MAIN STREET TRUST INC
Form 10-Q
May 10, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2005

Commission File Number: 0-30031

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

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

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

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

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

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

Indicate the number of shares outstanding of the registrant's common stock, as of May 2, 2005

Main Street Trust, Inc. Common Stock	10,357,907

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
March 31, 2005 and December 31, 2004
(Unaudited, in thousands, except share data)

	March 31, 2005	December 31, 2004
ASSETS		
Cash and due from banks	$ 33,655	$ 33,133
Federal funds sold and interest bearing deposits	60,610	31,795
Cash and cash equivalents	94,265	64,928
Investments in debt and equity securities:		
Available-for-sale, at fair value	232,121	269,580
Held-to-maturity, at cost (fair value of $81,410 and $81,099 at March 31, 2005 and December 31, 2004, respectively)	82,227	81,164
Non-marketable equity securities	8,014	7,982
Total investments in debt and equity securities	322,362	358,726

Loans, net of allowance for loan losses of $9,955 and $9,650 at March 31, 2005 and December 31, 2004, respectively	764,070	761,227
Mortgage loans held for sale	577	1,005
Premises and equipment	16,909	17,087
Accrued interest receivable	6,853	6,570
Other assets	19,602	18,575
Total assets	$ 1,224,638	$ 1,228,118
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits:		
Non-interest bearing	$ 186,500	$ 172,908
Interest bearing	771,951	801,669
Total deposits	958,451	974,577
Federal funds purchased, repurchase agreements and notes payable	108,818	96,900
Federal Home Loan Bank advances and other borrowings	27,571	29,882
Accrued interest payable	2,889	2,601
Other liabilities	12,402	10,183
Total liabilities	1,110,131	1,114,143
Commitments and contingencies (See notes 2 and 5)		
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	55,189	55,189
Retained earnings	109,871	108,071
Accumulated other comprehensive loss	(1,814)	(218)
	163,358	163,154
Less: treasury stock, at cost, 1,758,449 and 1,770,329 shares at March 31, 2005 and December 31, 2004, respectively	(48,851)	(49,179)
Total shareholders' equity	114,507	113,975
Total liabilities and shareholders' equity	$ 1,224,638	$ 1,228,118

See accompanying notes to unaudited consolidated financial statements.

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MAIN STREET TRUST, INC. AND SUBSIDIARIES
Consolidated Statements of Income
For the Three Months Ended March 31, 2005 and 2004
(Unaudited, in thousands, except share data)

	2005	2004

Interest income:		
Loans and fees on loans	$ 11,405	$ 10,051
Investments in debt and equity securities:		
Taxable	2,364	2,714
Tax-exempt	401	503
Federal funds sold and interest bearing deposits	221	113
Total interest income	14,391	13,381
Interest expense:		
Deposits	3,600	3,202
Federal funds purchased, repurchase agreements and notes payable	507	281
Federal Home Loan Bank advances and other borrowings	386	399
Total interest expense	4,493	3,882
Net interest income	9,898	9,499
Provision for loan losses	330	330
Net interest income after provision for loan losses	9,568	9,169
Non-interest income:		
Remittance processing	1,707	1,892
Trust and brokerage fees	1,842	1,662
Service charges on deposit accounts	526	579
Securities transactions, net	190	8
Gain on sales of mortgage loans, net	137	203
Other	613	803
Total non-interest income	5,015	5,147
Non-interest expense:		
Salaries and employee benefits	4,947	4,708
Occupancy	662	645
Equipment	606	633
Data processing	551	532
Office supplies	298	305
Service charges from correspondent banks	110	225
Other	1,275	1,149
Total non-interest expense	8,449	8,197
Income before income taxes	6,134	6,119
Income taxes	2,201	2,176
Net income	$ 3,933	$ 3,943
Per share data:		
Basic earnings per share	$ 0.42	$ 0.41
Weighted average shares of common stock outstanding	9,453,196	9,509,487
Diluted earnings per share	$ 0.41	$ 0.41
Weighted average shares of common stock and dilutive potential common shares outstanding	9,554,697	9,630,341

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, 2005 and 2004
(Unaudited, in thousands)

	2005
Net income	$ 3,93
Other comprehensive income (loss), before tax:	
Unrealized gains (losses) on securities:	
Unrealized holding gains (losses) arising during period, net of tax of ($988) and $405 for March 31, 2005 and 2004, respectively	(1,48
Less: reclassification adjustment for gains (losses) included in net income, net of tax of ($76) and ($3), for March 31, 2005 and 2004, respectively	(11
Other comprehensive income (loss)	(1,59
Comprehensive income	$ 2,33

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, 2005 and 2004
(Unaudited, in thousands)

	2005	2004
Cash flows from operating activities:		
Net income	$ 3,933	$ 3,943
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	594	648
Amortization of bond discounts and premiums, net	455	468
Provision for loan losses	330	330
Securities transactions, net	(190)	(8)
Federal Home Loan Bank stock dividend	(58)	(65)
Undistributed loss from non-marketable equity securities	26	67
Gain on sales of mortgage loans, net	(137)	(203)
Loss (Gain) on disposal of premises and equipment	1	(293)
Proceeds from sales of mortgage loans originated for sale	9,749	16,834
Mortgage loans originated for sale	(9,184)	(18,146)
Other, net	2,260	216
Net cash provided by operating activities	7,779	3,791

Cash flows from investing activities:		
Net (increase) in loans	(3,173)	(25,313)
Proceeds from maturities and calls of investments in debt securities:		
Held-to-maturity	1,589	5,270
Available-for-sale	27,925	46,210
Proceeds from sales of investments:		
Available-for-sale	3,931	88
Purchases of investments in debt and equity securities:		
Held-to-maturity	(4,257)	(33,750)
Available-for-sale	(15)	(48,887)
Principal paydowns from mortgage-backed securities:		
Held-to-maturity	1,407	8,707
Available-for-sale	2,890	2,106
Purchases of premises and equipment	(418)	(460)
Proceeds from sales of premises and equipment	1	623
Net cash provided by (used in) investing activities	29,880	(45,406)
Cash flows from financing activities:		
Net increase (decrease) in deposits	(16,126)	11,749
Net increase in federal funds purchased, repurchase agreements, and notes payable	11,918	13,154
Payments on Federal Home Loan Bank advances and other borrowings	(2,311)	(41)
Cash dividends paid	(2,079)	(1,996)
MSTI stock transactions, net	276	848
Net cash (used in) provided by financing activities	(8,322)	23,714
Net increase (decrease) in cash and cash equivalents	29,337	(17,901)
Cash and cash equivalents at beginning of year	64,928	75,903
Cash and cash equivalents at end of period	$ 94,265	$ 58,002
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 4,205	$ 3,778
Income taxes	110	200
Dividends declared not paid	2,081	2,002

See accompanying notes to unaudited consolidated financial statements.

MAIN STREET TRUST, INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements

Note 1. Basis of Presentation

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

America. These financial statements should be read in conjunction with the audited consolidated financial statements and related notes as of and for the year ended December 31, 2004, and schedules included in Main Street Trust, Inc.'s Form 10-K filed on March 15, 2005.

In the opinion of management, the consolidated financial statements of Main Street Trust, Inc. and its subsidiaries, as of March 31, 2005 and for the three-month periods ended March 31, 2005 and 2004, 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, 2005 are not necessarily indicative of the results which may be expected for the year ended December 31, 2005.

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

Certain amounts in the 2004 consolidated financial statements have been reclassified to conform with the 2005 presentation. Such reclassifications have no effect on previously reported net income or shareholders' equity.

Note 2. Company Information/Business Combination

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

On March 23, 2000, the Company acquired all of the outstanding stock of BankIllinois, The First National Bank of Decatur, First Trust Bank of Shelbyville and FirsTech, Inc. following the merger of BankIllinois Financial Corporation and First Decatur Bancshares, Inc. into the Company. The merger, which was accounted for as a pooling of interests, was completed on March 23, 2000. The Company subsequently merged the Company's former banking subsidiary, First Trust Bank of Shelbyville, into BankIllinois effective June 19, 2002. On November 10, 2004, the Company merged BankIllinois and the First National Bank of Decatur into BankIllinois and renamed the bank Main Street Bank & Trust.

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

On April 1, 2005, the Company acquired all of the outstanding stock of Citizens First Financial Corp. ("Citizens"), which was the parent company of Citizens Savings Bank, based in Bloomington, Illinois. As a result of the transaction, Citizen's former stockholders will be entitled to receive, in exchange for each share of Citizens common stock that they owned, either $35.00 in cash or 1.1051 shares of common stock of the Company. Citizens stockholders that owned fewer than 100 shares of Citizens common stock of record at the effective time of the merger will automatically receive cash in exchange for their shares. Citizens stockholders that owned 100 or more shares of Citizens common stock of record at the effective time of the merger will have the opportunity to elect to receive their consideration entirely in cash, entirely in the Company's common stock, or in a combination of cash and common stock, subject to allocation and proration procedures that are intended to ensure that on an aggregate basis 50% of the Citizens shares outstanding at the effective time of the merger are converted into cash and the remaining 50% are converted into the Company's common stock,

and subject also to a requirement that no stockholder may elect to receive stock with respect to fewer than 100 shares of Citizens common stock. To the Company's knowledge, approximately 1,623,450 shares of Citizens commons stock were outstanding at the effective time of the merger. As of December 31, 2004, Citizens had consolidated assets of $328.266 million, consolidated deposits of $231.009 million and consolidated stockholders' equity of $36.047 million. The Company plans to merge Citizens Savings Bank into Main Street Bank & Trust during the fourth quarter of this year.

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Note 3. Income per Share

Net income per common share has been computed as follows:

	Three Months Ended March 31, 2005	Three Months Ended March 31, 2004
Net Income	$3,933,000	$3,943,000
Shares:		
Weighted average common shares outstanding	9,453,196	9,509,487
Dilutive effect of outstanding options, as determined by the application of the treasury stock method	101,501	120,854
Weighted average common shares oustanding, as adjusted	9,554,697	9,630,341
Basic earnings per share	$ 0.42	$ 0.41
Diluted earnings per share	$ 0.41	$ 0.41

Note 4. Stock Option Plans

The Company has established a stock incentive plan, which provides for the granting of options of the Company's common stock to certain directors, officers and employees. As permitted under accounting principles generally accepted in the United States of America, grants of options under the plans are accounted for under the recognition and measurement principles of APB Opinion No. 25 Accounting for Stock Issued to Employees, and related interpretations. Because options granted under the plans had an exercise price equal to market value of the underlying common stock on the grant date, no stock-based employee compensation cost is included in determining net income. The following table illustrates the effect on net income (in thousands, except per share data and earnings per share) if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation.

	March 31, 2005	March 31, 2004
Net income on common stock:		
As reported	$ 3,933	$ 3,943
Deduct total stock-based compensation expense determined under the fair value method for all		

awards, net of related tax effects	(91)	(95)
Pro forma	$ 3,842	$ 3,848
Basic earnings per share:		
As reported	$ 0.42	$ 0.41
Pro forma	0.41	0.40
Diluted earnings per share:		
As reported	$ 0.41	$ 0.41
Pro forma	0.40	0.40

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

	March 31,	
	2005	2004
Number of options granted	136,500	140,500
Risk-free interest rate	3.98% - 4.08%	3.94%
Expected life, in years	7.00 - 8.00	8.00
Expected volatility	15.42%	15.95%
Expected dividend yield	2.97%	2.75%

Note 5. Commitments and Financial Instruments

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

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

The following table summarizes these financial instruments and commitments (in thousands) at March 31, 2005 and 2004:

	March 31,	
	2005	2004
Financial instruments whose contract amounts represent credit risk:		
Commitments	$267,522	$251,729
Standby letters of credit	28,148	18,419

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 $3.015 million to purchase other equity securities.

Standby letters of credit are conditional commitments issued by the Bank 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 Bank 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 Bank would be required to fund the commitment. The maximum potential amount of future payments the Bank could be required to make is represented by the contractual amount shown in the summary above. If the commitment is funded, the Bank would be entitled to seek recovery from the customer. At March 31, 2005 and 2004, no amounts have been recorded as liabilities for the Bank's potential obligations under these guarantees.

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

Financial Condition

Assets and Liabilities

Total assets decreased $3.480 million, or 0.3%, to $1.225 billion at March 31, 2005 compared to $1.228 billion at December 31, 2004. Increases in federal funds sold and interest bearing deposits, loans, investments in debt and equity securities held to maturity, other assets, cash and due from banks, accrued interest receivable and non-marketable equity securities were partially offset by decreases in investments in debt and equity securities available for sale, mortgage loans held for sale, and premises and equipment.

Cash and due from banks increased $522,000, or 1.6%, to $33.655 million at March 31, 2005 compared to $33.133 million at December 31, 2004.

Federal funds sold and interest bearing deposits increased $28.815 million, or 90.6%, to $60.610 million at March 31, 2005 compared to $31.795 million at December 31, 2004. Approximately $20 million of this increase was attributable to positioning for the expected acquisition of Citizens. Federal funds sold and interest bearing deposits can also fluctuate with loan demand, deposit volume and investment opportunities.

Total investments in debt and equity securities decreased $36.364 million, or 10.1%, to $322.362 million at March 31, 2005 compared to $358.726 million at

December 31, 2004. This was primarily due to a decrease in investments in securities available for sale of $37.459 million, or 13.9%, offset slightly by increases in investments in securities held to maturity of $1.063 million, or 1.3%, and non-marketable equity securities of $32,000, or 0.4%. In many cases, proceeds from maturities and calls of investments in debt securities in the first quarter of 2005 were redirected into shorter-term investing options, such as federal funds sold, to position the Company for the expected acquisition of Citizens. Investments can also fluctuate with loan demand, deposit volume and investment opportunities.

Loans, net of allowance for loan losses, increased $2.843 million, or 0.4%, to $764.070 million at March 31, 2005 from $761.227 million at December 31, 2004. Included in this increase were shifts in the loan mix during the first quarter of 2005 compared to the same period of 2004. There were increases in commercial real estate loans of $11.033 million, or 3.6%, and residential real estate loans of $2.259 million, or 3.6%. These increases were offset somewhat by decreases in commercial, financial and agricultural loans of $8.272 million, or 2.6%, and installment and consumer loans of $1.872 million, or 2.2%.

Mortgage loans held for sale decreased $428,000, or 42.6%, to $577,000 at March 31, 2005 compared to $1.005 million at December 31, 2004.

Premises and equipment decreased $178,000, or 1.0%, from $17.087 million at December 31, 2004 to $16.909 million at March 31, 2005. The decrease included depreciation and amortization expense of $594,000, proceeds from sale of property of $1,000, and a loss on disposal of property of $1,000 offset somewhat by purchases of $418,000.

Total liabilities decreased $4.012 million, or 0.4%, to $1.110 billion at March 31, 2005 from $1.114 billion at December 31, 2004. Decreases in interest bearing deposits and Federal Home Loan Bank advances and other borrowings were somewhat offset by increases in non-interest bearing deposits, federal funds purchased, repurchase agreements and notes payable, other liabilities and accrued interest payable.

Total deposits decreased $16.126 million, or 1.7%, to $958.451 million at March 31, 2005 from $974.577 million at December 31, 2004. Interest bearing deposits decreased $29.718 million, or 3.7%, and were somewhat offset by an increase of $13.592 million, or 7.8%, in non-interest bearing deposits. The Company expected interest bearing deposits to decrease during the first quarter of 2005 due to an outflow of short-term deposits attributable to the Company's Wealth Management division which had grown approximately $43 million during the second half of 2004.

Federal funds purchased, repurchase agreements and notes payable increased $11.918 million, or 12.3%, to $108.818 million at March 31, 2005 compared to $96.900 million at December 31, 2004. Included in this change were increases of $11.193 million in repurchase agreements and $725,000 in federal funds purchased.

Federal Home Loan Bank advances and other borrowings decreased $2.311 million, or 7.7%, to $27.571 million at March 31, 2005 compared to $29.882 million at December 31, 2004.

Investment Securities

The carrying value of investments in debt and equity securities was as follows for March 31, 2005 and December 31, 2004:

Carrying Value of Securities(1)
(in thousands)

	March 31, 2005	December 31, 2004
Available-for-sale:		
Federal agencies	$188,200	$218,994
Mortgage-backed securities	24,567	27,713
State and municipal	16,394	16,715
Marketable equity securities	2,960	6,158
Total available-for-sale	$232,121	$269,580
Held-to-maturity:		
Federal agencies	$ 40,643	$ 40,931
Mortgage-backed securities	14,515	14,992
State and municipal	27,069	25,241
Total held-to-maturity	$ 82,227	$ 81,164
Non-marketable equity securities:		
Federal Home Loan Bank stock	$ 4,337	$ 4,279
Other equity investments	3,677	3,703
Total non-marketable equity securities	$ 8,014	$ 7,982
Total investment securities	$322,362	$358,726

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

The following table shows the maturities and weighted-average yields of investment securities at March 31, 2005. All securities are shown at their contractual maturity.

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

March 31, 2005

	1 year or less Amount	1 year or less Rate	1 to 5 years Amount	1 to 5 years Rate	5 to 10 years Amount	5 to 10 years Rate	Am
Securities available-for-sale:							
Federal agencies	$52,051	3.49%	$136,149	2.84%	$ --	--	$
Mortgage-backed securities(1)	$14,018	2.78%	$ 10,424	4.61%	$ 92	5.59%	$
State and municipal (TE)(2)	$ 3,084	5.43%	$ 9,129	5.72%	$3,708	7.68%	$
Marketable equity securities(3)	$ --	--	$ --	--	$ --	--	$
Total	$69,153		$155,702		$3,800		$
Average Yield (TE)(2)		3.43%		3.13%		7.63%	
Securities held-to-maturity:							

Federal agencies	$ 5,035	2.48%	$ 30,034	2.88%	$5,574	3.92%	$
Mortgage-backed securities(1)	$ 8,185	1.23%	$ 5,754	3.47%	$ 133	3.41%	$
State and municipal (TE)(2) ..	$ 9,196	5.26%	$ 17,348	5.64%	$ 180	7.07%	$
Total	$22,416		$ 53,136		$5,887		$
Average Yield (TE)(2)		3.17%		3.84%		4.00%	
Non-marketable equity securities(3):							
FHLB stock	$ --	--	$ --	--	$ --	--	$
Other equity investments	$ --	--	$ --	--	$ --	--	$
Total	$ --	--	$ --	--	$ --	--	$

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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		Tot
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Available-for-Sale:					
Federal agencies	$ 52,660	$ 663	$109,873	$ 3,005	$162,533
Mortgage-backed securities	9,303	78	7,196	283	16,499
Obligations of state and political subdivisions	3,537	55	--	--	3,537
Subtotal, debt securities	$ 65,500	$ 796	$117,069	$ 3,288	$182,569
Other	525	120	534	356	1,059
Total temporarily impaired securities	$ 66,025	$ 916	$117,603	$ 3,644	$183,628
Held-to-Maturity:					
Federal agencies	$ 5,478	$ 116	$ 34,097	$ 952	$ 39,575
Mortgage-backed securities	2,805	40	10,568	154	13,373
Obligations of state and political subdivisions	8,977	51	361	6	9,338
Total temporarily impaired securities	$ 17,260	$ 207	$ 45,026	$ 1,112	$ 62,286

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. 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.

The $3.644 million continuous unrealized loss greater than 12 months on available for sale securities was made up of twenty-one debt securities and seven other securities which were common stocks and was believed to be a temporary loss. Common stocks represented $356,000 of the continuous unrealized loss on available for sale securities which was a decrease of $393,000 from the loss on common stocks of $749,000 at December 31, 2004. The $1.112 million continuous unrealized loss greater than 12 months on held to maturity securities was made up of nineteen debt securities and was believed to be a temporary loss. Management believes the market value of these securities 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.

Loans

The following tables present the amounts and percentages of loans at March 31, 2005 and December 31, 2004 according to the categories of commercial, financial and agricultural; commercial real estate; residential real estate; and installment and consumer loans.

	Amount of Loans Outstanding (dollars in thousands)			
	March 31, 2005		December 31, 2004	
	Amount	Percentage	Amount	Percentage
Commercial, financial and agricultural	$306,385	39.58%	$314,657	40.82%
Real estate- commercial	320,864	41.46%	309,830	40.19%
Real estate- residential	64,722	8.36%	62,464	8.10%
Installment and consumer	82,054	10.60%	83,926	10.89%
Total loans	$774,025	100.00%	$770,877	100.00%

The balance of loans outstanding as of March 31, 2005 by maturity is shown in the following table:

	Maturity of Loans Outstanding (dollars in thousands)			
	March 31, 2005			
	1 year or less	1 to 5 years	Over 5 years	Total
Commercial, financial and agricultural	$187,376	$ 78,253	$ 40,756	$306,385
Real estate- commercial	82,330	130,329	108,205	320,864
Real estate- residential	8,007	17,243	39,472	64,722
Installment and consumer	10,023	50,463	21,568	82,054
Total	$287,736	$276,288	$210,001	$774,025

Percentage of total loans outstanding	37.17%	35.70%	27.13%	100.00%

Capital

Total shareholders' equity increased $532,000 from December 31, 2004 to March 31, 2005. Treasury stock transactions, net, were $276,000, which included $328,000 attributable to the issuance of treasury stock less a $52,000 effect on treasury stock as a result of stock option exercises. The change in shareholders' equity is summarized as follows:

Shareholders' Equity (in thousands)

Shareholders' equity, December 31, 2004	$ 113,975
Net income	3,933
Treasury stock transactions, net	276
Stock appreciation rights	--
Cash dividends declared	(2,081)
Other comprehensive income	(1,596)
Shareholders' equity, March 31, 2005	$ 114,507

On March 15, 2005, the Board of Directors of the Company declared a quarterly cash dividend of $0.22 per share of the Company's common stock. The dividend of $2.081 million was paid on April 22, 2005 to holders of record on March 31, 2005.

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The Company and its subsidiary bank 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 bank's 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 bank's 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 bank 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, 2005, that the Company and its subsidiary bank exceeded all capital adequacy requirements to which they are subject.

As of March 31, 2005, the most recent notifications from primary regulatory agencies categorized the Company's subsidiary bank 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 bank's categories.

The Company's and the Bank's 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, 2005:						
Total capital (to risk-weighted assets)						
Consolidated	$126,124	13.9%	$72,750	8.0%	N/A	
Main Street Bank & Trust	$ 93,303	10.4%	$71,645	8.0%	$89,556	10.0%
Tier I capital (to risk-weighted assets)						
Consolidated	$116,062	12.8%	$36,375	4.0%	N/A	
Main Street Bank & Trust	$ 83,238	9.3%	$35,822	4.0%	$53,734	6.0%
Tier I capital (to average assets)						
Consolidated	$116,062	9.6%	$48,616	4.0%	N/A	
Main Street Bank & Trust	$ 83,238	6.9%	$48,052	4.0%	$60,065	5.0%

Interest Rate Sensitivity

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

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The following table presents the Company's interest rate sensitivity at various intervals at March 31, 2005:

	Rate Sensitivity of Earning Assets and Interest (dollars in thousands)			
	1-30 Days	31-90 Days	91-180 Days	181-365 Days
Interest earning assets:				
Federal funds sold and interest bearing deposits	$ 60,610	$ --	$ --	$ --
Debt and equity securities (1)	14,350	13,611	17,122	36,314
Loans (2)	304,545	43,982	52,763	61,767

Total earning assets	$ 379,505	$ 57,593	$ 69,885	$ 98,081
Interest bearing liabilities:				
Savings and interest bearing demand deposits	$ 49,119	$ 1,504	$ 2,256	$ 4,513
Money market savings deposits	198,047	--	--	--
Time deposits	20,230	44,993	52,496	114,931
Federal funds purchased, repurchase agreements, and notes payable	88,534	104	7,870	12,310
FHLB advances and other borrowings	5,000	10,000	--	5,069
Total interest bearing liabilities	$ 360,930	$ 56,601	$ 62,622	$ 136,823
Net asset (liability) funding gap	18,575	992	7,263	(38,742)
Repricing gap	1.05	1.02	1.12	0.72
Cumulative repricing gap	1.05	1.05	1.06	0.98

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
Savings and interest-bearing demand deposits	0.45%	0.85%	1.25%	2.45%	95.

At March 31, 2005, the Company was slightly asset sensitive in the 1-30 days category as well as in the 1-90 day category. As such, the effect of a decrease in the interest rate for all interest earning assets and interest bearing liabilities of 100 basis points would decrease annualized net interest income by approximately $186,000 in the 1-30 days category and $196,000 in the 1-90 days category assuming no management intervention. An increase in interest rates would have the opposite effect for the same time periods. The Company's Asset and Liability Management Policy states that the cumulative ratio of rate-sensitive assets ("RSA") to rate-sensitive liabilities ("RSL") for the 12-month period should fall within the range of 0.75-1.25. As of March 31, 2005, the Company's RSA/RSL was 0.98, which was within the established guidelines.

In addition to managing interest rate sensitivity and liquidity through the use of gap reports, the Company has provided for emergency liquidity situations with informal agreements with correspondent banks that permit the Company to borrow federal funds on an unsecured basis. Additionally, at March 31, 2005, the Company had a $10 million unsecured line of credit with a correspondent bank, and can borrow approximately $56 million from the Federal Home Loan Bank on a secured basis (refer to the Liquidity and Cash Flows section that follows for additional information).

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

The following table shows projected results at March 31, 2005 and December 31, 2004 of the impact on net interest income from an immediate change in interest rates. The results are shown as a percentage change in net interest income over the next twelve months.

	Basis Point Change			
	+200	+100	-100	-200
March 31, 2005	10.4%	5.3%	(5.3%)	(10.6%)
December 31, 2004	10.3%	5.1%	(5.1%)	(10.3%)

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

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

Liquidity and Cash Flows

The Company was able to meet liquidity needs during the first three months of 2005. A review of the consolidated statement of cash flows included in the accompanying financial statements shows that the Company's cash and cash equivalents increased $29.337 million from December 31, 2004 to March 31, 2005.

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

securities and/or federal funds sold.

The increase in cash and cash equivalents came from cash provided by investing and operating activities, offset somewhat by cash used in financing activities. There were differences in the sources and uses of cash during the first three months of 2005 compared to the first three months of 2004. Cash was provided by investing activities during the first three months of 2005 compared to cash used during the same period in 2004 primarily due to cash provided by net investing activities in 2005 compared to cash used by net investing activities during the same period in 2004. In 2005, proceeds of $37.742 million from maturities, calls and sales of debt and equity securities and principal paydowns on mortgage-backed securities were slightly offset by cash used to purchase debt and equity securities of $4.272 million. In 2004, purchases of debt and equity securities were $82.637 million compared to proceeds of $62.381 million from maturities, calls and sales of debt and equity securities and principal paydowns on mortgage-backed securities. Also contributing to the difference in investing activities was the difference in loan growth during these two periods. Cash used to fund loan growth during the first quarter of 2005 was $3.173 million compared to $25.313 million during the same period in 2004. More cash was provided by operating activities during the first three months of 2005 compared to the same period in 2004. Cash was used by financing activities during the first three months of 2005 compared to cash provided during the same period in 2004, primarily due to a decrease in deposits during the first three months of 2005 compared to an increase during the same period in 2004. The Company expected deposits to decrease during the first quarter of 2005 due to an outflow of short-term deposits attributable to the Company's Wealth Management division which had grown approximately $43 million during the second half of 2004. Also, cash used for payments on Federal Home Loan Bank advances and other borrowings was $2.311 million during the first three months of 2005 compared to $41,000 during the same period of 2004.

On April 1, 2005, the Company borrowed $6 million, to be repaid within 3 years, to fund a portion of the Citizens acquisition cost. In addition, the Company negotiated an increase of its $10 million line of credit from a third party lender to $15 million and immediately advanced $4 million, which is due in 2006. The Company's future short-term cash requirements are expected to be provided by maturities and sales of investments, sales of loans and deposits. If current sources of liquidity cannot provide needed cash in the future, the Company can obtain long-term funds from several sources, including, but not limited to, utilizing the Company's remaining $11 million line of credit from a third party lender, FHLB borrowings and brokered CDs. To meet short-term liquidity needs, the Company is able to borrow funds on a temporary basis from the Federal Reserve Bank, the FHLB and correspondent banks. With sound capital levels, the Company continues to have several options for longer-term cash needs, such as for future expansion and acquisitions.

Critical Accounting Policies

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

Provision and Allowance for Loan Losses

The provision for loan losses is based on management's evaluation of the loan portfolio in light of national and local economic conditions, changes in the composition and volume of the loan portfolio, changes in the volume of past due and nonaccrual loans, and other relevant factors. The allowance for loan losses, which is reported as a deduction from loans, is available for loan charge-offs. The allowance is increased by the provision charged to expense and is reduced by loan charge-offs net of loan recoveries. The allowance is allocated between the commercial, financial and agricultural; commercial real estate; residential real estate; and installment and consumer loan portfolios according to the historical losses experienced in each of these portfolios as well as the current level of watch list loans and nonperforming loans for each portfolio. Loans for which borrower cash flow and the estimated liquidation value of collateral are inadequate to repay the total outstanding balance are evaluated separately and assigned a specific allocation. The unallocated portion of the allowance is determined by economic conditions and other factors mentioned above. The balance of the allowance for loan losses was $9.955 million at March 31, 2005 compared to $9.650 million at December 31, 2004, as net charge-offs were $25,000 and provisions totaled $330,000 during the first three months of 2005. The allowance for loan losses as a percentage of gross loans, including loans held-for-sale, was 1.29% at March 31, 2005, compared to 1.25% at December 31, 2004. Gross loans, including loans held-for-sale, increased 0.4% to $774.602 million at March 31, 2005 from $771.882 million at December 31, 2004.

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One measure of the adequacy of the allowance for loan losses is the ratio of the allowance to nonperforming loans. The allowance for loan losses as a percentage of nonperforming loans was 401.9% at March 31, 2005 compared to 431.6% at December 31, 2004. Nonperforming loans increased from $2.236 million at December 31, 2004 to $2.477 million at March 31, 2005. The $241,000 increase in nonperforming loans during the first three months of 2005 resulted from a $53,000 increase in nonaccrual loans and an increase of $188,000 in loans past due 90 days or more. Management believes that nonperforming and potential problem loans are appropriately identified and monitored based on the extensive loan analysis performed by the credit administration department, the internal loan committees and the board of directors. Historically, there have not been a significant amount of loans charged off which had not been previously identified as problem loans by the credit administration department or the loan committees.

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

	Allowance for Loan Losses (dollars in thousands)	
	March 31,	
	2005	2004
Allowance for loan losses at beginning of year	$ 9,650	$ 9,786
Charge-offs during period:		
Commercial, financial and agricultural	$ --	$ --
Real estate- commercial	--	--
Real estate- residential	--	--
Installment and consumer	(135)	(265)

Total	$ (135)	$ (265)
Recoveries of loans previously charged off:		
Commercial, financial and agricultural	$ 6	$ 53
Real estate- commercial	5	--
Real estate- residential	--	--
Installment and consumer	99	47
Total	$ 110	$ 100
Net charge-offs	$ (25)	$ (165)
Provision for loan losses	330	330
Allowance for loan losses at end of quarter	$ 9,955	$ 9,951
Ratio of net charge-offs to average net loans	(0.01)%	(0.02)%

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

	Allocation of the Allowance for Loan Losses (in thousands)	
	March 31, 2005	December 31, 2004
Allocated:		
Commercial, financial and agricultural	$4,052	$5,289
Real estate- commercial	3,324	1,637
Real estate- residential	200	198
Installment and consumer	1,488	1,605
Total allocated allowance	$9,064	$8,729
Unallocated allowances	891	921
Total	$9,955	$9,650

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, 2005	December 31, 2004
Nonaccrual loans(1)	$1,742	$1,689

Loans past due 90 days or more	$ 735	$ 547
Restructured loans	$ 458	$ 497

(1) Includes $453,000 at March 31, 2005 and $509,000 at December 31, 2004 of real estate and consumer loans which management does not consider impaired as defined by the Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan" (SFAS 114).

	Other Nonperforming Assets (dollars in thousands)	
	March 31, 2005	December 31, 2004
Other real estate owned	$ --	$ --
Nonperforming other assets	$ 140	$ 33

Results of Operations

Results of Operations For the Three Months Ended March 31, 2005

Net income for the first three months of 2005 was $3.933 million, a $10,000, or 0.3%, decrease from $3.943 million for the same period in 2004. Basic earnings per share increased $0.01, or 2.4%, to $0.42 per share in the first quarter of 2005 from $0.41 per share during the same period in 2004. Diluted earnings per share remained stable at $0.41 per share in the first quarters of 2005 and 2004.

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 (dollars in thousands)				
	Three Months Ended March 31,				
	2005			20	
	Average Balance	Interest	Rate	Average Balance	Int
Assets					
Taxable investment securities(1)	$ 304,567	$ 2,364	3.15%	$ 307,326	$
Tax-exempt investment securities(1) (TE)	41,648	617	6.01%	50,135	
Federal funds sold and interest bearing deposits(2)	29,179	221	3.07%	40,568	
Loans3,4 (TE)	761,692	11,408	6.07%	686,628	
Total interest earning assets and interest income (TE)	$1,137,086	$ 14,610	5.21%	$1,084,657	$

Cash and due from banks	$ 38,699			$ 47,782	
Premises and equipment	17,079			17,518	
Other assets	25,307			21,242	
Total assets	$1,218,171			$1,171,199	
Liabilities and Shareholders' Equity					
Interest bearing demand deposits	$ 66,440	$ 90	0.55%	$ 93,191	$
Savings	368,260	1,045	1.15%	304,141	
Time deposits	342,642	2,465	2.92%	347,281	
Federal funds purchased, repurchase agreements, and notes payable	103,396	507	1.99%	107,838	
FHLB advances and other borrowings	28,530	386	5.49%	29,966	
Total interest bearing liabilities and interest expense	$ 909,268	$ 4,493	2.00%	$ 882,417	$
Noninterest bearing demand deposits	$ 116,182			$ 99,744	
Noninterest bearing savings deposits	64,894			66,153	
Other liabilities	13,188			9,824	
Total liabilities	$1,103,532			$1,058,138	
Shareholders' equity	114,639			113,061	
Total liabilities and shareholders' equity	$1,218,171			$1,171,199	
Interest spread (average rate earned minus average rate paid) (TE)			3.21%		
Net interest income (TE)		$ 10,117			$
Net yield on interest earnings assets (TE)			3.61%		

Notes to Consolidated Average Balance Sheet and Interest Rate Tables:

(1) Investments in debt securities are included at carrying value.

(2) Federal funds sold and interest bearing deposits included approximately $35,000 and $20,000 in 2005 and 2004, respectively, of interest income from third party processing of cashier checks.

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

(4) Loan fees of approximately $243,000 and $296,000 in 2005 and 2004,

respectively, were included in total loan income.

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

Analysis of Volume and Rate Changes (in thousands)

	Three Months Ended March 31, 2005		
	Increase (Decrease) from Previous Year	Due to Volume	Due to Rate
Interest Income			
Taxable investment securities	$ (350)	$ (26)	$ (324)
Tax-exempt investment securities (TE)	(157)	(132)	(25)
Federal funds sold and interest earning deposits	108	(39)	147
Loans (TE)	1,355	1,052	303
Total interest income (TE)	$ 956	$ 855	$ 101
Interest Expense			
Interest bearing demand and savings deposits ...	$ 346	$ 77	$ 269
Time deposits	52	(37)	89
Federal funds purchased, repurchase agreements and notes payable	226	(12)	238
FHLB advances and other borrowings	(13)	(21)	8
Total interest expense	$ 611	$ 7	$ 604
Net Interest Income (TE)	$ 345	$ 848	$ (503)

Net interest income on a tax equivalent basis was $345,000, or 3.5%, higher for the first three months of 2005 compared to 2004. Total tax-equivalent interest income was $956,000, or 7.0%, higher in 2005 compared to 2004 and interest expense increased $611,000, or 15.7%. The increase in tax-equivalent interest income was due to both higher volume and rates, while the increase in interest expense was mainly due to higher rates.

The increase in total tax-equivalent interest income was primarily due to an increase in interest income from loans and federal funds sold and interest earning deposits, offset somewhat by decreases in interest income from taxable

and tax-exempt investment securities. The increases in interest income from loans was due to increases in both average balances and rates, while the increase in interest income from federal funds sold and interest earning deposits was due to an increase in rates, offset somewhat by a decrease in average balances. The decrease in interest income from taxable and tax-exempt investment securities was due to both lower rates and lower average balances.

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

The provision for loan losses recorded was $330,000 during the first three months of both 2005 and 2004. The provision during both periods was based on management's analysis of the loan portfolio, as discussed in the provision for loan losses section above.

The following table quantifies non-interest income and expense for the three months ended March 31, 2005 and 2004:

	Noninterest Income and Expense for the Three Months Ended March 31,			
Noninterest Income (in thousands)	2005	2004	$ change	% change
Remittance processing (1)	$1,707	$1,892	$ (185)	(9.8%)
Trust and brokerage fees (2)	1,842	1,662	180	10.8%
Service charges on deposit accounts	526	579	(53)	(9.2%)
Securities transactions, net (3)	190	8	182	2275.0%
Gain on sales of mortgage loans, net (4) ...	137	203	(66)	(32.5%)
Other (5)	613	803	(190)	(23.7%)
Total non-interest income	$5,015	$5,147	$ (132)	(2.6%)
Noninterest Expense (in thousands)				
Salaries and employee benefits	$4,947	$4,708	$ 239	5.1%
Occupancy	662	645	17	2.6%
Equipment	606	633	(27)	(4.3%)
Data processing	551	532	19	3.6%
Office supplies	298	305	(7)	(2.3%)
Service charges from correspondent banks (6)	110	225	(115)	(51.1%)
Other (7)	1,275	1,149	126	11.0%
Total non-interest expense	$8,449	$8,197	$ 252	3.1%

Income tax expense increased $25,000, or 1.1%, during the first three months of

2005 compared to the same period in 2004. The effective tax rate increased to 35.9% during the first quarter of 2005 from 35.6% during the first quarter of 2004.

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Business Segment Information

The Company currently operates in two industry segments. The primary business involves providing banking services to central Illinois. The Bank offers a full range of financial services to business and individual customers. These services include demand, savings, time and individual retirement accounts; commercial, commercial real estate, consumer (including automobile loans and personal lines of credit), agricultural, and residential real estate lending; safe deposit and night depository services; purchases of installment obligations from retailers, primarily without recourse; farm management; full service trust department that offers a wide range of services such as investment management, acting as trustee, serving as guardian, executor or agent, miscellaneous consulting, and brokerage services offered through a third-party arrangement with Raymond James Financial Services. 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. During 2004, certain administrative, audit, compliance, accounting, finance, property management, human resources, sales management and marketing, courier, information systems and other support services were performed by the Company. The net expenses of these functions were allocated to the subsidiaries by charging a monthly management fee. Effective January 1, 2005, these functions were moved to the Banking Services Segment. During this process, approximately 77 full time equivalent employees were moved from the Company to the Bank. The net expenses of these functions are allocated to the Company and FirsTech by charging a monthly management fee.

The following table quantifies the Company's business segment information for the three-months ended March 31, 2005 and 2004:

	Banking Services	Remittance Services	Company	Eliminations	Total
March 31, 2005					
Total interest income	$ 14,391	$ 4	$ 24	$ (28)	$ 14,39
Total interest expense	4,512	--	9	(28)	4,49
Provision for loan losses ...	330	--	--	--	33
Total non-interest income ...	3,340	1,737	202	(264)	5,01
Total non-interest expense ..	7,285	1,115	313	(264)	8,44
Income before income tax	5,604	626	(96)	--	6,13
Income tax expense	1,980	264	(43)	--	2,20
Net income	3,624	362	(53)	--	3,93
Total assets	1,212,406	2,388	118,579	(108,735)	1,224,63
Depreciation and amortization	467	114	13	--	59

March 31, 2004					
Total interest income	$ 13,421	$ 4	$ (17)	$ (27)	$ 13,38
Total interest expense	3,892	--	17	(27)	3,88
Provision for loan losses ...	330	--	--	--	33
Total non-interest income ...	3,282	1,912	1,180	(1,227)	5,14
Total non-interest expense ..	6,576	1,316	1,532	(1,227)	8,19
Income before income tax	5,905	600	(386)	--	6,11
Income tax expense	2,079	252	(155)	--	2,17
Net income	3,826	348	(231)	--	3,94
Total assets	1,163,592	3,940	121,659	(106,589)	1,182,60
Depreciation and amortization	384	149	115	--	64

Emerging Accounting Standards

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, ("FAS 123(R)"), which replaces SFAS No. 123 and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees." This Statement requires companies to expense the estimated fair value of stock options and similar equity instruments issued to employees. Currently, companies are required to calculate the estimated fair value of these share-based payments and can elect to either include the estimated cost in earnings or disclose the pro forma effect in the footnotes to their financial statements. We have chosen to disclose the pro forma effect. The fair value concepts were not changed significantly in FAS 123(R); however, in adopting this Standard, companies must choose among alternative valuation models and amortization assumptions. The valuation model and amortization assumption we have used continues to be available, but we have not yet completed our assessment of the alternatives.

On April 14, 2005 the U.S. Securities and Exchange Commission (the "SEC") announced a deferral of the effective date of FAS 123(R) for calendar year companies until the beginning of 2006.

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

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

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

- The strength of the United States economy in general and the strength of the local economies in which the Company conducts its operations which may be less favorable than expected and may result in, among other things, a

deterioration in the credit quality and value of the Company's assets.

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

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

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

- 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, the Financial Accounting Standards Board or the Public Company Accounting Oversight Board.

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

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

See the "Interest Rate Sensitivity" section above.

Item 4. Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Securities and Exchange Act of 1934, as amended) as of March 31, 2005. 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 disclosure controls or its internal controls over financial reporting, or in other factors that could significantly affect the disclosure controls or the Company's internal controls over financial reporting.

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. Unregistered Sales of Equity Securities and Use of Proceeds

On October 27, 2003, the Company announced that its Board of Directors had reinstated the Stock Repurchase Program (the "Program"), allowing the purchase of up to 500,000 shares of the Company's outstanding common stock. No shares were repurchased during the first quarter of 2005. The maximum number of shares that may yet be purchased under the Program was 389,700 at March 31, 2005.

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

10.1 Credit Agreement dated as of March 31, 2005 between JPMorgan Chase Bank, N.A. and Main Street Trust, Inc.

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

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

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

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

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 9, 2005

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