,428
Mortgage-backed securities	24,092	22,642
State and municipal	36,029	32,902
Total held-to-maturity	$ 74,370	$ 84,972
Non-marketable equity securities	$ 4,845	$ 4,529
Total securities	$278,056	$303,187

The following table shows the maturities and weighted-average yields of investment securities at March 31, 2001. Mortgage-backed securities are placed in maturity categories based on expected payments. All other securities are shown at their contractual maturity.

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

	March 31, 2001					
	1 year or less		1 to 5 years		5 to 10 years	
	Amount	Rate	Amount	Rate	Amount	Rate
Securities available-for-sale						
U.S. Treasury	$14,517	5.94%	$ 4,512	5.99%	$ --	--
Federal agencies	24,612	5.83%	93,404	6.01%	16,790	6.17%
Mortgage-backed securities	2,367	6.09%	15,907	6.63%	1,705	6.59%
State and municipal	232	4.36%	2,675	4.93%	8,958	4.90%
Other securities	295	7.85%	493	5.90%	--	--
Marketable equity securities1	--	--	--	--	--	--
Total	$42,023		$116,991		$27,453	

Average Yield		5.89%		6.07%		5.78%
Securities held-to-maturity						
Federal agencies	$ --	--	$12,249	5.77%	$ 2,000	6.40%
Mortgage-backed securities	6,632	5.78%	11,323	5.78%	864	6.39%
State and municipal	2,676	4.81%	22,064	4.31%	11,128	4.56%
Total	$ 9,308		$45,636		$13,992	
Average Yield		5.50%		5.07%		4.94%
Non-marketable equity securities1	--		--		--	

Loans

The following tables present the amounts and percentages of loans for March 31, 2001 and December 31, 2000 according to the categories of commercial, financial and agricultural; real estate; and installment and consumer loans.

Amount of Loans Outstanding
(dollars in thousands)

	March 31, 2001		December 31, 2000	
	Amount	Percentage	Amount	Percentage
Commercial, financial and agricultural	$203,851	30.62%	$219,541	32.83%
Real estate	330,665	49.67%	319,412	47.76%
Installment and consumer1	131,167	19.71%	129,775	19.41%
Total loans	$665,683	100.00%	$668,728	100.00%

1 Net of unearned discount

The balance of loans outstanding as of March 31, 2001 by maturity is shown in the following table:

Maturity of Loans Outstanding
(dollars in thousands)

March 31, 2001

	1 year or less	1 to 5 years	Over 5 years	Total
Commercial, financial and agricultural	$ 97,042	$ 79,738	$ 27,071	$203,851
Real estate	47,956	129,994	152,715	330,665
Installment and consumer1	40,259	84,603	6,305	131,167
Total	$185,257	$294,335	$186,091	$665,683
Percentage of total loans outstanding	27.83%	44.22%	27.95%	100.00%

1 Net of unearned discount

Capital

Total shareholders' equity increased $3,253,000 from December 31, 2000 to March 31, 2001. The change is summarized as follows:

	(in thousands)
Shareholders' equity, December 31, 2000	$ 125,402
Net income	3,668
Treasury stock transactions, net	(395)
Stock appreciation rights	18
Cash dividends declared	(1,149)
Other comprehensive income	1,111
Shareholders' equity, March 31, 2001	$ 128,655

On March 20, 2001, the board of directors of the Company declared a quarterly cash dividend of $0.11 per share of the Company's common stock. The dividend of $1,149,000 was paid on April 20, 2001 to holders of record on April 9, 2001.

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

Quantitative measures established by regulation to ensure capital adequacy require the Company and its subsidiary banks to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of March 31, 2001, that the Company and its subsidiary banks exceeded all capital adequacy requirements to which they are subject.

As of March 31, 2001, the most recent notifications from primary regulatory agencies categorized all the Company's subsidiary banks as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, banks must maintain minimum total capital to risk-weighted assets, Tier I capital to risk-weighted assets, and Tier I capital to average assets ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed any of the Company's subsidiary banks' categories.

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

	Actual		For Capital Adequacy Purposes:		To Be Well Capitalized Under Prompt Corrective Action Provisions:	
	Amount	Ratio	Amount	Ratio	Amount	Ratio

As of March 31, 2001:						
Total capital						
(to risk-weighted assets)						
Consolidated	$136,719	18.5%	$59,014	8.0%	N/A	
BankIllinois	$ 64,779	16.0%	$32,431	8.0%	$40,539	10.0%
First National Bank of Decatur	$ 46,409	17.1%	$21,700	8.0%	$27,125	10.0%
First Trust Bank of Shelbyville	$ 12,462	25.5%	$ 3,905	8.0%	$ 4,881	10.0%
Tier I capital						
(to risk-weighted assets)						
Consolidated	$127,670	17.3%	$29,507	4.0%	N/A	
BankIllinois	$ 59,644	14.7%	$16,215	4.0%	$24,323	6.0%
First National Bank of Decatur	$ 42,844	15.8%	$10,850	4.0%	$16,275	6.0%
First Trust Bank of Shelbyville	$ 12,110	24.8%	$ 1,952	4.0%	$ 2,929	6.0%
Tier I capital						
(to average assets)						
Consolidated	$127,670	11.7%	$43,813	4.0%	N/A	
BankIllinois	$ 59,644	10.4%	$22,925	4.0%	$28,656	5.0%
First National Bank of Decatur	$ 42,844	9.8%	$17,560	4.0%	$21,950	5.0%
First Trust Bank of Shelbyville	$ 12,110	16.4%	$ 2,954	4.0%	$ 3,692	5.0%

Interest Rate Sensitivity

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

The following table presents the Company's interest rate sensitivity at various intervals at March 31, 2001:

(dollars in thousands)

	1-30 Days	31-90 Days	91-180 Days	181-365 Days	Ov 1 y
Interest earning assets:					
Federal funds sold and interest earning deposits	$ 56,864	$ --	$ --	$ --	$
Debt and equity securities *	5,522	12,112	12,996	32,518	21
Loans **	167,276	24,486	40,246	77,434	36
Total earning assets	$ 229,662	$ 36,598	$ 53,242	$ 109,952	$ 57
Interest bearing liabilities:					
Savings and interest bearing demand deposits***	$ 24,003	$ 1,374	$ 2,062	$ 4,127	$ 15
Money market savings deposits	145,021	--	--	--	
Time deposits	30,759	59,029	67,132	107,069	9
Federal funds purchased,					

repurchase agreements, and notes payable	62,321	114	4,350	121	
FHLB advances and other borrowings	--	15	1,000	5,192	3
Total interest bearing liabilities	$ 262,104	$ 60,532	$ 74,544	$ 116,509	$ 29
Net asset (liability) funding gap	$ (32,442)	(23,934)	(21,302)	(6,557)	28
Repricing gap	0.88	0.60	0.71	0.94	
Cumulative repricing gap	0.88	0.83	0.80	0.84	

Included in the 1-30 day category of savings and interest-bearing demand deposits are non-core deposits plus a percentage, based upon industry-accepted assumptions and Company analysis, of the core deposits. "Core deposits" are the lowest average balance of the prior twelve months for each product type included in this category. "Non-core deposits" are the difference between the current balance and core deposits. The time frames include a percentage, based upon industry-accepted assumptions and Company analysis, of the core deposits, as follows:

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

At March 31, 2001, the Company was liability-sensitive due to the levels of savings and interest bearing demand deposits, short-term time deposits, and short-term borrowings. As such, the effect of a decrease in the interest rate for all interest earning assets and interest bearing liabilities of 100 basis points would increase annualized net interest income by approximately $324,000 in the 1-30 days category and $564,000 in the 1-90 days category assuming no management intervention. An increase in interest rates would have the opposite effect for the same time periods.

In addition to managing interest rate sensitivity and liquidity through the use of gap reports, the Company has provided for emergency liquidity situations with informal agreements with correspondent banks which permit the Company to borrow federal funds on an unsecured basis. Additionally, the Company can borrow approximately $26,444,000 from the Federal Home Bank on a secured basis.

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

The following table shows projected results at March 31, 2001 and December 31, 2000 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
March 31, 2001	3.7%	1.8%	(1.8%)	(3.7%)
December 31, 2000	0.2%	0.1%	(0.1%)	(0.2%)

The Company continues to remain liability sensitive, causing a projected decrease in net interest income from a decrease in interest rates, and having an opposite affect from an increase in interest rates.

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

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

Liquidity and Cash Flows

The Company was able to meet liquidity needs during the first three months of 2001. A review of the consolidated statements of cash flows included in the accompanying financial statements shows that the Company's cash and cash equivalents increased $32,490,000 from December 31, 2000 to March 31, 2001. This increase came from increases in net cash provided by operating activities, investing activities and financing activities.

There were differences in sources and uses of cash during the first three months of 2001 compared to the first three months of 2000. Less cash was provided by operating activities due to less net proceeds from transactions involving mortgage loans originated for sale in the first three months of 2001 compared to the same period of 2000 and less cash provided by other operating activities. Somewhat offsetting this was an increase in net income. Cash was provided by investing activities during the first three months of 2001 compared to cash used during the same period of 2000 primarily due to changes in the Company's investment portfolio. During the first three months of 2001, the investment portfolio decreased $25,131,000 compared to an increase of $11,448,000 during the same period of 2000. Cash was provided by financing activities during the first three months of 2001 compared to cash used during the same period of 2000 primarily due to a larger growth in deposits providing more cash, somewhat offset by a smaller decrease in federal funds purchased, repurchase agreements and notes payable using less cash during the first three months of 2001 compared to the first three months of 2000.

Provision and Allowance for Loan Losses

The provision for loan losses is based on management's evaluation of the loan portfolio in light of national and local economic conditions, changes in the composition and volume of the loan portfolio, changes in the volume of past due and nonaccrual loans, and other relevant factors. The allowance for loan losses, which is reported as a deduction from loans, is available for loan charge-offs. The allowance is increased by the provision charged to expense and is reduced by loan charge-offs net of loan recoveries. The balance of the allowance for loan losses was $9,023,000 at March 31, 2001 compared to $8,879,000 at December 31, 2000, as net charge-offs were $91,000 and provisions totaled $235,000 during the first three months of 2001. The allowance for loan losses as a percentage of gross loans, including loans held-for-sale, was 1.35% at March 31, 2001, compared to 1.32% at December 31, 2000 as gross loans, including loans held-for-sale, remained fairly stable, decreasing slightly to $669,840,000 at March 31, 2001 from $670,818,000 at December 31, 2000.

The allowance for loan losses as a percentage of non-performing loans was 539% at March 31, 2001. Non-performing loans, while increasing from $1,448,000 at December 31, 2000, remained at an acceptable level of $1,674,000. The $226,000 increase in non-performing loans during the first three months resulted from a $441,000 increase in loans over 90 days past due, which was partially offset by a $215,000 decrease in non-accruals. The allowance for loan losses increased from $8,879,000 at December 31, 2000, to $9,023,000 at March 31, 2001 as provisions of $235,000 for the quarter exceeded net loans charged off of $91,000. Although unforeseen market conditions could result in significant adjustments in the future, management believes that problem assets have been effectively identified and that the allowance for loan losses is adequate to absorb possible losses in the portfolio which are reasonably anticipated. However, there can be no assurance that the allowance for loan losses will be adequate to cover all losses.

Along with other financial institutions, management shares a concern for the continued softening of the economy in 2001. Should the economic climate continue to deteriorate, borrowers may experience difficulty, and the level of non-performing loans, charge-offs, and delinquencies could rise and require further increases in the provision.

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

Allowance for Loan Losses
(dollars in thousands)

	March 31,	
	2001	2000
Allowance for loan losses at beginning of year	$ 8,879	$ 8,682
Charge-offs during period:		
Commercial, financial and agricultural	$ (15)	$ (9)
Real estate	--	(14)
Installment and consumer	(213)	(139)
Total	$ (228)	$ (162)
Recoveries of loans previously charged off:		
Commercial, financial and agricultural	$ 44	$ 335
Real estate	63	1

Installment and consumer	30	57
Total	$ 137	$ 393
Net (charge-offs) recoveries	$ (91)	$ 231
Provision for loan losses	235	136
Allowance for loan losses at end of period	$ 9,023	$ 9,049
Ratio of net (charge-offs) recoveries to average net loans	(0.01%)	0.04%

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

	March 31, 2001	December 31, 2000
Allocated:		
Commercial, financial and agricultural	$3,389	$3,426
Residential real estate	883	855
Installment and consumer	1,823	1,649
Total allocated allowance	$6,095	$5,930
Unallocated allowances	2,928	2,949
Total	$9,023	$8,879

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

Nonperforming Loans (dollars in thousands)

	March 31, 2001	December 31, 2000
Nonaccrual loans 1	$ 387	$ 602
Loans past due 90 days or more	$1,287	$ 846
Renegotiated loans	$ 84	$ 88

1 Includes $182,000 at March 31, 2001 and $505,000 at December 31, 2000 of real estate and consumer loans which management does not consider impaired as defined by the Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS 114).

Results of Operations

Results of Operations For the Three Months Ended March 31, 2001

The merger of equals to create the Company, which occurred near the end of the first quarter of 2000, resulted in significant merger related costs which were expensed during the first three months of 2000. These expenses had a significant effect on the reported net income of the combined entity during the first quarter of 2000. Net income for the first three months of 2001 was $3,668,000, a $2,674,000, or 269.0%, increase from $994,000 for the same period in 2000. Basic earnings per share increased $0.26, or 288.9%, to $0.35 in the first quarter of 2001 from $0.09 in the first quarter of 2000. Diluted earnings per share increased $0.25, or 277.8%, to $0.34 in the first three months of 2001 from $0.09 during the same period in 2000.

Operating earnings for the three months ended March 31, 2001, were $3,883,000 compared to $3,859,000 for the same period in 2000, an increase of $24,000, or 0.6%. Basic operating earnings per share increased to $0.37, or 2.8%, in the first quarter of 2001 from $0.36 in the first quarter of 2000. Diluted earnings per share on operating earnings remained unchanged at $0.36 in the first three months of 2001 compared to the same period in 2000. The difference between operating and net earnings was due to merger and restructuring related expenses, net of tax, of $215,000 during the first quarter of 2001 compared to $2,865,000 during the first quarter of 2000. The 2001 merger and restructuring related expenses consisted of $50,000 of data processing expense and $276,000 of termination of employment contracts, offset by $111,000 of tax benefit. The 2000 merger and restructuring related expenses consisted of $2,452,000 of professional fees, $713,000 of early retirement and termination of employment contracts, offset by $300,000 of tax benefit.

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

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

	Three Months Ended March 31,				
	2001			20	
	Average Balance	Interest	Rate	Average Balance	Inte
Assets					
Taxable investment securities1	$ 247,313	$ 3,682	5.96%	$ 265,364	$ 3
Tax-exempt investment securities1 (TE) ...	48,111	823	6.84%	42,285	
Federal funds sold and interest earning deposits2	46,174	660	5.72%	35,385	
Loans3,4 (TE)	657,788	14,247	8.66%	598,691	12
Total interest earning assets and interest income (TE)	$ 999,386	$ 19,412	7.77%	$ 941,725	$ 18
Cash and due from banks	$ 55,702			$ 55,906	
Premises and equipment	20,842			22,184	
Other assets	19,388			21,931	
Total assets	$1,095,318			$1,041,746	
Liabilities and Shareholders' Equity					
Interest bearing demand deposits	$ 263,364	$ 2,359	3.58%	$ 229,789	$ 2
Savings	76,851	493	2.57%	91,264	
Time deposits	361,949	5,334	5.89%	339,155	4
Federal funds purchased, repurchase					

agreements and notes payable	70,621	779	4.41%	79,085	1
FHLB advances and other borrowings	39,073	614	6.29%	32,043	
Total interest bearing liabilities and interest expense	$ 811,858	$ 9,579	4.72%	$ 771,336	$ 8
Noninterest bearing demand deposits5	$ 102,601			$ 83,784	
Noninterest bearing savings deposits5	37,819			56,961	
Other liabilities	15,959			12,873	
Total liabilities	$ 968,237			$ 924,954	
Shareholders' equity	127,081			116,792	
Total liabilities and shareholders' equity	$1,095,318			$1,041,746	
Interest spread (average rate earned minus average rate paid) (TE)			3.05%		
Net interest income (TE)		$ 9,833			$ 9
Net yield on interest earning assets (TE)			3.94%		

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

Analysis of Volume and Rate Changes
(in thousands)
Three Months Ended March 31, 2001

	Increase (Decrease) From Previous Year	Due to Volume	Due to Rate
Interest Income			
Taxable investment securities	$ (260)	$ (320)	$ 60
Tax-exempt investment securities (TE)	105	100	5
Federal funds sold and interest earning deposits	63	528	(465)
Loans (TE)	1,345	1,280	65
Total interest income (TE)	$ 1,253	$ 1,588	($ 335)

Interest Expense			
Interest bearing demand and savings deposits1 ..	$ 321	$ 156	$ 165
Time deposits	789	318	471
Federal funds purchased, repurchase agreements and notes payable ..	(226)	(101)	(125)
FHLB advances and other borrowings	155	107	48
Total interest expense	$ 1,039	$ 480	$ 559
Net Interest Income (TE)	$ 214	$ 1,108	($ 894)

Net interest income on a tax equivalent basis was $214,000, or 2.2% higher for the first three months of 2001 compared to 2000. Total tax-equivalent interest income was $1,253,000, or 6.9% higher in 2001 compared to 2000, and interest expense increased $1,039,000, or 12.2%. The increase in interest income was mainly due to an increase in average earning assets. The increase in interest expense was due to a combination of higher average balances and higher rates.

The increase in total interest income was mainly due to an increase in interest income from loans as well as federal funds sold and interest bearing deposits and tax-exempt investment securities, offset somewhat by a decrease in income from taxable investment securities. The increase in interest income from loans was primarily due to an increase in average loans outstanding during the first three months of 2001 compared to the first three months of 2000. The increase in interest from federal funds sold and interest earning deposits was mainly due to an increase in average balances during the first quarter of 2001 compared to the first quarter of 2000, offset somewhat by a decrease in rates. The increase in interest from tax-exempt investments was primarily caused by an increase in the average balance during the first three months of 2001 compared to the same period in 2000. The decrease in taxable investment interest income was mainly due to a decrease in average balances in the first quarter of 2001 compared to the first quarter of 2000. The decrease in the total average investment portfolio was primarily caused by shifting assets to fund loan growth.

The increase in total interest expense was due to increases in interest on time deposits, interest bearing demand and savings deposits, and FHLB advances and other borrowings, offset somewhat by a decrease in interest expense on federal funds purchased, repurchase agreements and notes payable. Interest expense on time deposits increased during the first quarter of 2001 compared to the first quarter of 2000 due to both higher rates and higher average balances. Interest expense on interest bearing demand and savings deposits increased in the first quarter of 2001 compared to the first quarter of 2000 due to both higher rates and higher average balances. Also contributing to the increase in total interest expense was an increase in interest on FHLB advances and other borrowings which was due to both an increase in the average balance and rates on these accounts. Somewhat offsetting the increase in total interest expense was a decrease in interest on federal funds purchased, securities sold under repurchase agreements and notes payable, which was due to both lower rates and lower average balances.

The provision for loan losses recorded was $235,000 during the first three months of 2001. This was $99,000, or 72.8%, higher than the $136,000 recorded during the first three months of 2000. The provision during both periods was based on management's analysis of the loan portfolio, as discussed in the provision and allowance for loan losses section above.

Total non-interest income decreased $202,000, or 4.7%, during the first three months of 2001 compared to the first three months of 2000. Included in this decrease was a decrease of $215,000, or 11.5%, in income from remittance processing. This decrease was primarily due to a shift from lockbox payments to mechanized payments which have lower revenue streams as well as lower costs. Income from trust and brokerage fees decreased $134,000, or 9.5%, during the first quarter of 2001 compared to the first quarter of 2000. This was due, in part, to a decrease in total assets under management, and associated income, as a result of stock market fluctuations during the first quarter of 2001. Other income decreased $46,000, or 9.6%, during the first three months of 2001 compared to the same period in 2000. Somewhat offsetting these decreases was a $75,000, or 3,750.0%, increase in income from securities transactions during the first three months of 2001 compared to the same period in 2000. Gains on sales of mortgage loans held-for-sale increased $121,000, or 355.9%, during the first three months of 2001 compared to the same period in 2000. This increase reflected a $11,916,000, or 305.4%, increase in funded mortgage loans held-for-sale during the first quarter of 2001 compared to the first quarter of 2000. This increase was reflective of lower interest rates during the first three months of 2001.

Total non-interest expense decreased $3,032,000, or 27.3%, during the first three months of 2001 compared to the same period in 2000. Of this decrease, $2,452,000 was due to merger related professional fees. Salaries and employee benefits decreased $614,000, or 12.0%, during the first quarter of 2001 compared to the first quarter of 2000. Salaries and employee benefits in the first quarter of 2001 included $276,000 of expenses related to the termination of employment contracts compared to $713,000 in expenses in the first quarter of 2000 related to early retirement and termination of employment contracts as a result of the merger. Service charges from correspondent banks decreased $176,000, or 58.9%, in the first three months of 2001 compared to the same period in 2000. This was mainly due to a trend toward fewer lockbox transactions, resulting in decreased service charges from correspondent banks. Also contributing to the overall decrease in non-interest expense was a decrease of $37,000, or 3.0%, in other expense during the first quarter of 2001 compared to the first quarter of 2000. Somewhat offsetting these decreases was an increase of $18,000, or 2.4%, in equipment expense during the first three months of 2001 compared to the same period in 2000. Data processing expense increased $79,000, or 20.5%, in the first quarter of 2001 compared to the first quarter of 2000. Included in data processing expense in the first quarter of 2001 were expenses related to computer system conversion and early contract termination as the Company's subsidiaries continued to move toward the same data processing system. Occupancy expense increased $53,000, or 9.4%, during the first three months of 2001 compared to the same period in 2000. Office supplies increased $97,000, or 33.2%, in the first quarter of 2001 compared to the first quarter of 2000. Included in office supplies expense were additional printing and mailing expense to announce the aforementioned computer system conversion, and additional supplies purchased as a result of the conversion.

Income tax expense increased $235,000, or 16.5%, during the first three months of 2001 compared to the first three months of 2000. The effective tax rate decreased to 31.2% during the first quarter of 2001 from 58.9% during the first quarter of 2000. This difference was due to $2,292,000 of merger related professional fees for which no tax benefit had been recognized in the first quarter of 2000.

Business Segment Information

The Company currently operates in two industry segments. The primary business involves providing banking services to central Illinois. BankIllinois, First National Bank of Decatur and First Trust Bank of Shelbyville 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; 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 to the biller; processing of payments delivered by customer 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. The following is a summary of selected data for the various business segments:

	Banking Services	Remittance Services	Company	Eliminations	Total
March 31, 2001					
Total interest income	$ 19,123	$ 37	$ 27	$ (66)	$ 19,121
Total interest expense	9,645	--	--	(66)	9,579
Provision for loan losses ...	235	--	--	--	235
Total non-interest income ...	2,446	1,777	4,011	(4,147)	4,087
Total non-interest expense ..	6,427	1,332	513	(206)	8,066
Income before income tax	5,262	482	3,525	(3,941)	5,328
Income tax expense	1,638	165	(143)	--	1,660
Net Income	3,624	317	3,668	(3,941)	3,668
Total assets	1,085,406	6,454	133,917	(129,817)	1,095,960
Depreciation and amortization	584	123	6	--	713
March 31, 2000					
Total interest income	$ 17,897	$ 30	$ 67	$ (90)	$ 17,904
Total interest expense	8,630	--	--	(90)	8,540
Provision for loan losses ...	136	--	--	--	136
Total non-interest income ...	2,455	2,094	35	(295)	4,289
Total non-interest expense ..	6,418	1,689	3,286	(295)	11,098
Income before income tax	5,168	435	(3,184)	--	2,419
Income tax expense	1,587	149	(311)	--	1,425
Net Income	3,581	286	(2,873)	--	994
Total assets	1,021,046	6,299	120,747	(115,960)	1,032,132
Depreciation and amortization	563	131	6	--	700

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

This report contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Company intends such forward-looking statements to be covered by the safe harbor provisions. Forward-looking statements, which are based on certain assumptions and describe future plans, strategies and expectations of the Company, are generally identifiable by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. 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 affect on the operations and future prospects of the Company and its subsidiaries include, but are not limited to, changes in: interest rates, general economic conditions, legislative/regulatory changes, monetary and fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board, the quality or composition of the loan or investment portfolios, demand for loan products, deposit flows, competition, demand for financial services in the Company's market area, our implementation of new technologies, our ability to develop and maintain secure and reliable electronic systems, and accounting principles, policies and guidelines. These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Further information concerning the Company and its business; including additional factors that could materially affect the Company's financial results, is included in the Company's filings with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

See the "Interest Rate Sensitivity" section above.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

None

b. Reports

None

SIGNATURES

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

MAIN STREET TRUST, INC.

Date: May 14, 2001

By: /s/ David B. White

David B. White, Executive Vice President
and Chief Financial Officer

By: /s/ Van A. Dukeman

Van A. Dukeman, President
and Chief Executive Officer